



MISSION
DES FÜRSTENTUMS LIECHTENSTEIN
BEI DER EUROPÄISCHEN 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

15 February 2022

H.E. Mr Pascal Schafhauser, Ambassador of Liechtenstein to the EU
(edited transcript)

Introduction

It is a pleasure to be here with you and to have this exchange after almost four years since we last assessed the relations between Liechtenstein and the EU.

Liechtenstein/EU relations (generally)

Liechtenstein's relations with the EU are very good and multi-faceted. Our cooperation with the EU goes well beyond the EEA and also concerns Schengen/Dublin, tax cooperation and foreign policy, including the implementation of EU sanctions.

It is, however, particularly the combination of our membership in the EEA and the association with the Schengen and Dublin agreements that reflect our place at the heart of Europe. Our inhabitants enjoy the freedom to travel, study and work anywhere within the EEA. In addition, there is the free movement of goods and services. The four freedoms are at the core of European cooperation and have become an integral part of our personal and professional lives.

In May 2020, Liechtenstein had the opportunity to celebrate 25-years of EEA membership. The anniversary was a good moment to take stock. The Government's overall assessment continues to be positive. The EEA is the best solution for our integration in Europe and enjoys wide support among our people. We are therefore firmly committed to our EEA membership but equally to our Schengen/Dublin association and other forms of cooperation with the EU.

Liechtenstein economy

Allow me to start with a few words on Liechtenstein's economy. Since joining the EEA 27 years ago, Liechtenstein's economy nearly doubled and its population has grown by 30 % to over 39'000. Along the same lines, work places in Liechtenstein also nearly doubled from 21'000 in 1995 to just over 40'000 today. Liechtenstein is a regional employer with over 22'000 cross-border commuters every day, an increase of 290 % since the entry into force of the EEA Agreement. 55 % of our direct exports go to the EU and 80% of our direct imports come from the EU. These figures illustrate clearly that our EEA membership is not a one-way street but that both sides profit from its benefits.

Liechtenstein business and industrial enterprises are successful niche players and often world market leaders in their sectors. Almost 40 % of the workforce is employed in the industry sector. 43 % of Liechtenstein's gross value added is generated by our industry and goods-producing sector; both facts are often overlooked. Our industry is also highly diversified. The most important branches include mechanical engineering, manufacturing of electrical machinery, vehicle components, dental technology, the production of food, as well as construction work. This broad diversification has proven instrumental during the COVID-19 pandemic. Despite this diversification, the pandemic has posed many challenges to our business location as it did for others. Our direct goods exports decreased by over 20% in the first

half of 2020 and despite a turnaround, they are still below pre-pandemic levels. The government did a lot to mitigate the economic consequences of the health crisis through short-time benefits and State subsidies.

We are therefore following the broader recovery path which is not surprising in an inter-linked world. Let me therefore turn to the cornerstone of economic relations, the European Economic Area – or the EEA.

EEA

Ensuring a truly homogeneous market requires the EEA Agreement to be a very dynamic vessel. The total number of EU acts incorporated into the Agreement by the end of 2021 was at 11,460.

The incorporation of such a high number of legal acts is of course a challenge for a small administration like ours but we treat EEA-issues as a matter of priority and transpose EEA law efficiently. We have maintained a very high implementation rate over the years which currently stands at 99.6 %. The fact that Liechtenstein is a reliable member of the EEA is also underlined by the low number of infringement procedures of the EFTA Surveillance Authority and no such cases pending before the EFTA Court against our country.

This high implementation rate is key, as it allows us to benefit from the myriad advantages of the EEA.

As a recent example, the Covid-19 pandemic comes to mind. It shed additional light on the importance of a well-functioning single market. The rapid adoption of the EU regulation on the Covid digital certificate and of EU legal acts establishing the equivalence of COVID-19 certificates are two examples of key legislation that helped us to jointly address the health crisis. They ensure that cross-border travel is still possible in these challenging times.

The EEA has also brought about numerous, universally beneficial changes in consumer and worker protection, gender equality and other areas of society.

Liechtenstein, for example, looks forward to strengthen cooperation in areas like education, creativity and digital matters through our participation in five EU programmes under the MFF 2021-2027.

We also support the high ambitions, collective effort and urgent actions of the EU for the transition to a sustainable, climate neutral and environmentally friendly future.

