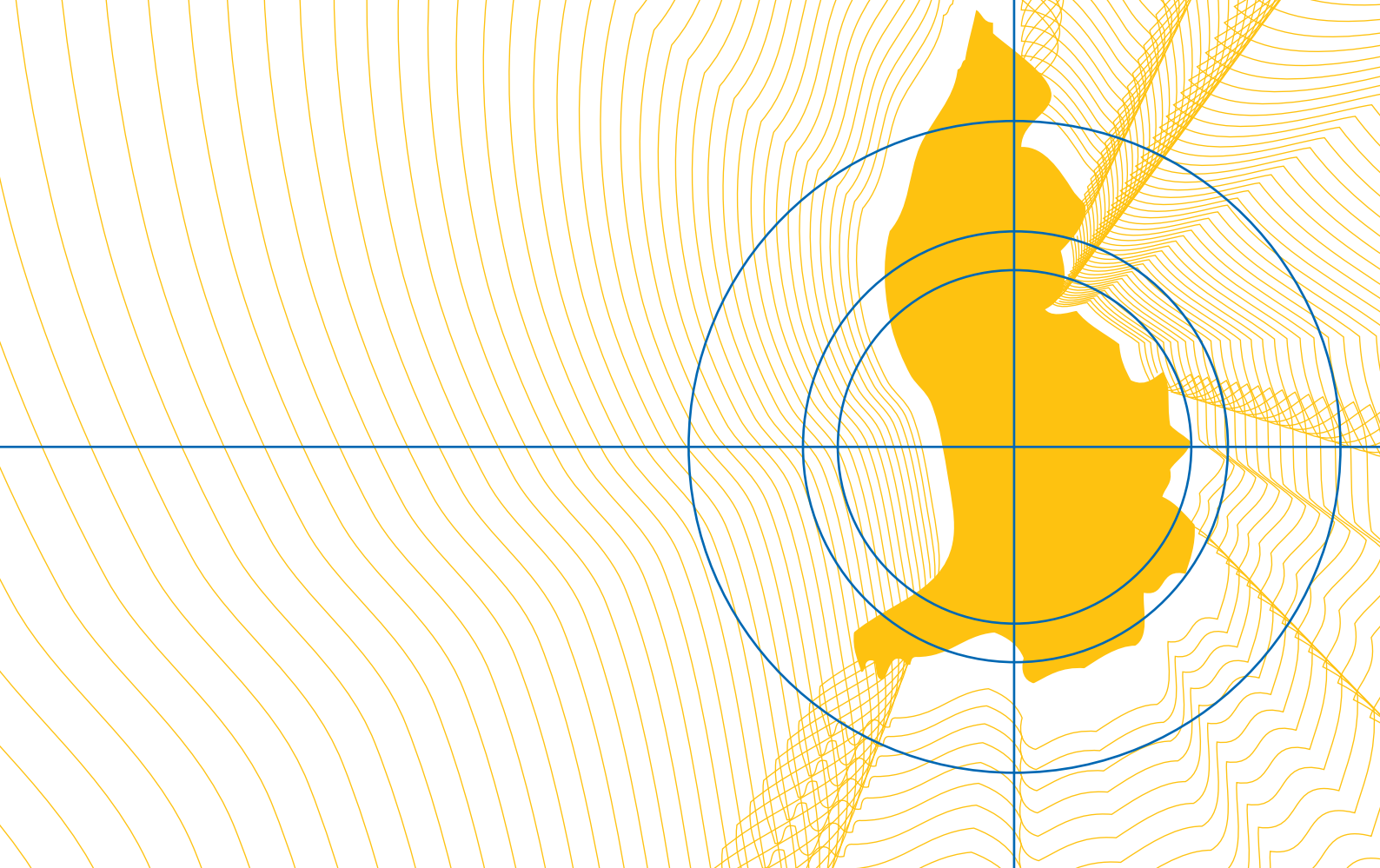


MINISTRY OF FOREIGN AFFAIRS
PRINCIPALITY OF LIECHTENSTEIN

Priorities of Liechtenstein Foreign Policy

Report of the Ministry of Foreign Affairs



Foreword



Every day and with great commitment, we represent the interests of Liechtenstein citizens. **Foreign policy is policy for our country's citizens.** Foreign policy is the representation of Liechtenstein's interests abroad, embedded in the most basic goal of safeguarding our sovereignty and independence within secure borders.

The question of **sovereignty** is still a current one, even though we increasingly have to deal with questions like the following: How do we gain as much **freedom of action** as possible? How do we express ourselves on the global stage so that our voice is heard? How do we gain respect and convey an image of Liechtenstein that corresponds to how we want to be perceived?

For a country of Liechtenstein's size, questions like these arise much more urgently than for larger countries. Our resources available for foreign policy – which after all are modest compared with those of other countries – are both a challenge and a motivation. At the same time, we must always review our use of resources, especially in times of tight budgets. We must take advantage of any leeway for setting medium-term priorities, and we must always review whether tasks and obligations planned for the long term continue to make sense.

It is therefore a key priority for us to employ our resources both as sensibly and as effectively as possible. It goes without saying that we always face the challenge of being considered **equal partners at the international level**. But to represent our interests, this equal treatment and respect are indispensable. My approach for achieving this goal is to position Liechtenstein as a reliable and committed partner showing solidarity in Europe and the world.

The guidelines of our foreign policy

Reliability, solidarity, active commitment – these are the values and guidelines we pursue in our foreign policy.

We are a **committed partner** using the resources available to us, our knowledge, and our competences. We are strongly committed to individual aspects of world policy and are able to achieve something in these areas even as a small country. This clear focus is important in order to develop an independent and visible profile. Only in this way can we create added value for the international community and gain respect and freedom of action. We place a particular emphasis on areas where we have developed special competence and are able to act as a credible and **reliable partner**. We are also an international **partner showing solidarity**, able to make a difference in concrete situations and for people who probably have never even heard of Liechtenstein before. Solidarity is not only a commitment, but also an expression of our basic attitude in Liechtenstein.

In the heart of Europe

The international environment has changed substantially in recent years: the Arab Spring, the global economic and financial crisis, the debt crisis in Europe and the associated euro crisis. Liechtenstein must continue to invest considerable effort in dealing with new developments and challenges. **European integration** continues to be a «factory floor» where Liechtenstein must make an active contribution as a partner. We enjoy stability in our dealings with our two neighbouring countries, Switzerland and Austria, where our ties as partners are strong. **Neighbourhood policy** is thus one of our top priorities.

Liechtenstein's foreign policy always pays close attention to the goal of asserting our interests in the best possible way at the international level. This can happen only if it enjoys **strong support within Liechtenstein.**

Report of the Ministry of Foreign Affairs

The purpose of this report is to illustrate the foreign policy priorities and focus areas of the last few years from the perspective of the Ministry of Foreign Affairs and to comment on the strategic orientation of that foreign policy.

The mutual enrichment of foreign and cultural policy is a special concern of mine. I am thrilled by how the illustrations of Liechtenstein artist Beate Frommelt are able to link Liechtenstein's foreign policy with cultural activities in Liechtenstein.

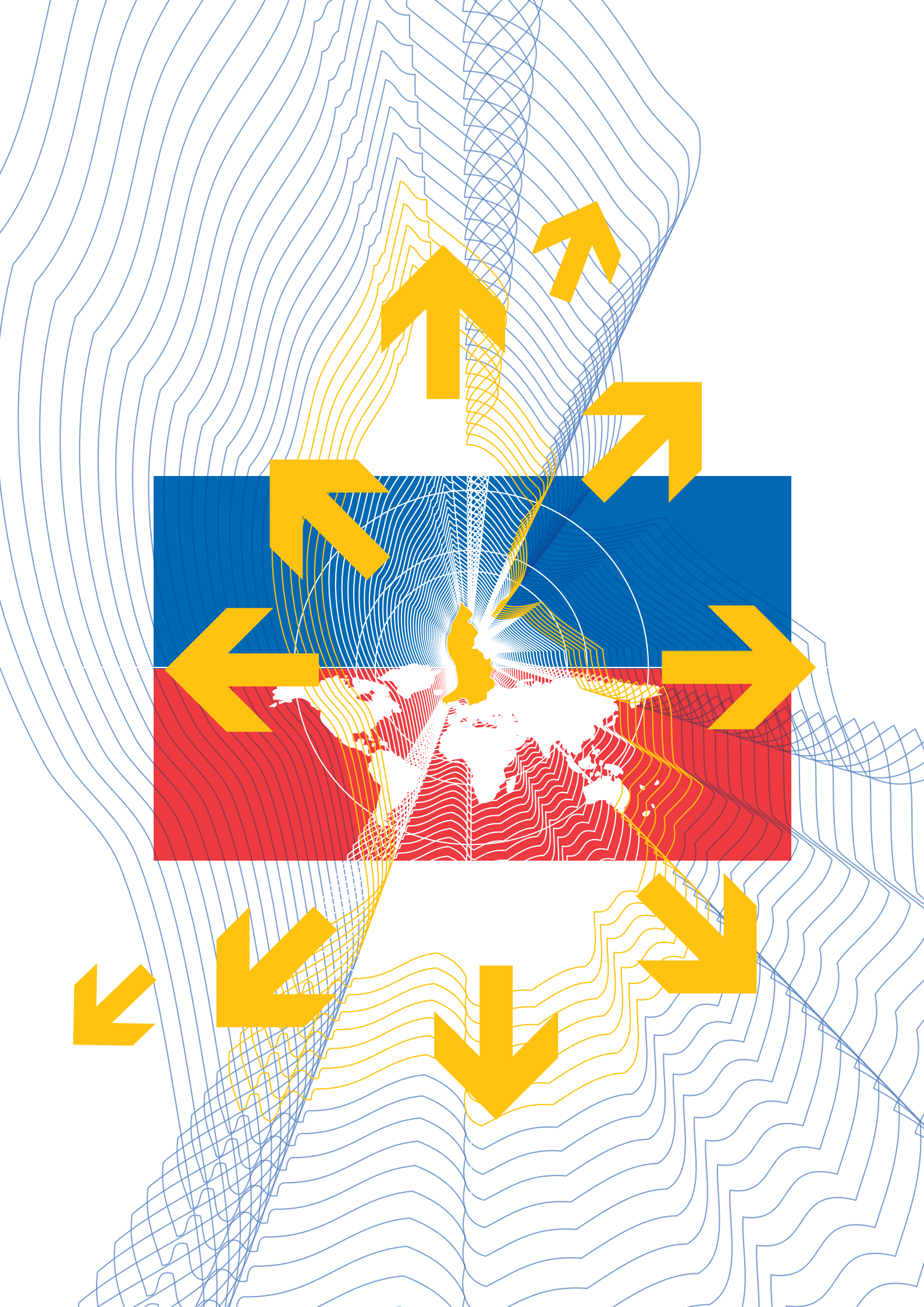
I would like to thank everyone involved for the commitment they have shown in the compilation of this report, but especially also that you represent Liechtenstein's interests actively and credibly at the international level.

Foreign Minister Aurelia Frick

Contents

Challenges and opportunities	**7**
Priorities of foreign policy	**13**
Neighbourhood policy and other priority countries	13
European integration	14
Multilateralism	17
Foreign economic and financial centre policy	19
Protection of human rights and the rule of law	21
International solidarity	23
Bilateral cooperation	**27**
Switzerland	27
Austria	28
Germany	30
Czech Republic	32
USA	33
China, India, Japan and Singapore	35
Multilateral cooperation	**39**
European organisations and fora	39
EEA	39
Council of Europe	42
EFTA	45
OSCE	46
Global cooperation	48
United Nations	48
WTO	51
Key issues in Liechtenstein foreign policy	**55**
Foreign economic policy	55
Protection of human rights and the rule of law	56
International Humanitarian Cooperation and Development	58
International fight against crime	61
Security and disarmament	63
International environmental policy and sustainable development	64
International environmental policy	64
Sustainable development	65
Foreign cultural policy	66
The Liechtenstein diplomatic service	**71**
Responsibilities and organisation	71
Consular protection	72
Honorary consulates	73
Strategic outlook	**77**

Abbreviations	82



Challenges and opportunities

The main goal of foreign policy is to safeguard **sovereignty** and independence within secure borders. Thanks to Liechtenstein's membership in international organisations and institutions such as the CSCE/OSCE, the Council of Europe, the United Nations, EFTA, the EEA and the WTO as well as through numerous international treaties, Liechtenstein's sovereignty is recognised worldwide. The primary objective now is to ensure that Liechtenstein is dealt with as an equal. For a small state like Liechtenstein, the uniform application of international law is key. At the same time, Liechtenstein has a substantial interest in the progressive development of international law in open decision-making processes that are accessible to all states. Especially in today's multipolar world, there is a danger of a renaissance of power politics.

Liechtenstein is able to safeguard its **political, economic and cultural interests** only through an **active foreign policy**. In a globalised world, in which political decisions are increasingly shifted to the international level, Liechtenstein cannot afford to stand at the sidelines. More and more, national states are unable to act unilaterally or without consulting other states. A foreign policy understood and practiced as interest-driven policy therefore requires Liechtenstein's permanent and targeted international presence. The progress of internationalisation represents a significant challenge for Liechtenstein. Liechtenstein's foreign policy is confronted with the task of using limited personnel and financial resources to take effective advantage of the existing room for manoeuvre at the international level, to build up networks, to gain access to decision-making levels and take influence in international negotiations in the interest of Liechtenstein, and thereby especially to work on behalf of preserving national leeway for decision-making. Liechtenstein can master this challenge only through a proactive foreign policy and great personal commitment.

When defining Liechtenstein's interests, it must be taken into account that **foreign policy and domestic policy** are closely **interlinked**. The concerns of the population and the private sector as well as the domestic policy goals must be reflected in the foreign policy priorities. That this is the case can be seen especially in the foreign policy priorities «Neighbourhood policy and other priority countries», «European integration», and «Foreign economic and financial centre policy». Also our commitment to «Multilateralism» and our membership in key international organisations primarily serve to shape and safeguard Liechtenstein's fundamental interests. Beyond this, foreign policy should in future continue to include certain ideal goals. Liechtenstein's commitment to «Human rights and the rule of law» and «International solidarity» is an expression of this. Through its many years of credible commitment, Liechtenstein has developed a strong profile in these areas. This commitment makes a positive contribution to Liechtenstein's international reputation and helps convey a differentiated image of the country.

Foreign policy has to take effective advantage of the existing room for manoeuvre at the international level.

Conveying a realistic and diversified **image of Liechtenstein** certainly represents an ongoing challenge. This is true both of Liechtenstein's image in the perception of other states and of its image as perceived by the international public. Insufficient attention has been paid so far to the strengths and positive impact of Liechtenstein, such as its extraordinarily great commitment to international solidarity and the progressive development of international law, the extensive diversification and innovation of the Liechtenstein business location, and its cultural diversity. These assets must be emphasised even more strongly, especially in the context of Liechtenstein's foreign policy activities. Foreign policy can and should contribute substantially to reputation management.

Conveying a realistic and diversified image of Liechtenstein certainly represents an ongoing challenge.

A significant development for foreign policy lies in the current **transformation of the international political and economic order**. The increasing reality of a global shift in power is characterised by the growing influence of emerging countries and the relative decline of influence of the «Western World». Associated with this is a debate on values and, in the medium term, perhaps a certain change in values as well. The global shift in power must be taken into account when identifying strategic partner states. It must of course be considered in this regard that the traditional partner states of Liechtenstein continue to be of crucial importance to our country. This is especially true of the bilateral relations with the neighbouring states of Switzerland and Austria. Stronger cultivation of bilateral contacts with selected emerging countries and the establishment of networks in these countries pose great challenges for Liechtenstein's foreign policy system. Firstly, Liechtenstein has no local presence or established networks in these countries, which makes ongoing cultivation of bilateral contacts more difficult; secondly, enhanced cultivation of contacts entails considerably greater effort, which must be managed with the country's limited personnel and financial resources.

