



MISSION
OF THE PRINCIPALITY OF LIECHTENSTEIN
TO THE EUROPEAN UNION

State of Relations between the EU and the Principality of Liechtenstein

Statement at the Meeting with the EFTA Working Party of the EU Council

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(edited transcript)

Introduction

It is a great pleasure to be here and to exchange views on Liechtenstein's relations with the European Union. First of all, let me wish Austria good luck for its presidency: you have many important and challenging issues on your plate. I would also like to take the opportunity to thank the Council EFTA Working Party for our excellent cooperation. We very much appreciated your visit to Liechtenstein last year, and the very constructive discussions.

We are living in turbulent times. Protectionism and nationalism are growing, also within Europe. One EU Member State wishes to leave the Union after 40 years of membership. And overseas, the transatlantic partnership is more and more put into question. During these times of insecurity, we realize even more that the cooperation we are having with the European Union, in particular through the EEA Agreement, provides us with great stability and legal certainty.

Brexit has illustrated even further how deeply the EEA EFTA States are integrated in Europe and that being part of the single market comes with huge benefits for our citizens and undertakings.

Support for the Liechtenstein integration model therefore remains high in our population. The European Union is our most important trading partner. 60% of our exports are destined for the European Union, and 80% of our imports come from the European Union. Access to the internal market is crucial for a small economy like Liechtenstein, especially for our export-oriented industry. Furthermore, the EU passport is a must for our banking sector.

But our cooperation with the European Union goes beyond mere economic benefits. I would say that Liechtenstein citizens truly feel European. We share the same values and interests, and our younger generation takes it for granted that they can travel, work and study in Europe.

Liechtenstein/EU relations (generally)

The Council Conclusions adopted two years ago already highlighted the excellent relations with Liechtenstein. I would say that since then, relations got even closer, especially in the field of Schengen/Dublin and with regard to tax cooperation. I can assure you that the Liechtenstein Government remains fully committed to deepening this cooperation further, especially when it comes to the EEA and to Schengen/Dublin. But we will also continue to strengthen our ties in other areas, including the Council of Europe, the OSCE and United Nations. The core principles of the European Union, such as freedom, equality, rule of law and respect for human rights, are strongly embodied in our foreign policy.

EEA

Looking particularly at the EEA Agreement, our assessment remains very positive. There are of course challenges, but with the spirit of cooperation we have always found good solutions with the European Union.

The implementation of EU law in Liechtenstein is smooth, even though doing so is quite a challenge for a small administration like ours. But we treat EEA issues with high priority and we continue to transpose EU law quickly and precisely. The latest Internal Market Scoreboard published by the EFTA Surveillance Authority in July, shows that we have a low transposition deficit of 0.7%. This is a significant improvement since December 2017. It also shows that there are very few infringement proceedings against Liechtenstein.

Liechtenstein also works very hard to help to reduce the backlog, especially in the field of financial services. As you know, the backlog is rooted in the fact that we needed years to agree on the institutional set-up for the European Surveillance Authorities. This led to a massive backlog, which stands today at 280 acts. But we have really made good progress during the last year. We have seen a real dynamic in this process, especially since our Finance Ministers met with Commissioner Dombrovskis. It is crucial that we can ensure a level playing field in this sector. It is for this reason that Liechtenstein implements EU standards domestically even prior to EEA incorporation (e.g. with respect to the 4th AMLD and MiFID II/MiFIR).

I would like to thank the Commission and the EEAS for the improved cooperation. Now we finally see the fruits of our efforts. More than 60 acts have been incorporated in the financial

sector in 2018. We also see good progress in reducing the backlog of acts outside of the financial services – around 30% in the last year.

It is also clear that our participation in the new generation of the EU agencies and bodies will continue to be a challenge. The two-pillar structure belongs to the very foundation of the EEA Agreement and must be respected. The same goes for the principle of equal treatment of the EEA EFTA States in the EU programs and bodies.

Overall I can say that we had two good years for Liechtenstein in the EEA. During this time we have also had the opportunity to share our experience with our friends from Andorra, Monaco and San Marino.

EEA Financial Mechanism

The EEA Financial Mechanism constitutes a corner stone of our EEA cooperation. We have seen very positive results from the previous financing period (2009-2014), where 58 projects had a Liechtenstein partner. In particular, the University of Liechtenstein was engaged in many successful mobility projects. I also would like to highlight a project with the Czech Republic, where our joint Liechtenstein-Czech Commission of Historians published its results on a dedicated homepage. This was a really successful project and very much appreciated in my country.

The new Financial Mechanism 2014-2021 is also well advanced. We have concluded Memoranda of Understanding with 14 beneficiary States; just recently I signed an agreement with Croatia. I hope that we can now conclude the last outstanding MoU with Hungary as soon as possible.

The financial commitment under the new Financial Mechanism represents our most ambitious effort so far. It constitutes a significant part of our total solidarity budget. This is of course also an expression of our close partnership with the EU. We are convinced that with this contribution we can help reduce social and economic disparities within the EEA. We look forward to deepening our cooperation in the years to come, especially in the field of culture and education.

Schengen/Dublin

Migration and security are of great concern to our citizens. The Schengen/Dublin cooperation remains therefore of highest priority for my country. With thousands of daily commuters we depend heavily on the open borders with Austria and Switzerland. It is thus in our interest that the Schengen system functions well. In this regard, Liechtenstein is in a unique position, with no external borders and no airport. Nevertheless we fully implement the Schengen/Dublin acquis. This also means implementing big projects, like EES, ETIAS and interoperability, which can be quite challenging for a small administration like Liechtenstein's. But we rely on our past experience with other projects, such as SIS and VIS. We have also finalized negotiations on important agreements during the last two years, including on Prüm cooperation, Eurodac/Law Enforcement as well as an additional agreement concerning our participation in eu-LISA.