There are, however, of course also challenges which we need to tackle together. One of them is the timely incorporation of EEA law.

Under Liechtenstein's current Chairmanship in the EFTA Standing Committee, special attention is paid to reducing the number of EU acts awaiting incorporation into the EEA Agreement. This can only be achieved through intensified efforts, on both the EU and the EFTA side.

The value of such close teamwork is particularly evident in the financial services sector. On the EEA/EFTA side, a Task Force was set up in addition to the Working Group on Financial Services, allowing for regular meetings between the EU Commission and the EEA/EFTA-States.

In addition to tackling the backlog, we also need to team up to ensure together that the principles of the EEA Agreement are always upheld. This is even more true in times of crisis. Against this background, we were glad that hick-ups in our cooperation during the pandemic such as an authorization requirement for exports of medical protective equipment and vaccine export restrictions in March 2020 and 2021 were quickly addressed.

These small bumps in the road, however, served as a reminder that we constantly need to raise awareness about the EEA, the most successful and far-reaching cooperation the EU entered into with non-EU States. With its broad scope, ranging from the four freedoms to participation in EU programmes, we consider ourselves so-called “2nd countries”. This distinction is important in the often binary perception of EU Member State versus 3rd country.

In this constant task of increasing knowledge of the EEA Agreement, we are planning several outreach activities in the coming months. In March 2021, the new EFTA House opened its doors. After many years of separate housing, the EFTA Secretariat, the Financial Mechanism Office and the EFTA Surveillance Authority are once again united under one roof. We are looking forward to welcoming members of the EFTA Working Party on its premises for an official inauguration ceremony in the margins of the EEA Council in May. We are also inviting experts from relevant Directorate-Generals of the Commission for study visits in the EFTA House and are working on a social media campaign to spread the gospel.

Before I continue, allow me also at this juncture to thank the EEAS for the good cooperation during the past decade. We have worked together diligently to ensure the well-functioning of the EEA and we are certain, this common spirit will also guide our future work with our new EU counterpart, the Commission’s Secretariat-General.

EEA Financial Mechanism

The EEA Financial Mechanism constitutes yet another cornerstone of Liechtenstein’s EEA cooperation. It underlines our commitment to European solidarity and is a concrete contribution not only to social and economic cohesion but also to human rights, democracy and the rule of law in Europe. Liechtenstein’s financial contribution to the EEA-Grants equals that of Iceland and Norway in relative terms. We contribute to every programme and project implemented in the Beneficiary States. The Grants are also an excellent tool of bilateral co-operation. Against this background, we of course regret that a mutually satisfying solution could not be found with all Beneficiary States under the current mechanism. But let us now focus on the future and the next financial mechanism. We are ready to start the negotiations and hope that we can ensure continuity of our contribution in the upcoming period.

Schengen/Dublin

Another field where we have the closest possible relationship with the EU is our association with Dublin/Schengen. For us, the functioning of the Schengen/Dublin System has utmost priority. Our open borders with Austria and Switzerland are a centrepiece of our close neighbourly relations and essential for the many cross-border workers that commute to our country every day.

We very much appreciate that wherever necessary, customized solutions are found to allow for our participation in EU-Agencies or Funds. This pertains, for example, to our participation in eu-LISA, EASO, Frontex or ISF Borders. We are equally optimistic that we will continue to find good solutions when it comes to our inclusion in the Border Management and Visa Instrument and our participation in the newly created EUAA. In this context I am also pleased to inform you that our national procedures to implement the new Frontex Regulation were finalized in December last year.

As an important element of our Schengen-association, in 2020 and 2021 we welcomed experts from Member States and the Commission for evaluations in the fields of the Schengen Information System, Return, Police cooperation and Data Protection. These evaluations went very well and we were very satisfied with the good cooperation with experts and the Commission.

We are also actively preparing for the implementation of the new architecture for EU information systems for borders, migration and security and their interoperability. We are well on track for the entry into operation of EES, ETIAS and the renewed SIS.