The **changes in the global power structure** and the looming «loss of importance» of Europe should not mask the fact that Liechtenstein's fate continues to be closely linked with the fate of Europe. Liechtenstein is directly affected by the debt crisis in the EU and the Eurozone in particular. The high exchange rate of the Swiss franc due to the crisis is a burden on Liechtenstein's heavily export-oriented economy. This changes nothing about the fundamental importance of the EU Single Market for Liechtenstein's export economy. Special attention must therefore be paid to securing ongoing unhindered and discrimination-free access to the EU Single Market. At the same time, the impact of the institutional developments in the EU on Liechtenstein and the resulting strategic options for Liechtenstein must continuously be evaluated. In this regard, it must be ensured that the level of integration achieved so far is at least maintained.

Thanks to **discrimination-free access** to the EU Single Market, the Customs Treaty with Switzerland, the EFTA free trade agreements and Liechtenstein's membership in the WTO, the framework conditions of Liechtenstein's business location for international trade are now very good, comparatively speaking. The high dependence on foreign markets and the international ties of the Liechtenstein economy will continue to demand the best possible framework conditions. Foreign policy must continue to attach great importance to foreign economic policy and advocate on behalf of first-class framework conditions for the economy.

Specific **opportunities** arise from **Liechtenstein's identity as a small state**. Naturally, the personnel and financial resources of a small state are limited. The limited nature of these resources demands a foreign policy that is clearly focused in terms of content. To a greater extent than in other states, the country's essential foreign policy interests must be defined. The necessity of focusing on clearly defined priorities makes it possible to engage in foreign policy that is effective, purposeful, and closely guided by interests. At the same time, Liechtenstein's small size makes rapid and flexible action possible. The short channels within the public administration and the closeness to decision-makers and the private sector should be taken advantage of especially in the context of negotiations. The unbureaucratic structures permit rapid, situational adjustments to negotiating tactics or positions where needed. This allows Liechtenstein to take the best possible advantage of opportunities arising during negotiation processes.

Liechtenstein has repeatedly demonstrated its ability to make a **valuable contribution to the international community** and in that way create added value for the international discussion. Its relative «powerlessness» has frequently allowed Liechtenstein to advocate credibly and actively on behalf of internationally important issues. This has contributed substantially to Liechtenstein's foreign policy profile. Also in the future, Liechtenstein aims to be perceived as a reliable and committed partner showing solidarity.



Priorities of foreign policy

Neighbourhood policy and other priority countries

Liechtenstein's foreign policy builds on concentric circles. The focus of Liechtenstein's foreign policy has always been on **neighbourhood policy** and the relations with the neighbouring countries of **Switzerland** and **Austria**. Liechtenstein covers subsets of state action through cooperation agreements with these neighbours. Also in this context, Liechtenstein's neighbourhood policy and cooperation within the region play an important role.

Liechtenstein is linked with its neighbours through a shared history, a shared culture, and membership in the same geographical region. All three countries share the same values, pursue similar goals in their foreign policy, are characterised by political stability, and are closely linked with each other through their economies. Beyond this, all three countries are integrated within the European unification process, albeit in different ways.

In an extended sense, the Federal Republic of **Germany** can also be considered a neighbouring country of Liechtenstein. Liechtenstein and Germany are likewise linked by a rich common history, the German language – and accordingly similarities in their linguistic and cultural histories – and not least of all by the European Single Market, in which Germany is Liechtenstein's most important trading partner. Germany's role within the EU, but also in the OECD, the G8 and the G20 make Liechtenstein's relations with Germany especially important, even beyond neighbourhood policy alone.

In recent years, the **exchange and cooperation between the German-speaking countries** have intensified in many different areas of policymaking. This development is due to the growing role of Germany in the EU, the fact that the region is made up of economically strong countries with different degrees of European integration, the increasing importance of regional cooperation in Europe, and not least of all the financial centre issues that must be resolved. In the context of these developments, the Liechtenstein Government has developed a new communication concept which targets the neighbouring countries especially and which aims to improve Liechtenstein's image and familiarity with the country. As part of the communication concept, numerous information and networking events have been organised, reaching groups of people who previously had only few points of contact with Liechtenstein. Media relations have likewise been intensified.

Neighbourhood policy plays a central role.

In Liechtenstein, **regional cooperation** and accordingly neighbourhood policy play an important role in the everyday life of people living in a mobile and integrated environment. To promote close exchange and cooperation in the region, regular exchanges at the level of government members and officials within the framework of various fora have been established over the years. These exchanges naturally are guided very strongly by practical issues and questions. Regional cooperation occurs especially in areas such as transportation, education, police cooperation, health, social security, environment, and culture, where numerous cooperation arrangements exist with the Swiss cantons of St. Gallen and Graubünden and the Austrian state of Vorarlberg. The most recent example of cooperation at the regional level is the Rhine Valley Research and Innovation Centre (RhySearch).

Apart from the neighbouring countries, the **United States of America** is another priority country for Liechtenstein's foreign policy. Liechtenstein and the United States are linked by their shared community of values. As a world power, the United States naturally is important for every country and accordingly also for Liechtenstein. Through their common membership in the European Economic Area, the EEA/EFTA states Norway and Iceland have become partners of Liechtenstein as well. In the context of European integration, the respective EU Council presidency has likewise gained importance. For historical reasons, the Czech Republic has been added as a priority country in the last three years. Recently, a special focus has been placed on deepening relations with selected countries in Asia. Additionally, relations with various other countries – especially in Europe – are maintained at different levels.

The globalisation, the increasing heterogeneity and the pressure for governments to save money have necessitated greater cooperation among like-minded states.

The advance of globalisation, the increasing heterogeneity in the EU, and the pressure for governments to save money have necessitated greater cooperation among like-minded states and groups of states. This also affects the classic responsibilities of states such as consular services for citizens and participation in international organisations. Opportunities to cooperate in these areas have for instance been explored in the context of quadrilateral meetings of Liechtenstein, Austria, Switzerland and Slovenia. This trend towards enhanced cooperation is of interest to a country like Liechtenstein with limited foreign policy resources, and it makes cooperation possible even with new partners, depending on the occasion and the interests at stake. This does not necessarily mean that these new partners become priority countries.

European integration

Liechtenstein has now been a **member of the European Economic Area (EEA)** for 17 years and an **associated Schengen member** since 2011. Liechtenstein's membership in the EEA and its association with the Schengen and Dublin agreements serve to secure the sovereignty and independence of the country. An important precondition in this regard is the preservation of a strong business location. Unhindered access to the EU Single Market, which encompasses a total of 30 states and about 500 million citizens, constitutes a location advantage as well as a significant factor in sustainably ensuring the stability of Liechtenstein's national economy. Membership in the EEA has substantially contributed to the diversification and internationalisation of Liechtenstein's business location. At the same time, Liechtenstein has been able to preserve and further develop its good relations with Switzerland. This «parallel marketability» has proven its worth. However, European integration continues to be a «factory floor» where Liechtenstein must make an active contribution as a partner. At the same time, this represents an opportunity to enhance the European community of states' perception of Liechtenstein as a reliable and committed partner showing solidarity and to improve knowledge of the diversity and the extraordinarily high performance of this small state. Liechtenstein's accession to Schengen as an area without internal border controls for travellers can be seen as a logical consequence of Liechtenstein's membership in the EEA. Liechtenstein's accession also made

it possible to avoid reintroducing controls of persons at the borders with our Customs Treaty partner and neighbouring Schengen state of Switzerland.

In light of the smooth functioning of the EEA, the Liechtenstein Government noted in a report in 2010 – on the occasion of 15 years of EEA membership – that Liechtenstein's current integration status is deemed appropriate and that it should be considered an excellent starting point for any other integration scenario that might become necessary in the future. Already in 2009, the Liechtenstein Government appointed a working group composed of members of representatives of the Government and the public administration on the topic of «European integration», dealing with possible scenarios relating to European integration and the resulting options for Liechtenstein. Since Iceland submitted an application to join the EU in 2009, the question of the **future of the EEA** has become more urgent than before. In principle, it hast to be assumed that the EEA can be continued institutionally even without Iceland. Further developments to be observed include the recently published study by the Norwegian government on the EEA, the discussions between Switzerland and the EU on the continuation and institutional design of the bilateral agreements, and the talks between the European External Action Service and the small states of Andorra, San Marino and Monaco concerning an association model. In this context, the Liechtenstein Government commissioned a study from the Centre for European Policy Studies (CEPS) in Brussels on the possible future developments of the EEA and Liechtenstein's integration prospects. The results of this independent study will be published by the end of 2012.

Via the **EEA Financial Mechanism**, Liechtenstein – together with its EEA/EFTA partners Iceland and Norway – makes a contribution to the equalisation and reduction of economic and social disparities within the EEA. In analogy to the EU-internal cohesion funds, financial resources are made available in defined areas to 15 beneficiary states – namely the «new» EU member states admitted over the past decade as well as Spain, Greece and Portugal. These financial resources amount to a total of EUR 988.5 million as part of the New Financial Mechanism 2009-2014; Liechtenstein's contribution makes up slightly more than 1% of the total amount or about EUR 10 million. These «EEA Grants» at the same time serve to strengthen bilateral cooperation between donor and recipient countries. In the context of Schengen, Liechtenstein also participates in solidarity instruments such as the external borders agency FRONTEX, the EU External Borders Fund, and soon also the European Asylum Support Office (EASO), which provides financial and logistical support to countries specially affected by migration.

Liechtenstein's current integration status should be considered an excellent starting point for any other integration scenario.

As part of its EEA membership, Liechtenstein regularly takes part in political dialogues with the EU at the ministerial and expert level. These meetings offer Liechtenstein valuable opportunities to discuss current foreign policy issues directly with the competent services of the EU and to reconcile relevant positions.

In light of the announced reevaluation of the EEA Agreement by the EU by the end of 2012, including an assessment of the need for future adjustments to the agreement, certain **developments on the side of the EEA/EFTA states** are a cause for concern. While backlogs in the transposition of EU legislation into the EEA Agreement have recently been reduced thanks to

improvements in administrative procedures, a growing trend has been observed in recent years, especially in Norway, of delaying or even blocking the incorporation of certain EU legal acts that are controversial in terms of domestic policy. The EU is expressing its displeasure with the resulting disparity between the legal acquis in the Single Market of the EU and of the EEA. In the view of the EU, this development is threatening the homogeneity of the Single Market. This might in time lead to distortions of competition between market participants in the EU and the EEA/EFTA states. Since the refusal of an individual EEA/EFTA state to incorporate an EU legal act within the EEA also prevents the two other EEA/EFTA states from incorporating that legal act, an increase in such blockades could sooner or later cause the EU to call the functioning of the agreement – which has been smooth so far – into question. This might lead the EU to demand stricter rules governing the institutional procedure for incorporating EU law, thus restricting the leeway for considering special concerns of the EEA/EFTA states. For this reason, it is a high priority for Liechtenstein in the near future to persuade its EEA/EFTA partner states of the need for smooth functioning of the mechanisms for transposing EU legislation into the EEA Agreement. This is also true of the creation and safeguarding of an understanding among EU institutions that Liechtenstein is clearly committed to the EEA Agreement and is willing to support further developments of the agreement. It should be taken into account in this regard that the so far smoothly functioning two-pillar structure of the EEA – with the basic principle that each pillar speaks with one voice – might no longer be regarded as useful by the EU if Iceland joins the EU. The institutional structure of the EEA might in future also be evaluated increasingly in light of the recent parallel form of association with Schengen, in which the adoption of law by the associated states is more rapid and unconditional than within the framework of the EEA procedures.

Liechtenstein is clearly committed to the EEA Agreement.

A further issue arising in recent years concerns safeguarding adequate **participation of the EEA/EFTA states** in the numerous new **EU agencies and outsourced special authorities**. These institutions or bodies hardly existed when the EEA Agreement entered into force, and they initially also did not cause any major problems, since they usually were appointed as advisory or executive bodies of the European Commission or in connection with the supervision of EU programs and therefore could easily be incorporated into the EEA. Adequate representation of the EEA/EFTA states was therefore always ensured. Meanwhile, however, EU agencies are increasingly also being endowed with regulatory and therefore sovereign powers which previously had been vested or would have been vested in the European Commission and, for the EEA/EFTA states, the EFTA Surveillance Authority. This poses new challenges for the two-pillar structure of the EEA Agreement, since no separate, parallel institution can be granted to the EEA/EFTA states anymore, or because they are not granted equal participation in the relevant agencies of the EU, but at most an observer role. Especially in connection with the currently looming expansion of the competence of the new EU financial supervisory authorities to cover the EEA, an adequate participation of the EEA/EFTA states in these authorities is of the utmost importance, so that the binding nature of these bodies' decisions for the EEA/EFTA states can be accepted. Achieving this goal is important to the future of the Liechtenstein financial centre, which is why negotiations in this regard with the other EEA/EFTA partner states and the EU enjoy the highest priority.

Finally, challenges arise for Liechtenstein also in regard to the **future financial impact** of existing **European cooperation**. Especially in connection with the EEA Agreement, massive increases in Liechtenstein's program contributions must be expected. High priority should be attached to the aspect of increasing costs. The new Multiannual Financial Framework 2014-2020 in the EU, which is scheduled to be adopted soon, will have a direct impact on the funding of programs in which the EEA/EFTA states participate. Participation in the currently 20 EU programs has been very largely positive so far, but especially in regard to the very expensive EU programs such as the 7th Framework Programme for Research and Technological Development or the Competitiveness and Innovation Framework Programme, certain questions arise concerning the cost/benefit ratio. For the coming period, a significant expansion of the contributions to be paid by the EEA/EFTA states and accordingly also Liechtenstein must be expected. In addition, more and more EU programs will in the future be consolidated into groups or framework programs, which will make it more difficult for Liechtenstein to participate selectively. Special attention must therefore be paid in the coming years to the negotiations concerning Liechtenstein's future participation in the EEA programs and in the funds connected with our Schengen association, as well as to the assessment of the cost/benefit ratio.

Multilateralism

Membership in international organisations – especially the Council of Europe, the IAEA, the OSCE, the United Nations[1] and the WTO – and the multilateral work that takes place in these organisations are of special importance in several respects to Liechtenstein as a small state. Since these organisations generally honour the principle of equality of all states, membership is an important way to safeguard and shape Liechtenstein's sovereignty, playing a crucial role in Liechtenstein's accession to the CSCE (1975, transformation into OSCE in 1994), the Council of Europe (1978) and the United Nations (1990). The principle of equality of all states is not only of direct relevance for votes and elections, but also offers Liechtenstein the opportunity to participate actively in the content of selected priority areas and to develop its own profile. In this way, foreign policy can help create a counterbalance to the often one-sided and negatively connoted association of Liechtenstein with issues relating to the financial centre and also help develop a positive and independent profile in specific areas. The priorities of Liechtenstein's foreign policy serve as a guide to content in this regard, and they are used to derive the relevant subtopics. When shaping its independent profile, Liechtenstein is also aided by its position within the framework of European integration as an EEA member: On the one hand, this creates a close relationship with the most important partners, especially the EU. On the other hand, there is no compulsion for Liechtenstein to join the EU's positions, giving Liechtenstein corresponding independence in terms of content. Close cooperation also exists with the EFTA partners Switzerland, Norway and Iceland as well as other like-minded countries beyond Europe, for instance within the framework of the JUSCANZ group[2] or the Like-Minded Group[3].

The principle of the sovereign equality of all states makes it possible to develop an own content and an independent voice.

1 Liechtenstein is not a member of the various UN specialised agencies (FAO, UNESCO, WHO etc.), but it is a member of other organisations such as the CTBTO, UPU, ITU etc.