Regarding migration, we note good progress at the European level, as the mandate for Frontex has been broadened and as irregular migration has been brought down drastically since 2015. We certainly support the efforts of the Austrian Presidency to strengthen the protection of external borders and to intensify cooperation with countries of origin and transit.

But we also think that there is a need and an urgency to modernize the European Asylum System. The discussions on Dublin reform are well advanced and Liechtenstein has always shown solidarity in the past. We have participated in resettlement and relocation measures and we are ready to share the burden again, if there is EU consensus. Nevertheless, the asylum discussions have been quite challenging for us. We are not invited in the Working Group on Asylum matters and neither in the General Affairs Working Group, even when Schengen/Dublin issues are discussed. This makes it difficult to follow the discussion and to contribute in a meaningful way.

Transparency and tax cooperation

When it comes to transparency and tax cooperation we have come a long way since 2009, when our Government declared its readiness to comply fully with international standards. Since then we have been actively involved in the relevant OECD framework, where we regularly get good ratings for our performance. We were also one of the first non-OECD countries to join the BEPS initiative. On 1 January 2016, the agreement on the automatic exchange of financial account information entered into force between Liechtenstein and the European Union. And in September 2017, we successfully executed the first data exchanges under that agreement.

Last year, the Code of Conduct Group together with the Commission reviewed the Liechtenstein tax system and concluded that Liechtenstein complies with the international standards on exchange of information, that Liechtenstein does not encourage artificial tax structures and that Liechtenstein does not have any harmful tax practices or regimes. But it was also held that certain anti-abuse provisions were missing. I can inform you today that Liechtenstein has fulfilled its commitment in this regard and has introduced such provisions into the tax law. The amendments entered into force on the 1st of July 2018.

We therefore expect that Liechtenstein is removed as quickly as possible from any European or national lists, and that the EEA Agreement is applied without any restrictions to Liechtenstein economic operators. In other words, we expect that our companies get EU treatment.

Political dialogue, cooperation in other fora

I would also like to express our appreciation for the regular political dialogues we had on a ministerial level as well as at expert level. Liechtenstein regularly aligns itself with the EU Declarations of the High Representative Mogherini, including on EU sanctions. We implement these sanctions domestically, including in the case of Russia.

Our cooperation on foreign policy matters also takes place outside of Brussels, for example at the Council of Europe in Strasbourg, the OSCE in Vienna or the UN in New York and Gene-

va. And there we work closely with the representations of the EU and its Member States in a number of areas, in particular promoting peace, human rights, justice and the rule of law.

We are grateful for the support extended by the European Union for our initiatives. These include Liechtenstein's initiative to establish the Syria Mechanism, the so-called IIIM, as a tool to ensure that the victims of atrocity crimes in the Syrian conflict can preserve some hope that justice will prevail. We are also particularly active in supporting the International Criminal Court, for example through the Informal Ministerial Network coordinated by our Foreign Minister, and through our support for the Kampala Amendments on the Crime of Aggression, which entered into force today.

These initiatives not only show that we share the same values, but that there is also room for small and flexible player to complement the work of larger groups and like-minded countries.

Brexit

Liechtenstein is affected by Brexit in a way similar to the EU Member States. It is clear that the moment the UK leaves the European Union, it will also automatically leave the European Economic Area. I would like to thank the European Union for the close dialogue that we had on this issue, especially with Task Force 50, which gave us regular briefings on the state of play.

We also welcome that there will be a transition phase, which will ensure continuity until the end of December 2020.

We are currently working on a bilateral basis together with our EEA EFTA partners Norway and Island to have an agreement in place at the date of exit, in order to guarantee to our citizen the same rights as will be secured for EU citizens in the Withdrawal Agreement. Regarding the future relations with the UK, our priority is to ensure continued access to the British market and to preserve the homogeneity of the European Economic Area.

Liechtenstein economy

The Liechtenstein economy continued its recovery from the financial crisis quite well. Exports have gone up by 12% in the first quarter of 2018 compared to the first quarter of 2017. And we even expect that the exports will reach an all-time high by the end of the year.

The unemployment rate remains low at 1.9%. One important reason for this is the positive economic development in Europe. The motor of the Liechtenstein economy remains the industry, which contributes almost 40% to our GDP, which is quite high compared to the EU average of 25%. As I already mentioned, however, our industry is strongly exports oriented and therefore we are worried about the latest developments in international trade.

Liechtenstein retains its triple AAA rating by Standard & Poors, as one of only 11 countries worldwide.

Conclusion

My conclusion today is similar to the one two years ago, or even better. Our relations with the European Union remain excellent. We enjoy a very smooth cooperation. There are some challenges, such as the EEA backlog and tax discrimination issues, but we are all working hard to overcome them.

This success story shows again that there is space for different models of European integration. The arrangements work well because they are based on the same values and interest.

The European Union is facing challenging, almost existential times. But rest assured that Liechtenstein will remain a reliable partner. In 2019 we celebrate the fact that Liechtenstein will have had the same territory for 300 years. I hope that the EU can one day celebrate the same, or even an enlarged territory, for several centuries!

I thank you for your attention.