Finally, like all Schengen associated countries, we have been following the important and equally difficult negotiations on the New Pact on Migration and Asylum where invited. I emphasize “where invited” since often enough, the Schengen associated countries are – here again – treated similar to third countries and not included in discussions that have a direct bearing on our future Schengen/Dublin obligations. Since the different elements of the migration package are interlinked, we would consider a generous inclusion of associated States appropriate. This would allow us to make a positive contribution where possible. Against this background, let me wish the French Presidency the best of success for its newly proposed gradual approach to migration and asylum and assure our support for the new Schengen Council, for which we of course count on our full involvement.

Transparency and tax cooperation

Let me also add a few words on our tax cooperation with the EU. More than a decade ago Liechtenstein enacted a new tax system bringing the tax rules in line with international and European standards, including the rules on state aid. The OECD Forum on Harmful Tax Practices (FHTP) and the EU Code of Conduct Group together with the European Commission concluded that Liechtenstein does not have any harmful tax practices or regimes and applies Anti Base Erosion and Profit Shifting (BEPS) measures, does not encourage artificial tax struc-

tures and complies with the international standards on exchange of information (see also ECOFIN on 2 October 2018).

Regarding exchange of information in tax matters (on request, automatic, spontaneous), Liechtenstein has implemented all international standards. Through the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) as well as other bilateral and multilateral agreements, Liechtenstein has a broad exchange of information network. As “early adopter”, Liechtenstein implemented automatic exchange of financial account information according to the Common Reporting Standard with its EU partners for taxable periods as of 2016.

Liechtenstein was one of the first non-OECD countries to join the OECD/G20 BEPS Inclusive Framework in 2016 which underlines Liechtenstein’s commitment to anti BEPS measures, including Country-by-Country Reporting for large MNEs. Liechtenstein also joined the new two-pillar plan to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate.

Concerning international tax standards Liechtenstein has proven to be a reliable partner to the EU and its European partners. Contrary to this, some EU member states apply tax rules contrary to the treaty freedoms undermining fundamental principles of the internal market within the EEA. Also, Liechtenstein is still included in tax lists of some EU member states which ignores not only the developments of the last years but also violates the EEA Agreement. This has several consequences for economic operators and citizens of the EEA. Liechtenstein expects its EU partners to remove these barriers and the EU Commission to take appropriate actions in order to secure the proper functioning of the internal market.

Political dialogue, cooperation in other fora

To conclude with a field in which our cooperation is excellent, let me turn to our cooperation on foreign policy matters. Liechtenstein and the EU share the same values. Both are strongly engaged in promoting multilateralism and the rule of law in international affairs. In the context of our EEA membership, the EEA/EFTA-States hold political dialogues with the EU on important foreign policy issues. These talks take place twice a year at ministerial and expert level. In addition, Liechtenstein regularly aligns itself with EU foreign policy declarations and implements EU sanctions, such as against Russia, human rights violations or most recently Mali.

Our cooperation on foreign policy matters extends well beyond Brussels and also takes place within the Council of Europe, the OSCE and United Nations. We closely cooperate in a number of areas, in particular on promoting peace and security, human rights, the rule of law and on environmental and climate issues. Liechtenstein has a regular exchange with the EU in so called like-minded groups and often supports the EU in statements and negotiations. We are also grateful for EU support of our initiatives such as the Syria Mechanism, which has brought about important results in ensuring accountability for atrocity crimes, in particular through trials in European courts – which we hope will be a big part of the conversation in

the upcoming Brussels conference. We also continue our active support for the International Criminal Court and the Kampala Amendments on the Crime of Aggression, which are ratified by an ever-increasing number of EU Member States, most recently Sweden and Italy. We were also happy to coordinate the like-minded group that coordinated the UNGA resolution on the situation in Myanmar in June 2021, including in very close partnership with the EU. We look forward to taking next steps on this with our EU partners and others. These initiatives not only show that we share the same values but that we time and again find productive ways to cooperate on common foreign policy priorities.

Conclusion

The fact that I could easily continue my intervention for much longer is a testament to the close and encompassing relationship between Liechtenstein and the EU. It is our aspiration to continue to be the reliable partner we already are and we look forward to even strengthen our cooperation in fields such as the EEA backlog, Schengen/Dublin and tax matters as outlined in my previous remarks. In its last conclusions in December 2018, the Council expressed its appreciation for the continued excellent cooperation with Liechtenstein. From our perspective, the validity of this assessment remains true today as it has for the past four years.

I thank you.