2 The JUSCANZ states are Australia, Canada, Iceland, Japan, Liechtenstein, New Zealand, Norway, Switzerland, South Korea and the United States.

2 Within the OSCE, the Like-Minded Group (Iceland, Canada, Liechtenstein, Norway and Switzerland) was established in the mid-1990s. The goal of the group is to ensure a well-run, well-appointed, and dynamic organisation with transparent procedures.

Apart from regular contact in these groups, Liechtenstein is also a **member of thematic groups** – referred to as groups of friends[4]–, which meet either ad hoc or on a regular basis to discuss topics of common interest. Of particular note in this regard is the Global Governance Group (3G) co-founded by Liechtenstein, which is concerned with issues within the domain of the G20, as well as the – recently dissolved – Small Five (S-5) group on the working methods of the UN Security Council. A new initiative is the Informal Ministerial Network on the International Criminal Court presided by Foreign Minister Aurelia Frick, aiming to generate political support for the ICC. Within the WTO and especially the Doha Round, Liechtenstein is part of the G10 group. The members of this group aim to coordinate their positions as net importers of agricultural products in regard to negotiations in the agricultural domain.

Due to Liechtenstein's limited personnel and financial resources, the country generally does not seek membership in sub-bodies or expert bodies.[5] As a rule, such memberships are secured through expensive campaigns which generally must be fought against considerable competition within one's own regional group. Instead, Liechtenstein raises its profile by taking on **mediation and chairmanship responsibilities**, which usually can be managed with existing personnel resources. In this regard, specific responsibilities are sought in areas considered a substantive priority by Liechtenstein. In addition to these voluntary tasks, Liechtenstein regularly assumes chairmanships arising from its participation in the European integration process (EFTA, EEA).

Liechtenstein's membership in international organisations is also of special importance as a way to **supplement its diplomatic network**: Liechtenstein continues to have no diplomatic missions in Africa, Asia or Latin America and is also not represented in numerous European countries. Membership in international organisations is therefore also used to cultivate contacts with countries with which there is no regular bilateral exchange, and recently even to establish diplomatic relations in some cases. In addition, the free trade negotiations conducted within the framework of EFTA practically throughout the world offer a valuable platform for the targeted conveyance of information and for bilateral contacts.

Apart from the activities at the ministerial and official level, the multilateral environment – especially in the context of the OSCE and the Council of Europe – also offers the possibility for Liechtenstein to get involved at the **parliamentary level**.

4 At the time this report was written, Liechtenstein was a member of the groups of friends on the following topics: Children and armed conflict; Women, peace and security; International Criminal Court (ICC); 1267 sanctions (Al-Qaida and Taliban); Protection of civilian populations; Responsibility to protect (R2P).

5 Since joining the UN, Liechtenstein has been a member of the Economic and Social Council (ECOSOC) once, but it has never had a seat on any of the ECOSOC functional commissions.

Foreign economic and financial centre policy

Liechtenstein has a **broadly diversified national economy**. The high added value is generated especially by the strong industrial sector and the financial services sector. About 40% of jobs and 37% of GDP are generated by industry and manufacturing, which is an extraordinarily high level compared with other European countries. Also of central importance to economic output and the stability of the national budget is the financial centre, which generates 27% of GDP.

The political trend towards more transparency and stronger international cooperation in tax matters, the slowdown of the world economy, and especially the turbulences in the Eurozone pose a major challenge to Liechtenstein as a business location. The weak euro and the strong Swiss franc are an enormous burden on industry, which is almost entirely dependent on exports. It is the task of foreign policy to advocate in favour of the interests of the Liechtenstein business location at the bilateral and multilateral level. Consequently, foreign economic and financial centre policy is to a large extent interest-driven policy. According to the allocation of responsibilities, foreign policy plays the leading role in regard to foreign economic policy. In regard to financial centre policy, foreign policy mainly plays a supporting role.

Foreign policy advocates in favour of the interests of the Liechtenstein business location.

As part of an **active business location policy**, the key concern of foreign economic policy is to create the most favourable framework conditions for cross-border and international economic relations for the benefit of the private sector. This is true both of the export of goods and services and of the procurement markets. For Liechtenstein's strongly export-oriented economy, liberalised market access regimes and national treatment guarantees are of special importance. The basis in this regard is provided by Liechtenstein's memberships in the EEA, WTO and EFTA and its Customs Treaty with Switzerland, which continues to be very important. The Customs Treaty continues to constitute the main legal foundation for the cross-border trade in goods outside the European Economic Area. For a knowledge-based national economy like Liechtenstein's, the protection of intellectual property is also an indispensable foundation. Liechtenstein actively takes account of this need within the framework of the memberships mentioned above.

The conclusion of **free trade agreements** especially also contributes to the goals of foreign economic policy. Free trade agreements create a predictable, preferential framework for the further development of economic relations. They give Liechtenstein companies access to foreign markets that is at least equal to that of the most important competitors (such as companies from EU countries or the United States). Currently, Liechtenstein and the other EFTA partners have more than 23 free trade agreements in force with partners outside the EU. Great importance will continue to be attached to the expansion of the network of free trade agreements, with special attention paid to the conclusion of agreements with strategically important partners such as India.

The transformation of the financial centre has become irreversible in light of the **Liechtenstein Declaration** of 12 March 2009, in which Liechtenstein recognised the OECD standard on exchange of information in tax matters (article 26 of the OECD Model Tax Convention). At that time, Liechtenstein also announced its willingness to conclude bilateral agreements going beyond the OECD standard in order to ensure the fulfilment of past, present and future tax obligations.

On the basis of the new financial centre strategy, meanwhile **21 tax information exchange agreements** (TIEAs) and **six double taxation agreements** have been concluded, including with the United States, Japan, Germany and the United Kingdom. These agreements create a reliable legal framework for tax cooperation between Liechtenstein and the respective treaty partner. The conclusion of agreements aims to prevent double taxation of Liechtenstein companies to the extent possible and to counter (potential) tax discrimination against Liechtenstein companies. Treaty policy understood in this way is a component of an active business location policy.

Special importance is attached to the **agreement with the United Kingdom** on comprehensive cooperation in tax matters. For the period from 2010 to 2015, this agreement provides special conditions for the self-declaration of clients of the Liechtenstein financial centre who are taxable in the United Kingdom (Liechtenstein Disclosure Facility, LDF). In return, Liechtenstein commits itself to ensuring the tax compliance of British clients of the financial centre. The LDF has meanwhile been extended by one year to 2016. In June 2012, a double taxation agreement with the United Kingdom was also signed.

Free trade agreements create a predictable, preferential access to foreign markets.

The ratification of a **double taxation agreement with Germany** in November 2012 represented a milestone for the Liechtenstein business location. Germany is – alongside Switzerland and the United States – the most significant import and export partner of Liechtenstein. The double taxation agreement creates legal and investment security for companies engaged in cross-border activities.

The Anti-Fraud Agreement already negotiated with the European Union (EU) in 2008 and later supplemented continues to be contested in the Council of the European Union. So far, the EU has been unable to adopt a resolution to sign the agreement.

In 2011, Liechtenstein underwent Phase 1 of the **assessment process of the Global Forum on Transparency and Exchange of Information for Tax Purposes**. In Phase 1, the legal foundations of the country were reviewed. In Phase 2, the effectiveness of information exchange in practice will be reviewed. Liechtenstein has now been admitted to Phase 2.

Implementation of the financial centre strategy – and the associated effort to create stable and attractive framework conditions for financial centre players – continues to be a great challenge. Foreign policy can make an active contribution to the transformation of the financial centre by making its contacts and networks available and by supporting negotiations. In the field of foreign economic policy, which is coordinated by foreign policy, the goal – in consultation with the private sector – is to advance the policy of market opening and improved market access in a targeted manner. This strengthens Liechtenstein as a location, ultimately having a positive impact on growth and employment.

Protection of human rights and the rule of law

The rule of law and the protection of basic rights are leitmotifs of Liechtenstein's foreign policy. Liechtenstein is therefore involved in the progressive development and improved application of international law, especially in the field of human rights – on the basis of the principle of the sovereign equality of all states.

The safeguarding of international law and the rule of law is of enormous importance to a small state like Liechtenstein as a **corrective to «might makes right»**. Although international law is endowed with rather weak mechanisms to punish violations, the principle of the rule of law applies, which means protection of small states as well.

Promotion of the peaceful coexistence of all peoples is important to the security and welfare of Liechtenstein. In a globalised world, even faraway conflicts and crises can have an impact on international trade flows, transportation, or the availability of energy sources. Additionally, unresolved conflicts often lead to an increase of organised crime and a strengthening of terrorist networks operating across borders. Persistent human rights violations cause people to leave their home countries. This increases migration pressure on destination countries. Liechtenstein's commitment to the worldwide protection and promotion of human rights arises from the conviction that international security and sustainable development are impossible without the protection of human rights.

Liechtenstein has therefore made its advocacy of human rights and the rule of law a priority, especially within the framework of multilateral cooperation. In the area of the rule of law, Liechtenstein is for instance advocating the improvement of procedural rights of persons affected by individual sanction measures of the UN Security Council – a topic with a direct impact on the Liechtenstein financial centre. Liechtenstein's commitment is not limited to topics with direct relevance to Liechtenstein, however. Especially through its commitment in areas where Liechtenstein has no interests of its own, Liechtenstein has been able to develop a **clear profile and a high degree of credibility**. Of particular note in this connection is Liechtenstein's substantial **effort on behalf of the International Criminal Court** (ICC). Here, Liechtenstein has shown that even a small country is able to have an impact on world policy.

Also in the field of international human rights policy, Liechtenstein has developed its own independent profile over the past two to three decades. Liechtenstein's commitment includes its active **participation in the negotiation of international conventions** and fundamental standards in the relevant bodies of the United Nations, the Council of Europe and the OSCE. Within the United Nations, Liechtenstein's work in the human rights committee (Third Committee) of the General Assembly and the UN Human Rights Council in Geneva, in which Liechtenstein plays an active observer role, is especially noteworthy. As regards the Council of Europe, Liechtenstein's participation in the Committee of Ministers and the Steering Committee for Human Rights (CDDH) is of particular note. Liechtenstein's involvement in the OSCE's human rights dimension is also important, in which Liechtenstein especially supports the Office for Democratic Institutions and Human Rights (ODIHR).

Thematically, Liechtenstein's focus in these bodies is on **women's rights, children's rights, and combating torture and the death penalty**. Additionally, Liechtenstein has made it a cross-thematic priority to advocate for strengthening international human rights structures and mechanisms and for combating impunity for grave human rights violations. This advocacy is expressed especially also in connection with country-specific resolutions and declarations. Apart from its advocacy in the field of international human rights policy in a narrower sense, Liechtenstein advocates placing importance on human rights concerns also in other relevant areas of foreign policy, especially International Humanitarian Cooperation and Development (IHCD), foreign environmental policy, the international fight against terrorism, and the work of the UN Security Council.

In the field of international human rights policy, Liechtenstein has developed its own independent profile.

Apart from its involvement in international bodies, the ongoing **domestic implementation of human rights obligations** assumed by Liechtenstein is a key component of human rights policy. Liechtenstein is a state party to many global and European human rights conventions. At the European level, the most important human rights agreement is the European Convention on Human Rights (ECHR) with its additional protocols. At the global level, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights are of particular note. Fulfilment of the obligations under the ECHR is monitored by the European Court of Human Rights (ECHR) in Strasbourg through its consideration of complaints and its corresponding judgements. Within the framework of the UN human rights conventions and other European conventions, this is accomplished by way of reporting procedures and additionally by way of individual complaints to the treaty bodies, where provided and where recognised by Liechtenstein. Additionally, the UN as well as the Council of Europe and the OSCE provide for various procedures and mechanisms to monitor the human rights standards defined by the respective organisation by conducting country visits.

One special challenge for the implementation of international human rights conventions is the considerable workload involved in meeting **reporting obligations**. Moreover, the demands arising from the conventions to create special structures are not easy for a small state like Liechtenstein to meet. To satisfy the claim of international human rights standards to universality and to make Liechtenstein's foreign policy credible, Liechtenstein should continue to aim for a high level of domestic implementation in the field of human rights. The universal validity of human rights has recently been called into question by various parties with reference to the religious or cultural particularities of countries and societies. This negative trend must be opposed in order to prevent a weakening of the foundation of international human rights protection.

International solidarity

International solidarity is one of the main pillars of Liechtenstein's foreign policy. Foreign policy sees itself **committed to an understanding of solidarity that goes beyond the humanitarian domain**. Solidarity is expressed in the disproportionately high financial contributions of Liechtenstein. It is part of Liechtenstein's understanding of itself – as a wealthy country and as a reliable partner in the international community – that the country makes a financial contribution to international solidarity. This is done for example within the framework ot the EEA Financial Mechanism and Fast Start Finance.

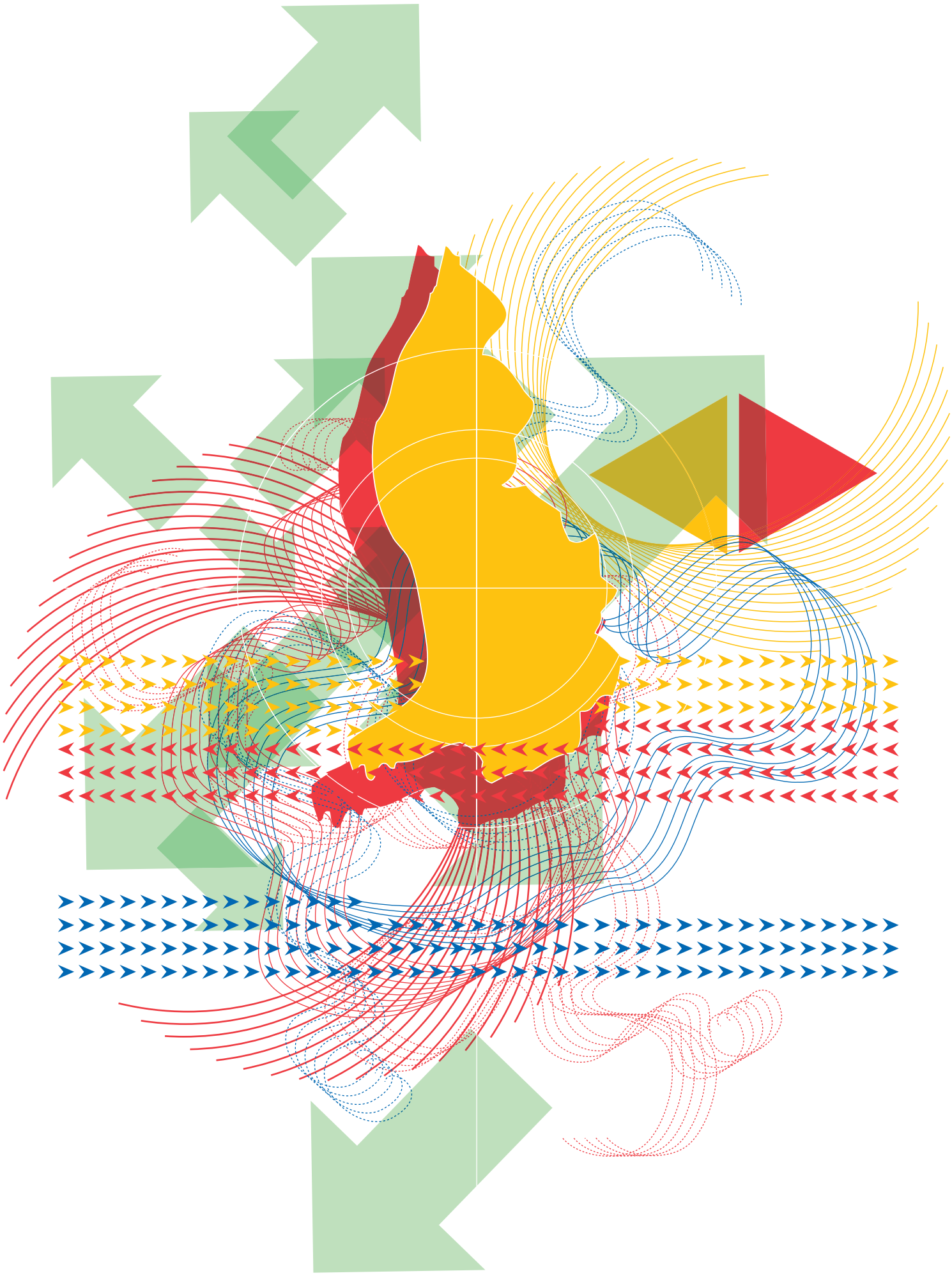
International solidarity for Liechtenstein also means that it supports and rapidly implements non-military sanctions, such as arms embargoes and financial sanctions. This applies to sanctions of both the UN and the EU. Additionally, Liechtenstein's active commitment to human rights, democracy and the rule of law demonstrates the country's solidarity. This commitment is expressed for instance in its involvement on behalf of the International Criminal Court.

The focus of Liechtenstein's solidarity is on **International Humanitarian Cooperation and Development (IHCD)**. Reducing extreme poverty and especially the gap between countries and regions with different development levels is the key to a more peaceful and secure world. Within the framework of IHCD, Liechtenstein supports people who are disadvantaged in terms of their living conditions and quality of life. This commitment is not driven by self-interest; solidarity takes centre stage. Solidarity and aid take a long-term, sustainable perspective. They are accorded to all human beings regardless of gender, origin, skin colour or religion.

The Liechtenstein Government has repeatedly committed itself to reaching the international ODA target of 0.7% of GNI as soon as possible. This percentage measures the state expenditures for development cooperation in relation to gross national income. **Liechtenstein** achieved an **ODA percentage of 0.67** in 2009. In that year, Liechtenstein ranked sixth worldwide. The austerity measures affecting IHCD within the framework of the restructuring of the national budget do not mean an abandonment in principle of the goal of reaching an ODA percentage of 0.7.

It is part of Liechtenstein's understanding of itself that the county makes a contribution to international solidarity.

It is the responsibility of foreign policy to actively communicate Liechtenstein's contribution to international solidarity and especially its activities in the field of IHCD. Liechtenstein's international solidarity is an often overlooked, very positive facet of the country. It has the ability to paint a differentiated picture of Liechtenstein abroad.



Bilateral cooperation

Switzerland

Switzerland and Liechtenstein enjoy very close and friendly relations. These have become stronger especially since the end of the First World War. **Numerous bilateral treaties and agreements** are proof of this. Already in October 1919, Switzerland assumed the responsibility of safeguarding the interests of Liechtenstein and of Liechtenstein citizens through its embassies and consulates abroad at the request of the Liechtenstein Government. The two most important bilateral treaties still in force are the 1924 Customs Treaty and the 1980 Currency Treaty.

A Liechtenstein representation in Bern was opened with a legation in 1944, which was converted into an embassy 25 years later. Already from 1919 to 1933, Liechtenstein maintained a legation in Bern, which however had to be closed again on financial grounds. A Swiss ambassador to Liechtenstein, residing in Bern, was accredited for the first time in 2000.

The **Customs Treaty** of 1924 laid the cornerstone for the successful economic development of Liechtenstein. Through that treaty, Liechtenstein was integrated into the Swiss customs area. In the years 1991 and 1995, the Customs Treaty was amended so that Liechtenstein can – on the basis of respective separate agreements with Switzerland – itself become a state party to international agreements and a member of international organisations in areas covered by the Customs Treaty, such as when Liechtenstein joined the EEA Agreement in 1995. Apart from its international legal effect, the Customs Treaty also has symbolic importance for the especially close relations between Liechtenstein and Switzerland. It has created the basis for harmonisation in the legal, social, and economic domains going far beyond its scope of application. In the everyday life of Liechtenstein citizens, the open border is seen as extremely positive and irrevocable.

Likewise of special significance to mutual relations is the **Currency Treaty** of 1980, with which Liechtenstein – which has used the Swiss franc since 1921 as its official currency – was integrated into the currency area of Switzerland, while preserving Liechtenstein's monetary sovereignty in principle. The monetary and currency policy of the Swiss National Bank also covers Liechtenstein. The shared currency indicates the strong links in economic life and entails parallel interests in many areas, such as issues pertaining to the financial centre.

Switzerland continues to be the most important bilateral partner of Liechtenstein.

Switzerland continues to be the **most important bilateral partner** of Liechtenstein. The close connection can be seen in a long list of other treaties concluded with the Swiss Confederation and in agreements concluded with individual cantons. These treaties and agreements cover a wide range of issues, such as education, health, social security, transportation, agriculture, private insurance, intellectual property, indirect taxes and duties as well as many areas of cross-border cooperation. The existing treaty arrangements require and undergo continuous adjustments. At the same time, new treaty relations are added, such as recently in the areas of organ transplants, radiation protection, and environmental fees and taxes. The relations with Switzerland have probably never been as strong and diverse as they are today. Liechtenstein's foreign policy activities in recent years vis-à-vis third countries and especially in the multilateral domain have not limited its broadly diversified cooperation with Switzerland. New opportunities – and from Liechtenstein's perspective, also new necessities – for cooperation always arise.

The **numerous contacts at the political level** are a sign of these ties. In the past two years, meetings of the four German-speaking heads of state have been held in Liechtenstein (2011) and Switzerland (2012). At the governmental level, there have been about a dozen bilateral meetings of individual ministers in the past two years as well as several ministerial meetings at the level of the German-speaking countries. A meeting of the Liechtenstein-Swiss Parliamentary Friendship Group also took place in Vaduz. The contacts and reciprocal governmental visits with Swiss cantons and the exchanges at the level of public officials are also extensive.

All of this is a sign of the many years of extensive and friendly neighbourly relations. Nevertheless, the extensive relations also entail the need for discussion in areas where the legal foundations differ. Examples include social insurance and health as well as payment transactions and flanking measures accompanying the Free Movement of Persons Agreement between Switzerland and the EU. In areas with similar legal foundations, the legal developments in one country – for instance due to EEA obligations in Liechtenstein – regularly necessitate adjustments. The basis for finding solutions on both sides is in general excellent. The bilateral relationship is vibrant and advances continuously.

Liechtenstein and Switzerland are closely connected not only through their bilateral treaties and agreements. Both states advocate the same values and goals in many areas in international bodies, leading to substantial cooperation also at the international level.

Austria

Liechtenstein and Austria traditionally have had close and friendly ties. The shared history and similar values have always shaped the common geographic, economic and cultural bonds of the region.

Liechtenstein is very closely linked with Austria through the European Economic Area, since December 2011 through the Schengen agreement, and through **numerous treaties** in the areas of education, health, internal security, justice, and social affairs. The revision of the Liechtenstein-Austrian DTA from 1970 is currently under negotiation. For Liechtenstein, which also covers sub-areas of state action through cooperation agreements with neighbouring countries, this type of far-reaching collaboration plays an especially important role.

In recent years, the process of information and close coordination with the federal government and public administration of Austria has been continued in all areas of policy. Regular bilateral working visits have taken place, concerned mainly with questions of economic development, the financial centre, the European integration process, and foreign, justice, cultural and educational policy. The heads of state of both countries have come together each year for an exchange of ideas as part of the meetings of the German-speaking countries.

In line with the European trend towards increasing significance of regions, the **relations** between Liechtenstein and its regional partners and the federal states in Austria have **intensified in recent years**. The annual working meetings between the governments of Liechtenstein and Vorarlberg have been continued, serving coordination and information in many policy areas.

The traditionally close relations with Austria were further expanded in the past few years.

In the past few years, several high-ranking Austrian regional politicians have visited Liechtenstein. Liechtenstein ministers in turn have maintained regular and intensified contact with the Austrian federal states and have participated in events such as the European Forum Alpbach, the various Lech fora, and the European Forum Wachau in the Abbey of Göttweig.

Several projects and events in the immediate region have developed very intensively. These initiatives are increasingly initiated and implemented directly by the individual specialist ministries and offices. Cooperation is especially close in the fields of culture, the environment, internal security, cross-border transportation (FL-A-CH commuter train and establishment of the new border clearance facility at the Tisis-Schaanwald customs office), sports (EYOF 2015), tourism and health.

Liechtenstein and Austria are close trading partners and have **tight economic links**. About 8,000 Austrian cross-border commuters come to work in Liechtenstein every day. Liechtenstein and Austrian companies are often themselves active in both countries, focused not only on regional but also on international markets. Liechtenstein benefits in this regard from the very good economic development of Austria, compared with other European countries, which in turn builds on its strong position as supplier to German industry and markets in the Far East. Several Central and Eastern European countries have also overcome the crisis relatively well, and they are in turn closely linked with the Austrian economy, especially through banks.

Liechtenstein and Austria pursue very similar goals in their foreign policy, and they support each other's candidatures as well as in international fora where initiatives relating to peacekeeping, the observation and progressive development of international law, and the equal rights of states are at issue. Liechtenstein can also count on Austrian support in its concerns regarding the European unification process and the EEA. Liechtenstein supports Austria's efforts to consolidate and expand Vienna as a seat of international organisations and events. In the past few years, the International Anti-Corruption Academy (IACA) and the International Peace Institute (IPI) have been established in Vienna with Liechtenstein's support. The Liechtenstein Institute on Self-Determination (LISD) has held events in Vienna on Afghanistan and religion, diplomacy and international relations. Political talks take place on a regular basis in Vienna and Vaduz between the Liechtenstein and the Austrian foreign ministry at a high official level on foreign policy topics.

Given Austria's position as an important centre for cultural activities in the German-speaking and Central European region, there have long been strong cultural ties between the two countries. In light of this fact and the foreign cultural policy of both countries, **cultural exchange** has been strengthened in recent years. The implemented projects and events include the continuation of Liechtenstein's participation in the Austrian libraries abroad, artists in residence, MOYA, theatre productions within the framework of ASSITEJ, «In Between. Austria Contemporary», STELLA, participation in anniversary events celebrating the 10th anniversary of the Museumsquartier in Vienna, the Arte Povera exhibit in the Lentos museum in Linz, and participation in the foreign cultural days of the Austrian foreign ministry. This collaboration will be further strengthened in the future.

Germany

Liechtenstein is connected with the Federal Republic of Germany through a rich shared history, the shared German language, and the resulting far-reaching commonalities in linguistic and cultural history. Not least of all, the two countries are linked by the European Economic Area, in which Germany is the most important trading partner of Liechtenstein. Germany's role in the EU, but also in the OECD, the G8 and the G20 give **particular importance to the relations** with this country.

Until the end of the First World War, the Austrian legation represented Liechtenstein's interests in Germany. From 1919, Liechtenstein's interests were safeguarded by the Swiss representations – for a time in both German states. In 1992, in the context of Liechtenstein's interest in joining the EEA, direct diplomatic relations were established for the first time, and the German ambassador in Bern was additionally accredited in Vaduz. In 2000, a Liechtenstein ambassador was for the first time accredited in Berlin, albeit initially in a non-resident capacity from Vaduz. In 2002, the first ambassador residing in Berlin was appointed.

During the first few years of the embassy in Berlin, the main priorities were establishing contacts at the high political level, the development of cultural networks, the strengthening of economic relations, the appointment of two honorary consulates, and positive image management. At the beginning of 2008, the first official visit in 16 years by a Liechtenstein Prime Minister to Germany took place. At the same time, special diplomatic challenges arose between the two countries. The purchase by German authorities of bank data of German taxpayers stolen in Liechtenstein triggered a tax scandal in February 2008. From 2008 to 2012, the negotiations on cooperation between Liechtenstein and Germany on tax matters therefore played an important role. In 2009, a tax information exchange agreement between the two countries was signed, which entered into force in 2010 and has worked smoothly so far. In 2011, a comprehensive **double taxation agreement** was signed. The DTA was ratified by the Liechtenstein Parliament in April 2012. Germany ratified the agreement at the end of November 2012. Other agreements in this domain could follow. The tax agreements were necessary to elevate bilateral relations with Germany to a higher and stronger level and to eliminate tensions in this area. At the same time, legal certainty in this area and attractive framework conditions for mutual investments were created, especially thanks to the DTA. This will link the two business locations even more closely together.

Germany's role in the EU, the OECD and the G20 give particular importance to the relations with this country.

With the progress in the negotiations, **political contacts at all levels** were revived or even newly established. In 2010, the first official visit by a Head of State of Liechtenstein took place in the Federal Republic of Germany, when H.S.H. Hereditary Prince Alois von und zu Liechtenstein was received in Berlin by Federal President Horst Köhler. Since then, bilateral meetings of all Liechtenstein Ministers with their German counterparts have taken place. Liechtenstein has meanwhile also become a traditional participant in the quadrilateral meetings of the German-speaking countries. These meetings take place at the level of the heads of state, the ministers of home affairs, the ministers of finance (here also with Luxembourg), the ministers of justice, the ministers of environmental affairs, and for the first time in August 2012 in Vaduz also the level of the foreign ministers.

In parallel with the direct contacts at the level of the executive branch, the contacts at the parliamentary level have also been strengthened. In 2011, a delegation headed by the Chairman of the Finance Committee of the German Bundestag visited Liechtenstein. More recently, the first meetings at the level of the presidents of parliament of both countries took place in June 2012, when Liechtenstein President of Parliament Arthur Brunhart visited the President of the German Bundestag, Norbert Lammert, in Berlin. The return visit by the President of the Bundestag to Liechtenstein took place in October 2012.

Similarly positive developments in diplomatic visits and direct contacts have occurred at the level of the federal states. These contacts have become more important especially due to the conclusion of the tax cooperation agreements, since most treaties and implementing legislation must also be approved by the German Bundesrat, i.e. the house of parliament representing the federal states.

The good **cultural contacts** between the two countries have been especially important over the past four years. In the field of visual arts, there have been vibrant exchange projects for many years already: with Weimar in Thuringia since 1989, nearly every year alternately in Liechtenstein or Weimar. In August and September 2012, the Kunstmuseum Liechtenstein presented its Arte Povera collection as part of the renowned Weimar Arts Festival. With Berlin/Treptow-Köpenick, there has been a regular exchange of artists since 1997, alternately in Berlin and Liechtenstein. The workshop residence in Berlin for artists from Liechtenstein also plays an important role and promotes the desired direct contact among artists from both countries.

Projects relating to the shared German language are also being developed. For instance, intensified cooperation with the German Goethe-Institut starting in 2012 is planned, by way of a project in which books from Liechtenstein will be donated to the the Goethe-Institut libraries all around the world (initial donation by the Fürst Franz-Josef von Liechtenstein Foundation). The Liechtenstein Government will then take over ongoing maintenance and donations over the coming years. An especially gratifying cooperation project occurred in 2011 and 2012 with the Deutsche Oper Berlin. As part of this cooperation project, two chamber music pieces by composers from Liechtenstein were premiered in Berlin in 2012.

After long preparations, a **joint postage stamp** by Germany and Liechtenstein was issued in June 2012 as a cross-ministerial project. The step is seen as a sign of friendly cooperation on both sides. The motif is the Pfälzer Hütte, a mountain cabin established more than 80 years ago in the Liechtenstein Alps by enthusiastic mountaineers from the Palatinate.

Overall, the relations between Liechtenstein and Germany today are considerably stronger and more broadly based than even just a few years ago. Also in view of the further development of the EU, the importance of the Federal Republic of Germany to its German-speaking neighbouring countries – which include Liechtenstein in a broader sense – will further increase.

Czech Republic

The Principality of Liechtenstein and the Czech Republic established diplomatic relations on 8 September 2009. With this step, the two countries were able to resume their bilateral relations after an interruption of more than 70 years, which had followed the appropriations of Liechtenstein property by Czechoslovakia without compensation.

Upon establishing diplomatic relations, the two countries agreed to appoint an **independent Commission of Historians** with the goal of making a contribution to mutual understanding of the countries' shared history and of its opportunities and challenges. The Commission of Historians, whose mandate runs until the end of 2013, began its work in 2010.

With the **assumption of diplomatic relations**, the process of normalising bilateral relations began. Like Liechtenstein, the Czech Republic belongs to the European Economic Area. Both countries share common values and are close trading partners. The more than 700 years of history of the House of Liechtenstein in Bohemia and Moravia also represent a unique link between the Principality of Liechtenstein and the Czech Republic. The initially difficult starting point now gives Liechtenstein special opportunities to work together with a Central European country which – fully embedded in the European Union – has always also consciously followed its own path.

In the last few years, **numerous reciprocal** official and unofficial **visits** at the high and highest political levels took place; for historical reasons, exchanges with the region of South Moravia have been particularly extensive. A regular political dialogue on foreign policy and bilateral questions as well as on shared membership in the European Economic Area and the European unification process began with a meeting of the two foreign ministries at a high official level in May 2012 in Vaduz.

In the areas of business and culture, several concrete projects have been realised. In 2010, H.S.H. Reigning Prince Hans-Adam von und zu Liechtenstein for the first time opened an exhibition from the Princely Collections showing works from the Biedermeier period in Prague. Numerous other exhibitions with the participation of the Princely Collections and the Archives of the Reigning Prince of Liechtenstein followed, dedicated to the influence of the House of Liechtenstein in Bohemia and Moravia. Liechtenstein participates with productions at the renowned German-language theatre festival in Prague and took part in Architecture Week Prague 2011 with works from the exhibition competition «Konstruktiv». A continuation of cooperation in the field of foreign cultural policy is planned.

Thanks to normalisation of bilateral relations, Liechtenstein now has very unique opportunities for cooperation with the Czech Republic.

In 2010, the region of South Moravia was a guest country at the LIHGA trade fair in Liechtenstein. In the autumn of 2011, a high-ranking business delegation visited the Czech Republic. Valuable contacts were established and strengthened during these visits.

In 2011, the Principality of Liechtenstein and the Czech Republic for the first time in their history accredited non-resident ambassadors in Vienna and Bern.

USA

The relations between Liechtenstein and the United States of America are based on shared values such as commitment to democracy, the protection and respect of human rights, the rule of law, tolerance, and the free flow of ideas. The United States plays a globally leading role in areas important to Liechtenstein – especially including questions concerning the financial centre. Of relevance in this regard is the great importance placed by the United States on the fight against terrorism since 11 September 2001. For this purpose, the United States depends on close relations with its partner countries. Apart from the **trade relations** with Switzerland and Germany, Liechtenstein's strongest trade relations are with the United States. For these reasons, bilateral relations with the United States are especially important.

Until the embassy in Washington was established, bilateral relations were managed directly between the Liechtenstein authorities and the American consulate general in Zurich. In 1997, the first US ambassador residing in Bern was accredited as a non-resident ambassador to Liechtenstein. Liechtenstein's ambassador to the United States was first accredited as a non-resident ambassador in 2000 and then as a resident ambassador in Washington in 2002.

Over the past ten years, relations with the United States have been deepened and expanded. This has occurred through agreements and stronger **cooperation in relation to the financial centre and the fight against terrorism**, intensified reciprocal visits at various levels, the establishment of honorary consulates, and the creation of a network in Washington and beyond. There continues to be a great need to portray Liechtenstein in the United States in a context that goes beyond the financial centre, drawing attention to the importance of the industrial sector and Liechtenstein's status as an attractive business location. In light of the size of the United States and its limited familiarity with Liechtenstein, the country has a great opportunity to shape its own image from scratch in many parts of the United States, requiring ongoing and active public relations work. The four honorary consulates make a substantial contribution to Liechtenstein's visibility in the respective American states. In this regard, they constitute a cost-efficient and effective form of support.

With regard to **cooperation in tax matters**, the United States continues to be one of the most important and influential partners for Liechtenstein. In 2008, a tax information exchange agreement (TIEA) with the United States was concluded. The associated TIEA Act was supplemented in March 2012 to include the possibility of group requests, in order to provide a sustainable legal framework for dealing with information concerning American clients. A bilateral disclosure program has so far not met with concrete interest on the part of the US. Implementation of FATCA currently represents an enormous challenge. This law with extraterritorial effect requires financial institutions throughout the world to ensure full transparency in regard to their American clients. In the field of mutual legal assistance, the individual cases arising in the context of the Mutual Legal Assistance Treaty, in force since 1 August 2003, have been processed satisfactorily. Efforts to conclude a double taxation agreement with the United States continue.

In the fight against the financing of terrorism, Liechtenstein-American cooperation in recent years has intensified also at the level of police cooperation and with the Immigration and Passport Office. On 27 June 2012, the Agreement on Enhancing Cooperation in Preventing and Combating Serious Crime was signed in Washington. This agreement is an indispensable prerequisite for continued visa-free entry into the United States by Liechtenstein citizens for purposes of tourism. The agreement was preceded by an agreement on the exchange of data regarding suspected and known terrorists.

In recent years, **regular visits at the ministerial and official level** have taken place in Washington. They make a considerable contribution to the maintenance and strengthening of contacts at all levels. Visits by H.S.H. Reigning Prince Hans-Adam II and H.S.H. Hereditary Prince Alois von und zu Liechtenstein were of an informal nature. Members of the Executive Board of the Liechtenstein Chamber of Commerce and Industry have been travelling to Washington every two years since 2004 in order to exchange ideas and experiences at the appropriate level with representatives of the private and public sector. It is very much appreciated in Washington when members of the private sector visit in addition to Ministers and other public officials. Last May for the first time, the Foreign Affairs Committee of the Liechtenstein Parliament headed by President of Parliament Arthur Brunhart paid a working visit to Washington.

The United States will remain the most important partner of Liechtenstein outside Europe.

To institutionalise a group of Members of Congress who know Liechtenstein and consider themselves friends of the country, the Congressional Friends of Liechtenstein Caucus was established in 2007. It is composed of 18 US Members of Congress. In 2009, the Caucus submitted a text in the US House of Representatives praising the changes in the Liechtenstein financial centre. This text is available to all Members of Congress as an integral part of the official record and is used by staff members to prepare voting behaviour. After the closure of the institution that had conducted the annual visits by the Members of Congress to Liechtenstein until 2009, the embassy has been looking for a new partner in Washington. The visits to Liechtenstein at the level of groups of Congressional staffers, which have taken place for four years now, have accordingly become even more important. In more than one case, legislative proposals relevant to the financial sector have been positively influenced by members of these groups in the US Congress. Important contacts are also cultivated with Members of Congress in whose electoral districts Liechtenstein industrial companies are located.

Only in rare cases do Liechtenstein companies in the United States have to rely on support from the embassy, given that they have been in the US since long before the embassy's establishment. Contacts have increasingly been institutionalised in recent years. In September 2011, representatives of Liechtenstein companies met for the first time in Washington.

In the cultural field, great importance is attached to the good institutionalised contacts with local cultural institutions, including the Goethe Institutes. Recently, the honorary consuls have also proven to be very helpful.

An evaluation of the bilateral relations lends itself to the conclusion that Liechtenstein is now considered a reliable partner of the United States with a high quality of cooperation. The pressure to maintain and expand this cooperation will not subside. For the foreseeable future, the United States will remain the most important partner of Liechtenstein outside Europe.

China, India, Japan and Singapore

In recent years, the emerging countries in Asia have gained importance economically but also politically. The dynamically growing national economies are leaders worldwide in terms of economic growth. There are many indications that this development will continue. Unlike other small European countries such as Luxembourg and Iceland, Liechtenstein so far has not established its own representation in Asia. Recently, however, there has been a greater focus on deepening relations with selected Asian countries. This has been accomplished mainly through diplomatic visits. The high-level visits have taken place regularly, accompanied by representatives of the Liechtenstein private sector.

In 2010, the 60-year anniversary of diplomatic relations between **China** and Liechtenstein was celebrated. The expansion of bilateral relations with China – as a permanent member of the UN Security Council and a member of the G8 and G20 as well as a regional economic engine – is of crucial importance. Liechtenstein took the opportunity to present itself at the EXPO 2010 in Shanghai. Three high-ranking delegations, headed by H.S.H. Hereditary Prince Alois von und zu Liechtenstein, Prime Minister Klaus Tschütscher, Deputy Prime Minister Martin Meyer, and Foreign Minister Aurelia Frick, combined visits to the EXPO with bilateral talks in Beijing. Vice Foreign Minister Fu Ying reciprocated by visiting Foreign Minister Aurelia Frick in 2011. A double taxation agreement with Hong Kong was signed in 2010 and – together with the other EFTA states – a free trade agreement in 2011.

Also with **India**, the largest democracy in the world, bilateral relations have been intensified in recent years. On the invitation of the Indian government, H.S.H. Hereditary Prince Alois von und zu Liechtenstein and Foreign Minister Aurelia Frick, accompanied by a business delegation and high-ranking officials, visited Delhi in 2010. Talks were held including with Shrimati Pratibha Devisingh Patil, the President of the Republic of India. Negotiations on an EFTA free trade agreement with India are currently underway. For Liechtenstein, these negotiations are a top priority.

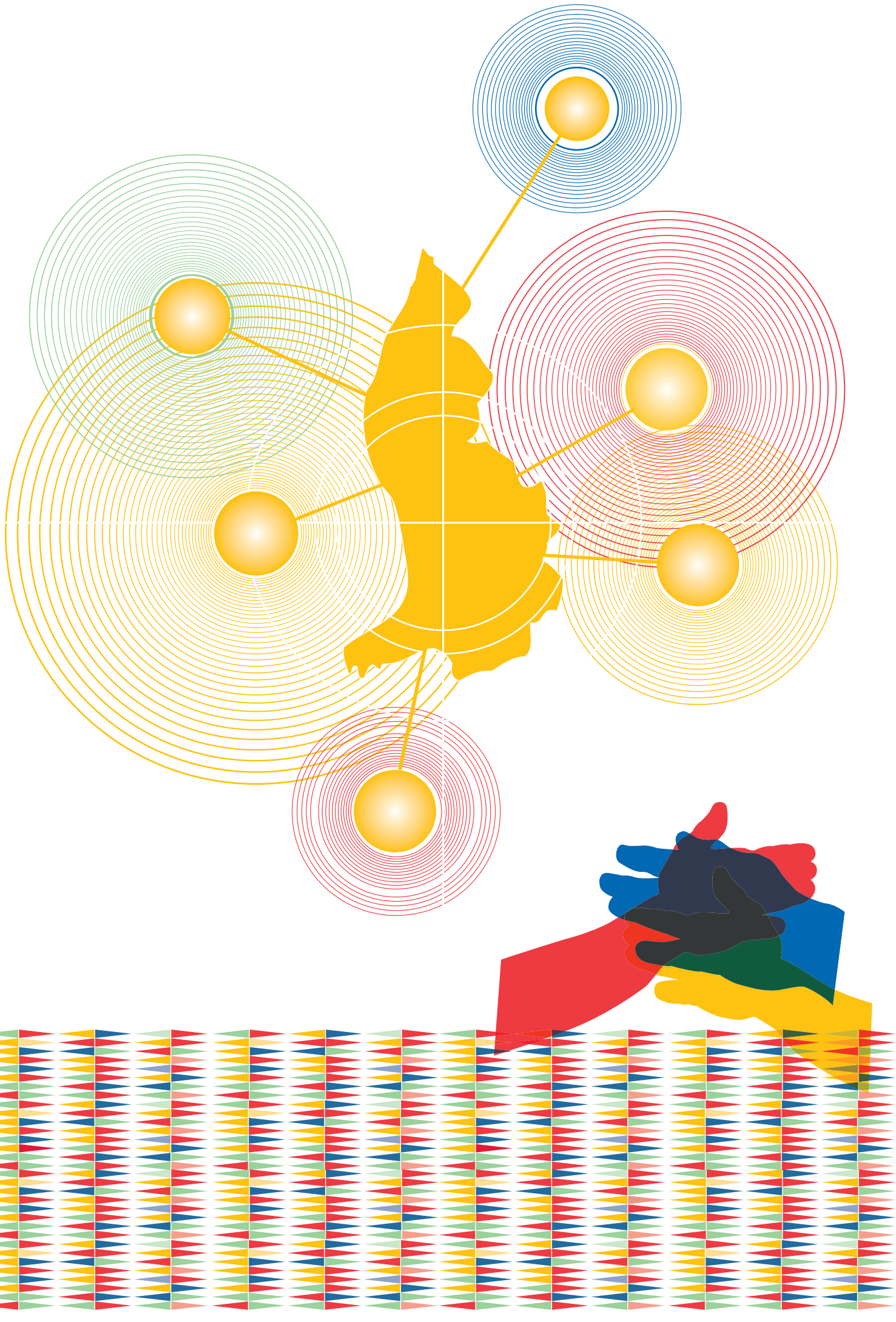
There has been a greater focus on deepening relations with selected Asian countries.

At the opening of the exhibition of the Princely Collections in the National Art Centre in Tokyo, the first bilateral visit of Liechtenstein in **Japan** took place in October 2012. The delegation headed by H.S.H. Hereditary Prince Alois von und zu Liechtenstein and Prime Minister Klaus Tschütscher consisted of representatives of the State, the financial centre and the industrial sector. Talks took place including with the Japanese Imperial House and with Prime Minister Noda.

Liechtenstein and **Singapore** have maintained intensified bilateral relations for some time now. The two countries took up direct diplomatic relations in 2010. The Foreign Minister of Singapore, George Yeo, paid an official visit to Vaduz in January 2010. On the invitation of Prime Minister Lee Hsien Loong, Hereditary Prince Alois von und zu Liechtenstein paid an official visit to Singapore the same year and also met with President of the Republic Sellapan Ramanathan. Finally, Foreign Minister Aurelia Frick paid a working visit to Singapore in 2011. The bilateral relations between Liechtenstein and Singapore are also expressed in concrete terms in the cooperation of the two Missions to the United Nations in New York. Singapore

founded the Global Governance Group (3G), of which Liechtenstein is a member. Singapore is also the coordinator of the Forum of Small States and a strong and respected voice at the UN.

In 2012, the Liechtenstein Government made a basic decision to establish honorary consulates in Asia. This decision was welcomed by the relevant business associations. The first honorary consulate is to open in Hong Kong. Other honorary consulates in Asia are envisaged.



Multilateral cooperation

European organisations and fora

EEA

Liechtenstein's membership in the European Economic Area (EEA) has proven to be an appropriate integration solution for the country. Thanks to the EEA Agreement, new business opportunities have been developed, leading to further diversification of the Liechtenstein economy. It has turned out that the EEA Agreement can be administered with a reasonable amount of effort. Overall, **positive conclusions** can be drawn from Liechtenstein's 17 years of EEA membership so far. EEA membership offers the best starting point for any necessary further development or even deepening of European integration. The developments relevant to Liechtenstein in the area of European integration are monitored continuously and appraised in terms of their impact.

Liechtenstein's simultaneous **participation in two economic areas**, namely the EEA and the customs and currency area of Switzerland, raises questions of compatibility that are likely to increase further in the future. Switzerland's bilateral path makes it more difficult to find solutions. Such problems of compatibility can currently be seen for instance in the regulation of payment transactions.

When the EEA Agreement was signed in 1991, the European acquis communautaire was made up of 1,500 legal acts. Each year, between 200 and 390 new EU legal acts are incorporated.[6] By 15 June 2012, 6,603 EU legal acts relevant to Liechtenstein were covered by the EEA Agreement. It cannot be denied that EEA membership has led to a **higher density of regulation**, not always in a desirable way.

The EEA states have committed themselves to maintaining a 99% rate of implementation of EU directives. The Liechtenstein rate has been between 99.2% and 99.6% since 2008, which shows that Liechtenstein not only is able to meet the demands of extensive integration in the Single Market, but has also proven itself as a thoroughly reliable partner.

Positive conclusions can be drawn from Liechtenstein's 17 years of EEA membership.

In the period from 2008 to mid-2012, Liechtenstein was condemned by the EFTA Court for delayed implementation of four directives[7]. In the meantime, Liechtenstein's legal framework has been adjusted accordingly. Four other judgements of the EFTA Court were issued on the basis of questions referred by Liechtenstein courts. In that time period, the European Court of Justice issued two judgements affecting Liechtenstein.

6 2008: 219 EU legal acts; 2009: 284 EU legal acts; 2010: 347 EU legal acts; 2011: 373 EU legal acts.
7 2009: Reinsurance Directive (Case E-3/09) and Merger Directive (Case E-7/09);
2010: Professional Qualifications Directive (E-9/10) and Equal Treatment Directive (E-11/10).

Since 2008, several **significant legal implementation projects** have been successfully completed in Liechtenstein. These are:

- regarding the free movement of persons, expansion of the rights of EEA citizens to their family members who are citizens of third countries, and recognition of foreign professional qualifications;
- extensive requirements under the new EU Services Directive and new requirements for motor vehicle liability insurance;
- in the financial services sector, implementation of the entire EU legal package on bank capitalisation and further requirements against money laundering, the regulation of payment transactions, reinsurance, and undertakings for collective investment in transferable securities;
- regarding energy, rules on the electricity single market, the natural gas markets, and the security of electricity supply and of infrastructure investments;
- regarding consumer protection, stricter rules against unfair commercial practices;
- regarding environmental protection, new rules on dealing with genetically modified or pathogenic organisms and water protection;
- regarding social insurance, fundamentally revised rules on the coordination of cross-border social insurance benefits for employees and their relatives.

Pursuant to the new EU **supervisory structure in the field of financial services**, three new European supervisory authorities have been operational since 1 January 2011: the EBA for banks, the ESMA for securities, and the EIOPA for insurances. This poses questions that still have to be resolved by the three EEA/EFTA states regarding appropriate inclusion in these bodies and the placement of these states under the decision-making powers of the new authorities, in a way that is compatible with the two-pillar structure of the EEA Agreement.

In regard to the new Liechtenstein Tax Act, which entered into force on 1 January 2011, the ESA concluded in February 2011 that the special rules contained therein on private investment structures are EEA-compliant. In its decision of June 2011, the ESA also deemed the tax treatment of income from certain intellectual property rights compliant with the EEA Agreement. In two examination procedures taken to the EFTA Court, however, special tax regimes for captives and for the investment companies of investment funds were considered impermissible state aid, some of which must be reimbursed.

Within the framework of the **EEA Financial Mechanism**, the EEA/EFTA states supported more than 800 projects with a total of EUR 672 million in the expired EEA period 2004-2009. Most funds flowed to the areas of environmental protection, sustainable development, and preservation of the European cultural heritage.

In addition to a substantial increase of funds to EUR 988.5 million, the new Financial Mechanism 2009-2014 includes two changes: The mechanism is switching from a project-based to a program-based approached, and the concept of «donor programme partners», which are intended to support long-term bilateral cooperation with the recipient countries, has been introduced. The last of the total of 15 memoranda of understanding with the recipient countries was signed in March 2012. Currently, the various program proposals, on the basis of which the projects can then be proposed, are being reviewed and approved by the donor states.

One of Liechtenstein's focuses continues to be in the field of scholarships. In the respective program areas, the Liechtenstein Agency for International Education Affairs (AIBA) was named a «donor programme partner». A further special point of interest for Liechtenstein is the field of cultural exchange, in which the Ministry of Cultural Affairs works together with the competent Norwegian partner, the Arts Council Norway.

With Croatia's EU accession in July 2013, the period after 2014 will include an additional recipient country in the EEA Financial Mechanism.

At the margins of the EEA Council, an **informal political dialogue** takes place between the foreign ministers of the EEA/EFTA states and the foreign minister of the current EU Presidency. During Liechtenstein's EEA Presidency in the second half of 2011, this opportunity was used to provide information about Liechtenstein's foreign policy activities in the promotion of international criminal law.

As an EEA member, Liechtenstein also receives all foreign policy statements of the EU, including decisions on the imposition of sanctions, with the possibility of association. Since 2008, Liechtenstein has joined more than 400 EU statements in this way.

Since Liechtenstein's **accession to the Schengen/Dublin area** on 19 December 2011, Liechtenstein as an associated Schengen state has had the same rights and duties – in terms of both sovereignty policy and European policy – as Iceland, Norway and Switzerland. On agenda items relevant to Schengen, Liechtenstein has direct access to the Council of the European Union and to the Committee of Permanent Representatives and can participate in the relevant committees of the European Commission. In this way, Liechtenstein is represented together with the 27 EU member states, the other EFTA states, the European Commission and the European External Action Service at all levels dealing with Schengen issues.

If Liechtenstein had not joined the Schengen area, the open border with Switzerland could not have been maintained without restrictions.

Apart from the significance of Schengen membership as a corollary of the free movement of persons in the Single Market, accession to the Schengen area is also about ensuring continuation of the advantageous border control regime with Switzerland, since the border to Switzerland had formally become an external Schengen border upon Switzerland's accession. If Liechtenstein had not joined the Schengen area, the open borders with Switzerland pursuant to the Customs Treaty could not have been maintained without restrictions. Apart from concerns of sovereignty policy, European policy, and integration policy, Liechtenstein's accession to Schengen was thus also guided by the practical desire to avoid negative consequences in relation to Switzerland.

After Liechtenstein had more than three years time to prepare its association since signing the association protocols in February 2008, the evaluations conducted between April and September 2011 in the areas of data protection, police cooperation, and the Schengen Information System (SIS) were passed without problems. Accordingly, the Council of Ministers of Justice and Home Affairs of the European Union decided unanimously on 13 December 2011 that Liechtenstein had met all conditions for accession. Liechtenstein joined the Schengen area as the 26th member. All national borders now constitute internal Schengen borders, at which

systematic controls of persons are prohibited. Moreover, both the police and the Immigration and Passport Office have access to the EU-wide information systems such as the search database SIS, the visa information system VIS, and EURODAC, which uses fingerprints to determine whether asylum-seekers have already applied for asylum in another Schengen country or entered illegally. Based on information from these databases, simple and fast searches for criminals or stolen cars can for instance be conducted throughout Europe, visa abuse can be combated, and abusive asylum applications can be stopped.

It addition to the actual Schengen association protocols, other agreements had to be concluded that are directly related to Schengen. These include the agreement to expand the application of Schengen rules to the relationship between Liechtenstein, Norway and Iceland, as well as the inclusion of Denmark with its special status, entailing the further development of the Schengen acquis. Agreements were also necessary to regulate Liechtenstein's participation in the EU external borders agency FRONTEX and the EU External Borders Fund as «solidarity instruments» for the countries at the EU external borders most heavily affected by migration pressure. Additionally, a framework agreement had to be concluded with Switzerland concerning stay, visa procedures and cooperation in the border area as well as an agreement on the import and export of weapons that became necessary to maintain the status quo in the shared customs areas even after accession to Schengen. Currently, cooperation agreements with EUROJUST and EUROPOL as well as an agreement to participate in the European Asylum Support Office (EASO) are under preparation.

Council of Europe

The activities in recent years have focused on reform processes. Building on the resolutions of the Third Summit of Heads of State and Government of the Council of Europe in Warsaw in 2005, two reform processes were launched in particular. The first process is the **reform of the Council of Europe** as an overall organisation, which was initiated by Secretary General Thorbjørn Jagland immediately after his election in October 2009 and which he has since advanced. The main goal of the process, which Liechtenstein has supported from the beginning, is to strengthen the Council of Europe as a political body and as an innovative and flexible organisation, in order to enhance its visibility again and increase its importance for the more than 800 million citizens of Europe. The focus of the implementation of this goal is a renewed concentration on the thematic priorities of the Council of Europe: human rights, democracy, and the rule of law. Since these issues are also priorities of Liechtenstein's foreign policy, this process is in the interest of Liechtenstein. Additionally, the efficiency of the Council of Europe's work is to be improved. For example, the Secretariat of the organisation and the various expert bodies have undergone a structural reform for this purpose. The budget is now also biennial instead of annual, in order to ensure more planning security and continuity.

Liechtenstein advocates a strong and efficient Court of Human Rights.

The second important process that has shaped the work of the Council of Europe in recent years and will continue to do so is the **reform of the European Court of Human Rights (ECtHR)** in Strasbourg. In light of the chronic overload of the court with a very large number of pending individual complaints, these reform efforts aim to preserve the effectiveness of the protective mechanism of the European Convention on Human Rights (ECHR) in the short and long term. In February 2010, the Interlaken Process on reform of the ECtHR was initiated by the Swiss chairmanship at the time of the Council of Ministers in the context of a high-level conference. A first assessment took place in April 2011 at a follow-up conference in Izmir (Turkey). Liechtenstein has long participated actively both at the political and the expert level in the work on reform of the Strasbourg court. The highlight of this work so far has been a further follow-up conference, which took place in April 2012 in Brighton, England. On the basis of the declaration adopted there and the related resolutions of the ministerial session in May 2012, implementation of a package of reform measures is currently in preparation. It should therefore be expected that reform of the ECtHR will continue to be an important part of the Council of Europe's agenda in the coming years. The focus of Liechtenstein's involvement in ECtHR reform continues to be on national implementation of the ECHR in the states parties as well as on safeguarding the right of individual complaint and the independence of the ECtHR. In connection with ECtHR reform, Liechtenstein has been able to raise its profile and successfully make active contributions. It is especially gratifying that Liechtenstein's proposal to conduct an audit of the court has meanwhile been realised. Liechtenstein's involvement in this regard will be continued in the coming years.

Liechtenstein's basis for its active and credible involvement in this regard is the fact that so far, only a small number of (largely inadmissible) complaints against Liechtenstein have been brought before the ECtHR. So far, there has been a total of five judgements by the court against Liechtenstein. This is an indication of Liechtenstein's smoothly functioning protection of basic rights at the national level.

In connection with the ECtHR, the planned accession of the EU to the ECHR is also of note. The negotiations on this topic were continued in the second half of 2012. Liechtenstein will continue to participate in the work in this regard.

Liechtenstein's regular participation and contribution in the weekly meetings of the **Committee of Ministers**, the supreme decision-making body of the Council of Europe, as well as the annual ministerial sessions at the level of foreign ministers are the main political focus of Liechtenstein's membership in the Council of Europe. The agenda of the Committee of Ministers is characterised by a very broad thematic scope. Apart from current questions concerning human rights, democracy, and the rule of law that are relevant to all of Europe or individual member states, the agenda also includes issues such as cooperating with the neighbouring states of the Council of Europe (especially within the framework of the new neighbourhood policy) and other international organisations (especially the EU, OSCE, and UN), the fight against various forms of international crime, and the promotion of exchanges among members states in areas such as education, culture, and sport. Liechtenstein regularly contributes to the Committee of Ministers especially in its foreign policy priorities of human rights, democracy, and the rule of law.

Liechtenstein also participates actively in the work of a considerable number of other bodies of the Council of Europe. These include the Council of Europe Development Bank (CEB) in Paris and the European Centre for Global Interdependence and Solidarity (North-South Centre) in Lisbon. This is also true of the varied activities at the expert level. Especially noteworthy in this regard from a foreign-policy perspective are the Steering Committee for Human Rights (CDDH), the European Commission for Democracy through Law (Venice Commission), the European Commission against Racism and Intolerance (ECRI), the European Committee for the Prevention of Torture (CPT), the Committee of Experts of the European Charter for Regional or Minority Languages, the Moneyval anti-money laundering committee, the Committee of Experts on Terrorism (CODEXTER), the Committee of Legal Advisers on Public International Law (CAHDI), and the Group of States against Corruption (GRECO). In its work in these bodies, Liechtenstein is able to benefit from the valuable European exchange in specialised fields and to contribute accordingly.

Liechtenstein benefits from the valuable European exchange and contributes actively.

In this connection, the Council of Europe's monitoring mechanisms are of note, which are responsible for monitoring implementation of the standards of the Council of Europe in its various areas of expertise. In recent years, the Council of Europe Commissioner for Human Rights, ECRI, the CPT, as well as Moneyval and GRECO have paid such visits to Liechtenstein.

Apart from the ministerial and expert level, Liechtenstein also participates in the parliamentary and regional and local political dimensions of the Council of Europe's work. A delegation of the Liechtenstein Parliament represents Liechtenstein in the sessions of the Parliamentary Assembly of the Council of Europe in Strasbourg and participates in the work of various subcommittees. A delegation to the Congress of Local and Regional Authorities of the Council of Europe, consisting of representatives of Liechtenstein's municipalities, takes part in the spring and autumn sessions of the congress in Strasbourg.

For many years, Liechtenstein has made a solidarity contribution through its voluntary financing of Council of Europe projects.

The Council of Europe is currently going through a period of reform from which it will emerge stronger, not least of all thanks to the determination of the Secretary General. The timeliness and importance of the core issues of the organisation – human rights, democracy, and the rule of law – are undisputed. This is particularly true even in economically difficult times. The Council of Europe therefore continues to give Liechtenstein the opportunity to get involved in these foreign policy priority areas and to strengthen its international profile. Moreover, the Council of Europe remains an important European platform providing the opportunity to establish and maintain valuable international contacts.

EFTA

The European Free Trade Association (EFTA), which is composed of Iceland, Liechtenstein, Norway, and Switzerland, is headquartered in Geneva. The EFTA states maintain a Secretariat with about 80 staff members. The vast majority of these staff members work in the branch of the Secretariat in Brussels, which deals exclusively with EEA affairs. A second important pillar of the EFTA states consists in the EFTA relations with third countries, which are administered by the Secretariat in Geneva. Despite their relatively small size, the EFTA states as a group are not a lightweight in world trade and are therefore attractive partners. In the trade in goods, they rank 11th worldwide, and in the trade in services they even rank 7th (counting the EU as a unit).

The goal of EFTA's third country policy is to create **access to foreign markets** for the economic operators of the EFTA states that is as stable and **free of barriers and discrimination** relative to their competitors as possible – i.e. at least equal access. Liechtenstein supports this policy for good reasons and with conviction. The EFTA third country agreements – in addition to Liechtenstein's WTO membership – constitute an important and indispensable element of the framework conditions for Liechtenstein's manufacturing and business location.

As a response to the economic and financial crisis and the associated danger of increasing protectionism, the EFTA states have dramatically increased their rhythm for **expanding the network of free trade agreements** in recent years and have pushed for greater geographic diversification, with a focus on Asia. On the basis of surveys of Liechtenstein businesses, Liechtenstein has been able to contribute targeted priorities in this regard. The EFTA states accord the highest priority to the most important growth markets.

EFTA currently offers the best platform for the conclusion of free trade agreements to prevent discrimination in the access to foreign markets.

Liechtenstein economic operators now already have a network of a total of 23 free trade agreements with 27 countries worldwide (not counting the EU) at their disposal. Five joint declarations on cooperation supplement this network. In the last few years, the following new, comprehensive free trade agreements have been concluded: In 2008 with Canada and Colombia, in 2009 with the Gulf Cooperation Council (GCC), Serbia and Albania, in 2010 with Ukraine and Peru, and in 2011 with Hong Kong and Montenegro.

Among the ongoing negotiations, those begun in 2008 with India enjoy the highest priority. Other important negotiations are underway with the Customs Union of Belarus, Kazakhstan and Russia, with Indonesia, Vietnam, Malaysia, and the Central American states. The agreement with Bosnia and Herzegovina should be ready for signature before the end of this year. No progress has been made in the negotiations with Algeria and Thailand, which began some time ago. Bilaterally, Switzerland is also negotiating with China. Pursuant to the Customs Treaty, a Swiss-Chinese agreement would also apply to Liechtenstein for the trade in goods. Negotiations with other potential partner states are being investigated.

EFTA currently offers the only promising platform for the conclusion of bilateral and regional free trade agreements to prevent discrimination in the access to foreign markets. At the same time, EFTA constitutes an important platform for relations with the EU.

OSCE

The Organization for Security and Co-operation in Europe (OSCE) is headquartered in Vienna and was founded in 1975 as the Conference on Security and Co-operation in Europe (CSCE), of which Liechtenstein was a cofounder. The OSCE meanwhile is composed of 56 participating states in the Northern Hemisphere «from Vancouver to Vladivostok» and is thus the only security-policy organisation in which all European countries, the United States, Canada and the successor states of the Soviet Union are represented.

The OSCE uses a comprehensive definition of security encompassing all aspects of military security, the economy, and human rights and the rule of law. The priorities of the OSCE's activity lie in preventive diplomacy, conflict prevention and crisis management as well as post-conflict rehabilitation and stabilisation of democratic structures. In this way, the OSCE contributes to the promotion of peace, reconciliation, democracy and human rights in Europe and thus also to the foreign policy goals of Liechtenstein. Decision-making and the assumption of commitments in the OSCE are governed by the consensus principle and are politically binding.

Four independent OSCE institutions – the High Commissioner on National Minorities, the OSCE Representative on Freedom of the Media, the Office for Democratic Institutions and Human Rights (ODHIR), and the Parliamentary Assembly of the OSCE – as well as the OSCE field operations in South-Eastern Europe, the Caucasus and Central Asia, established in the 1990s after the fall of the Iron Curtain, strengthen and promote the implementation of OSCE commitments assumed, especially in the field of human rights and the rule of law, but also in the economic and military dimensions of the OSCE.

The focus of Liechtenstein's work in the OSCE is on **cooperation with like-minded states**, especially in the fields of human rights and the rule of law, the smooth functioning of the OSCE, and honouring of the commitments assumed by all member states. Apart from this, Liechtenstein supports the OSCE with experts and voluntary contributions to project work.

An important instrument of the OSCE for the promotion of democracy consists in the election observation missions conducted by ODIHR. Over the years, the OSCE has built up a leading role in election observations and a unique expertise among international organisations. Prior to the elections to the Liechtenstein Parliament in 2009, Liechtenstein invited an ODIHR mission to Liechtenstein in accordance with its OSCE commitments. The mission provided some recommendations on how to improve the way elections are held in Liechtenstein. Liechtenstein has also invited ODHIR to observe the upcoming parliamentary elections in 2013.

With the attacks on the World Trade Centre in New York in 2001 and the new threats to the security of states and populations in the 21st century arising from terrorism, trafficking in humans and drugs, and the proliferation of weapons of mass destruction, the OSCE has increasingly focused its work also on combating transnational crime and has built up capacities in the OSCE Secretariat accordingly over the years. The OSCE moreover has increased cooperation with the OSCE partner state of Afghanistan through several projects. Also in these activity areas of the OSCE, Liechtenstein has been able to make a contribution through its expertise and financial support.

Foreign Minister Aurelia Frick takes part in the annual meetings of OSCE foreign ministers, in which the work of the past year is reviewed and the groundwork is laid for the OSCE's future work.

Liechtenstein regularly takes on **chairmanships of the bodies and working groups of the OSCE** and makes experts available to the various conferences. In the first quarter of 2013, Liechtenstein will chair the Forum for Security Co-operation (FSC). Alongside the Permanent Council, the FSC is one of the two consultative and decision-making bodies of the OSCE meeting each week in Vienna at the level of heads of delegation. The FSC deals with arms control and political-military security questions in the OSCE region.

The OSCE offers a unique opportunity to cooperate on security issues.

For Liechtenstein, which is a member of neither the European Union nor a security alliance and has only a limited diplomatic network, the OSCE will continue to offer a **unique opportunity to cooperate on security issues** on the European continent.

Global cooperation

United Nations

Liechtenstein's work at the United Nations focuses in principle on the defined foreign policy priorities, namely human rights, international law, crime prevention and criminal justice, and humanitarian assistance. Environmental issues tend to play a subordinate role in daily foreign policy work, since they generally require the substantive involvement of specialists.

In the field of human rights, Liechtenstein plays an active and influential role.

In the field of **human rights**, Liechtenstein is active both within the framework of the Human Rights Council, which replaced the Human Rights Commission in 2006, as well as in the Third Committee of the General Assembly. One focus is on the thematic agendas, such as children's and women's rights as well as impunity and the fight against crime. In the Third Committee, Liechtenstein has served both as chairman and as deputy chairman. Also in the development of international treaties in the field of human rights, Liechtenstein has played an active and influential role since joining the UN, especially on the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women, the Convention on the Rights of Persons with Disabilities and its Optional Protocol, and the Third Optional Protocol to the Convention on the Rights of the Child. In regard to institutional questions, Liechtenstein has mainly been active on treaty body reform, for which two expert meetings were held in Liechtenstein in 2004 and 2006[8], as well as in the negotiations in New York and Geneva on the establishment of the Human Rights Council (2006). Liechtenstein also co-chaired the revision of the Human Rights Council in New York.

Liechtenstein is a **state party to the core human rights instruments**.[9] Liechtenstein is currently preparing to join the Convention on the Rights of Persons with Disabilities and the International Convention for the Protection of All Persons from Enforced Disappearance. The reporting obligations for human rights treaties are generally very time-consuming. The Office for Foreign Affairs is responsible for the necessary coordination in this regard with the specialist offices and representations abroad. Liechtenstein's involvement in treaty body reform aims not least of all to reduce the workload associated with reporting to the extent possible.

Because of Liechtenstein's limited personnel resources and the considerable competition within its regional group (Group of Western European and Other States), Liechtenstein has so far never been a member of the Human Rights Council or its predecessor body (the Human Rights Commission). Thanks to the strong observer status, however, it is easy to make substantive contributions to the Council's work. The observer status makes it possible to participate actively in negotiations on resolutions of the Human Rights Council and to introduce proposals.

8 Malbun I and Malbun II.

9 International Covenant on Economic, Social and Cultural Rights and International Covenant on Civil and Political Rights, International Convention on the Elimination of All Forms of Racial Discrimination, Convention on the Elimination of All Forms of Discrimination against Women, Convention on the Rights of the Child, Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

Moreover, the various working groups of the Council hardly distinguish between member and observer states, since their outcomes often have to be approved by the General Assembly – where all UN member states have a vote – after they have been adopted by the Human Rights Council. This situation for instance allowed Liechtenstein to help shape the outcome document of the 2009 Geneva Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance (Durban II) with its own contributions.

In the field of **international law**, Liechtenstein has a strong profile in the responsible Sixth Committee of the General Assembly, where it also served as deputy chairman. For several years, Liechtenstein – together with Mexico – has also introduced the resolution on the rule of law at the national and international levels. One of the focus areas in recent years has been Liechtenstein's **involvement in the International Criminal Court (ICC)**.[10] Liechtenstein has played a leading role in several ways: First, Liechtenstein headed the negotiations on the system for the election of judges, and later Ambassador Christian Wenaweser chaired the Special Working Group on the Crime of Aggression (SWGCA) and finally served as President of the Assembly of States Parties.[11] The highlight of the Presidency was the Review Conference in Kampala, Uganda – the first international conference chaired by Liechtenstein. Even now that the Presidency has been completed, the ICC remains a priority topic, especially also through the project on ratification of the treaty amendments adopted in Kampala on the crime of aggression and through the creation and establishment of an Informal Ministerial Network to give political support to the ICC. Additionally, Liechtenstein has been active for years regarding the rule of law of UN sanctions and it has made its own contributions to the preparations of the high-level meeting on the rule of law in September 2012.

Liechtenstein continues to play a lead role supporting the International Criminal Court (ICC).

Apart from the field of human rights, Liechtenstein has raised its profile on institutional questions especially in regard to **reform of the Security Council**: Liechtenstein co-chaired the responsible working group and was a co-founder of the S-5 group, which until its dissolution was concerned exclusively with the working methods of the Security Council. Additionally, a proposal on expansion of the Security Council was developed, representing a compromise between the extreme positions.

The **topics of relevance to the financial centre** are actively dealt with, firstly in the Economic and Social Council (ECOSOC) and the General Assembly (Second Committee) in New York, secondly as part of the work of the Commission on Crime Prevention and Criminal Justice (CCPCJ), which meets each year in Vienna, as well as the Conference of the Parties to the United Nations Convention against Transnational Organized Crime and the Conference of the States Parties to the United Nations Convention against Corruption. In 2010, Liechtenstein also participated in the Twelfth United Nations Congress on Crime Prevention and Criminal Justice. These congresses take place every five years and define the priorities for international cooperation in the fight against crime.

10 Purely technically speaking, this work does not fall within the scope of the UN, but it largely takes place in New York and is substantively closely connected to UN work.
11 SWGCA 2002 - 2008, Presidency 2008 - 2011.

Of particular importance was the creation of the Global Governance Group (3G), which deals with the work of the G20 and advocates greater consultation by the G20 with the rest of the UN membership as well as fair and equal treatment of all states.

Also in the **Security Council**, Liechtenstein is involved primarily in the abovementioned thematic areas and takes part regularly in relevant activities. The focus is on the agendas of women, peace and security; children and armed conflict; protection of civilian populations; the rule of law in general; and ICC-related issues in particular. For the foreseeable future, Liechtenstein has no intention to become a member of the Security Council.

Liechtenstein was a member of the **Economic and Social Council (ECOSOC)** in 2008 and was involved primarily in humanitarian matters and topics relevant to the financial centre. In the ECOSOC functional commissions, substantive participation focuses on the work of the Commission on Crime Prevention and Criminal Justice (CCPCJ, Vienna) and the Commission on the Status of Women. Liechtenstein has so far never served as a member of any of the functional commissions, but such participation is under consideration. Similarly, a seat on the Executive Board of UN Women is envisaged.

As a state party to the UN Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects, Liechtenstein supports efforts to further strengthen the protection of the civilian population in conflict situations and thus **international humanitarian law**. Liechtenstein pursues a similar goal by participating in a process launched by the ICRC to improve mechanisms for monitoring compliance with the Geneva Conventions.

WTO

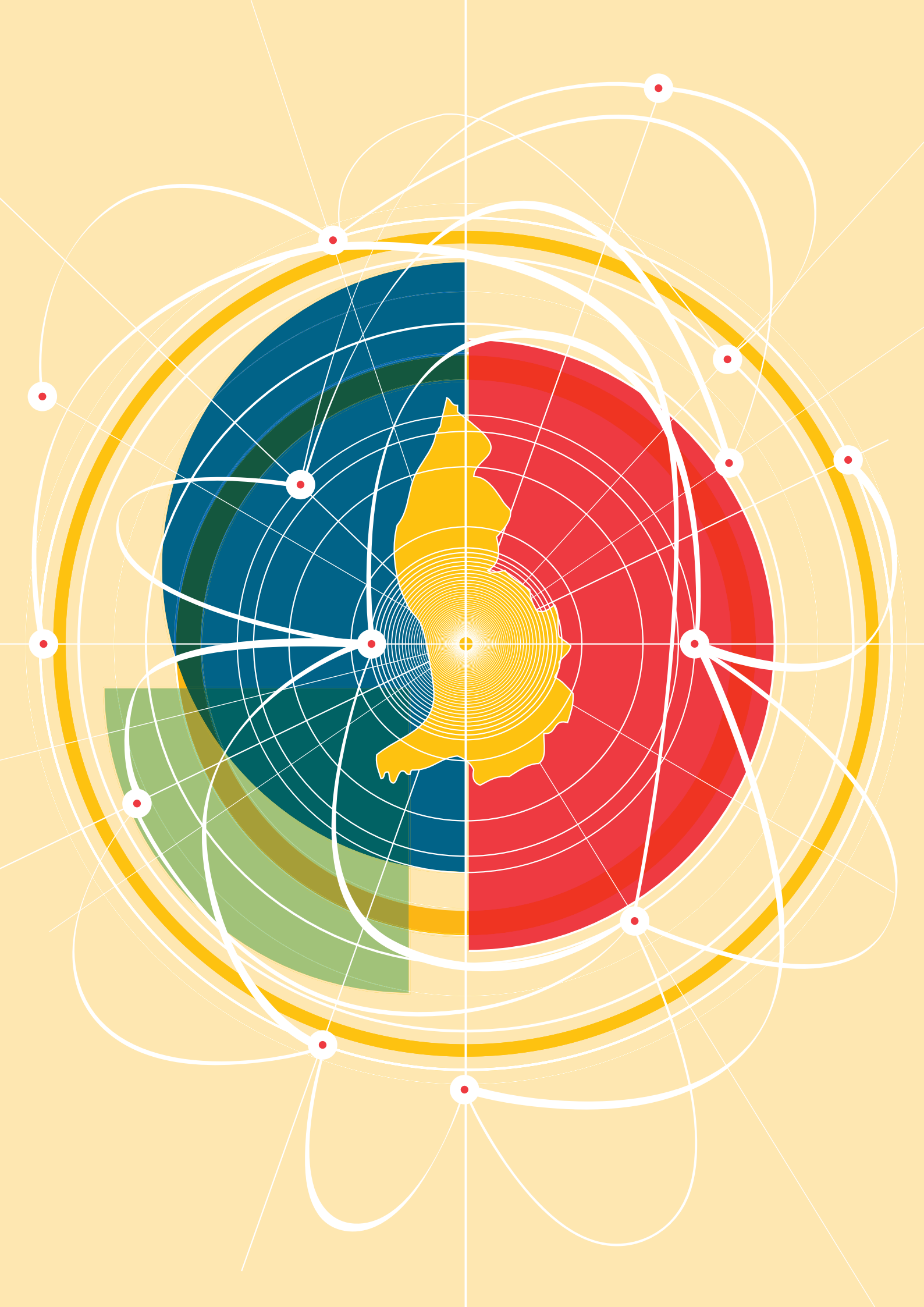
The WTO is the forum where negotiations are conducted at the multilateral level to further develop economic relations. The outcomes of the negotiations are reflected in the WTO agreements and the WTO rules. The WTO member states aim to further liberalise international trade within the framework of the negotiation rounds.

The current **WTO negotiation round (Doha Round)**, which is the focus of the activities of the Permanent Mission in Geneva in regard to the WTO, was launched in 2001 – at the same time as China's accession to the WTO. The Doha Round is based on the principle that «nothing is decided until everything is decided», which is why it is not possible to already implement the negotiation progress made in individual areas. Even after ten years of negotiations, a conclusion of the Doha Round does not yet appear to be in sight. But rapid progress would be urgently needed. Over the past decade, the nature of trade and accordingly the type of barriers to trade have changed dramatically. A new way of looking at world trade is necessary, for instance in regard to the advancing division of labour and international value added chains, which should also be reflected in the WTO rules. Emerging countries like China, Brazil and India have risen to potent trading parties over the last ten years of the WTO world trade round. The relative weight of the industrial countries of the North in global trade has steadily declined.

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Since no progress has been made in the WTO in this regard, hundreds of **bilateral and regional free trade agreements** have been concluded in parallel with the world trade negotiations. The opinion appears to prevail that simply waiting for multilateral outcomes at the WTO is not a solution and does not take account of the factual changes in world trade. Even just since the outbreak of the financial and economic crisis – i.e. over the last four to five years – no fewer than 61 new agreements have been concluded. Only five of these concerned industrialised countries, 32 concerned both industrialised and developing countries, and the remaining 24 exclusively concerned countries of the South. These figures illustrate the increasing integration of the developing countries, especially the emerging countries, in world trade. The EFTA states play a lead role in the negotiation of free trade agreements. At the same time, they emphatically push for multilateral solutions within the framework of the WTO, which would be to the advantage of all parties and preferable to bilateral solutions. The EFTA states therefore strive to play an extremely active role on both the multilateral and the bilateral tracks.

A ray of hope at the WTO ministerial conference in December 2011 was the conclusion of the negotiations – which likewise began ten years ago – on the **revision of the WTO Agreement on Government Procurement**. This agreement allows companies to submit cross-border bids for tenders by governments and public entities. Another success was the admission of Russia to the WTO after 18 years of negotiations. This means that all major national economies in the world are now members of the WTO.



Key issues in Liechtenstein foreign policy

Foreign economic policy

Within foreign policy, **foreign economic policy is gaining in importance**. The priority goal of foreign economic and trade policy is to create the most favourable possible framework conditions for the international business relations of economic operators. Foreign economic policy is therefore an important instrument of Liechtenstein's business location policy. Securing and improving access to foreign markets is, however, only one component of the framework conditions of the Liechtenstein business location, albeit an essential one. Also especially important for market access and the attractiveness of the business location are double taxation agreements and tax information exchange agreements (TIEAs).

Liechtenstein's foreign economic policy and the implementation thereof are based on Liechtenstein's **memberships in the EEA, WTO and EFTA** as well as the **Customs Treaty with Switzerland**.

For the cross-border trade in goods and agricultural products beyond the EEA region (and for agricultural products also within the EEA), the Customs Treaty continues to represent the governing legal foundation. Switzerland therefore has the negotiating competence for WTO and EFTA agreements in this regard. However, the Permanent Mission in Geneva does contribute the specific interests and needs of Liechtenstein's export industry to the negotiations.

Liechtenstein autonomously negotiates other areas of the WTO and EFTA agreements such as the trade in services and rules governing investments or public procurement. These areas are special in that every member, including Liechtenstein, negotiates commitments specific to the country, but enjoys all commitments assumed and all trade liberalisations thanks to the most favoured nation principle. The **most favoured nation principle** is an asset for a small country like Liechtenstein. Also in regard to services, with a focus on financial services, the Permanent Mission in Geneva identifies the needs of the affected economic sectors.

The priority goal is to create favourable framework conditions for the international business relations.

Among WTO topics, the focus is on negotiations within the framework of the ongoing world trade round; with regard to EFTA, the focus is on free trade negotiations. The EFTA states aim to find multilateral, globally valid solutions within the framework of the WTO negotiations, but in parallel they conclude bilateral and regional free trade agreements. One of the challenges in this regard is that the new partner states are frequently faraway countries with different development levels and diverse economic or trading traditions. This results in more cost-intensive and also time-consuming and longer negotiations.

Liechtenstein attaches great importance to the EFTA free trade agreements. Liechtenstein's involvement in this regard is accordingly substantial. In the second half of 2009 and the first half of 2011, Liechtenstein chaired EFTA and organised the spring EFTA ministerial meeting in June 2011 in Schaan. Chairing EFTA entails numerous additional obligations and events. Liechtenstein also chairs various meetings with partner states and occasionally also negotiations.

Protection of human rights and the rule of law

As in other areas of international law, human rights and the rule of law undergo **dynamic progressive development**. In recent years, several new legally binding human rights instruments have been negotiated at the European and global levels. In most cases, Liechtenstein actively contributes to the negotiations on the new agreements; most of the negotiations were covered by Liechtenstein's representations abroad. Liechtenstein has also signed and ratified several agreements relevant to human rights over the past few years. Most of these agreements include a reporting procedure, in which the state party gives detailed account to a treaty body regarding domestic implementation of the guarantees under the agreement.

In the last five years, Liechtenstein has prepared country reports under the following agreements, submitted them to the competent treaty body, and – where applicable – had a delegation present them to the treaty body: UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; UN Convention on the Elimination of All Forms of Discrimination against Women; International Convention on the Elimination of All Forms of Racial Discrimination; Optional Protocol to the UN Convention on the Rights of the Child on the involvement of children in armed conflict; European Framework Convention for the Protection of National Minorities.

Among reporting mechanisms, the Universal Periodic Review (UPR) of the human rights situation of each country by the UN Human Rights Council plays a special role. In the UPR, the states monitor each other reciprocally. Liechtenstein underwent its first UPR in 2008; the second UPR is scheduled for January 2013. The UPR also offers Liechtenstein the opportunity to participate in the review of other countries and thereby to enter into a human rights dialogue with them.

Liechtenstein advocates a periodic review of the human rights situation in each country.

Monitoring of domestic implementation of international standards is accomplished not only by submitting and presenting **country reports**, but also by way of **country visits**. Especially the monitoring mechanisms of the Council of Europe visit Liechtenstein regularly. In the first half of 2012, for example, both the Council of Europe Commissioner for Human Rights and the European Commission against Racism and Intolerance (ECRI) visited Liechtenstein. With regard to the OSCE mechanisms, election observations are especially relevant. An ODIHR election observation team visited Liechtenstein prior to the 2009 parliamentary elections.

The timely preparation of country reports and the preparation and accompaniment of on-site visits are very time-consuming for the Office for Foreign Affairs and the other specialist offices concerned. It is expected that the work will continue to be equally time-consuming in the future. These procedures, which regularly attest Liechtenstein's generally high level of human rights protection, have generated important impulses for the further development of human rights standards in Liechtenstein.

Within the bodies of the UN, the Council of Europe and the OSCE dealing with human rights, the focus of Liechtenstein's work is on specific thematic issues. Liechtenstein's main interests are in the fields of women's rights, children's rights, combating torture and the death penalty, strengthening international human rights structures and mechanisms, and combating impunity for the most serious violations of human rights.

Women's and children's rights stand at the centre of Liechtenstein's human rights policy.

On the issue of **women's rights**, Liechtenstein has in recent years been particularly involved in the political participation of women in countries going through a political transition period, as well as in the fight against violence against women, especially in conflict situations. In January 2012, Liechtenstein – in collaboration with the Liechtenstein Institute on Self-Determination (LISD) – organised a conference on implementation of the women, peace and security agenda in Afghanistan. The conference in Schaan took place at a critical time, since the situation of women is in danger of deteriorating dramatically with the announced withdrawal of international force.

In the field of **children's rights**, Liechtenstein participated actively in the negotiations in the UN Human Rights Council on the Third Optional Protocol to the Convention on the Rights of the Child, which introduces the right of individual complaint. Liechtenstein also advocated an expansion of the activities of the UN Security Council to protect children in armed conflicts. In addition to combating the recruitment of child soldiers, the activities now also include the protection of children from sexual violence and the punishment of attacks against schools. In connection with the fight against torture, Liechtenstein has repeatedly spoken in favour of the absolute prohibition of torture and has supported efforts aiming to prevent the torture and inhuman treatment of prisoners through appropriate measures.

Liechtenstein also especially advocates the **strengthening of international human rights structures and mechanisms**. At the European level, Liechtenstein has been particularly involved in the reform of the European Court of Human Rights (ECtHR). Both at the political and expert level, Liechtenstein has advocated for years that the ECtHR continues to function smoothly as the main pillar of human rights protection in Europe and be able to master the large number of pending individual complaints. Liechtenstein's proposals on ECtHR reform have in the past years repeatedly been included in the negotiation outcomes and reform measures. Liechtenstein continues to work on behalf of reform of the UN's human rights structures. It can be considered a particular sign of confidence in Liechtenstein that the Permanent Representative of Liechtenstein at the United Nations was entrusted with the co-chairmanship of the Human Rights Council review process in New York in 2010. Additionally, Liechtenstein actively advocates strengthening of the treaty bodies, i.e. of the monitoring committees for the human rights agreements composed of independent experts. Measures in this regard are currently being negotiated in New York. Finally, within the framework of the OSCE, Liechtenstein has focused in recent years on advocacy for the work of ODIHR, the most important responsibility of which is election observation.

A logical consequence of Liechtenstein's many years of engagement in the ICC is that Liechtenstein regularly advocates **no tolerance for impunity for the most serious violations of human rights** in the relevant human rights bodies. This advocacy is being continued actively even after conclusion of Liechtenstein's successful Presidency of the Assembly of States Parties (2008-2011). Of special note in this regard is the Informal Ministerial Network to give political support to the ICC, which was initiated by Liechtenstein. Closely related to this is Liechtenstein's work on behalf of the principle of the rule of law at the national and international level, for which Liechtenstein is one of the strongest advocates among UN member states. Based on a Liechtenstein-Mexican initiative, the UN General Assembly has considered this topic since 2006 and initiated numerous reforms. Under Liechtenstein-Mexican chairmanship of the negotiations, the General Assembly decided to establish a UN-internal coordination mechanism to make the UN's various activities on the rule of law more efficient. Liechtenstein is also a core member of a group of like-minded states which, since 2005, have pushed the UN Security Council with great success to take more account of the principle of the rule of law and the rights of affected individuals in the context of its sanctions procedures.

International Humanitarian Cooperation and Development

The centrepiece of international solidarity is the dedication of financial and human resources to people in poorer countries. International Humanitarian Cooperation and Development (IHCD) covers all of the State's work in this field, including the activities of the Liechtenstein Development Service (LED).

Since entry into force of the IHCD Act in 2007, the various State offices involved have worked closely together. Apart from the LED, this means the Office for Foreign Affairs, the Immigration and Passport Office, and until the end of 2012 the Office of Forests, Nature and Land Management. In particular, the offices' joint external presentation has been strengthened. Since 2009, an annual report has been issued presenting selected projects and activities. The publication is accompanied by a public event on an IHCD topic. The purpose of the annual report is in part to encourage exchange among the numerous private actors and aid organisations working in the development field. Since 2010, basic information and current events can be accessed on a dedicated website (www.llv.li/ihze). Strengthening public outreach serves firstly to raise awareness in Liechtenstein, but also to enhance IHCD's professional presentation abroad in relations with partner organisations and other countries. By actively communicating international solidarity, this positive but often unfamiliar side of Liechtenstein is made more visible.

The centrepiece of international solidarity is the dedication of financial and human resources to people in poorer countries.

Liechtenstein's **financial commitment** to IHCD ranks sixth worldwide. Only a few states have already achieved or exceeded the international target of 0.7% of GNI for ODA[12]. With 0.67% in 2009, Liechtenstein has come close to the international target. Nearly CHF 26 million is available for all IHCD in 2012. These funds are distributed among different categories according to a predefined key.

12 To facilitate comparisons of official development assistance (ODA) among states, an indicator has been established that measures expenditures for IHCD in relation to gross national income (GNI).

The largest pillar of IHCD is **bilateral development cooperation**, for which the Liechtenstein Development Service (LED) is responsible. For this purpose, the LED receives about 65% of the total resources each year, which it employs largely via local partners (Southern partners) or partner organisations based in Switzerland and Austria (Northern partners). In Chisinau (Moldova), Cochabamba (Bolivia), and Harare (Zimbabwe), the LED maintains its own local offices. It also finances the employment of persons from Liechtenstein in development projects of other organisations and arranges internships.

With an ODA percentage of 0.67, Liechtenstein has come close to the international target.

The LED is currently active in 13 priority countries. These are the Republic of Moldova, Kyrgyzstan, Afghanistan, Bolivia, Peru, Costa Rica (Central America), Senegal, Mali, Burkina Faso, Niger, Mozambique, Zimbabwe and Zambia. Thematically, the LED focuses on the development of rural regions, education, and health. The empowerment of women, sustainable development, and social justice are cross-cutting issues. With the adoption of a concept on food security in autumn 2011, this area will be considered more strongly in the future. Another important field of action is microfinance.

Cooperation with the LED, a foundation under private law, is governed by an owner's strategy, which is supplemented and concretised in annual performance mandates. The LED decides on the individual projects.

Multilateral development cooperation funds projects of international organisations or internationally operating non-governmental organisations. This type of involvement is useful mainly in the case of problems of a global or transnational nature in which the international community jointly seeks solutions. In contrast to the projects of the LED, which primarily act at the local level, this track may also include the improvement of national and international framework conditions. Special attention is paid to the promotion of good governance. This includes advocacy for human rights, strengthening of the rule of law and democracy, and the fight against international crime. Key priorities of Liechtenstein's foreign policy, especially in the field of human rights, are advanced additionally in the context of IHCD, in turn underscoring Liechtenstein's credibility. Of note in this regard is for instance Liechtenstein's advocacy for the increased inclusion of women in peacebuilding processes and the protection of children in armed conflicts. Other priorities include health and the fight against HIV/AIDS as well as the environment and sustainable development. With regard to the last priority, Liechtenstein as an Alpine country is especially committed to the development of mountain regions, primarily in the Caucasus. 10% of the IHCD budget is available for this area.

Emergency and reconstruction assistance provides short-term and urgent assistance measures in the event of natural disasters, political crises and armed conflicts. The focus here is primarily on preserving human life and protecting the affected population. Beyond this, however, the medium-term development of social structures and infrastructure is supported in order to facilitate as quickly as possible a return to normal life. 10% of IHCD funds are earmarked for this area. The urgency of the situation is the main criterion for emergency and reconstruction assistance. There is therefore no geographical focus. However, special attention

is paid to emergency situations that are largely ignored or underfunded by the international community. Since 2011, Liechtenstein has been a member of the group for Good Humanitarian Donorship. This internationally composed working group advocates the fulfilment of key principles for humanitarian interventions.

International refugee and migration assistance takes a sustainable and comprehensive approach to coping with the global issue of refugees and migration. This area also receives 10% of the IHCD budget. Bilateral activities focus on the Balkan countries. Persons in need of protection, including minorities, receive support for their local integration and long-term improvement of their living conditions. As part of a holistic approach to the issue of migration, possibilities of circular migration, readmission agreements, and visa questions are considered. At the multilateral level, international refugee and migration assistance promotes compliance with international legal, human rights, and humanitarian standards for refugees, internally displaced persons, returnees, stateless persons, and other persons in need of international protection.

The Liechtenstein Government has participated in the Microfinance Initiative Liechtenstein (MIL) since its founding in 2005. Public and private actors jointly work on strengthening microfinance as an entrepreneurial contribution to poverty reduction in developing countries. Since spring 2012, MIL has had a three-member board, a secretariat and two working groups on technical assistance and impact investment.

Since 2009, a commission has advised the Liechtenstein Government on questions of development cooperation. The Commission for Development Policy is composed of representatives of national actors and foreign experts.

International fight against crime

The fight against crime and crime prevention have been a priority activity of Liechtenstein's foreign policy for years. Within the framework of the relevant bodies of the UN and the Council of Europe, Liechtenstein has followed and actively shaped the international developments in this field. Through its participation in conferences and various expert bodies, Liechtenstein represents its interests especially in fighting corruption, transnational organised crime, cybercrime, terrorism, and money laundering. The Arab Spring, i.e. the revolts against governments in North Africa and the Middle East and the movement towards democracy and freedom they inspired, has also become a special priority area. In this regard, Liechtenstein has supported the expansion of all international sanctions, especially of the European Union.

In the international fight against crime, the **fight against corruption** has become increasingly important. Liechtenstein signed the Criminal Law Convention on Corruption in 2009 and joined the Council of Europe Group of States against Corruption (GRECO) in 2010. In 2010 and 2011, Liechtenstein underwent GRECO's Joint First and Second Evaluation Rounds. In April 2011, a GRECO delegation visited Liechtenstein and held talks with representatives of the public authorities, the business associations, the media, and the academy. In October 2011, the report on the evaluation of Liechtenstein was adopted by the GRECO plenary. The report includes recommendations for Liechtenstein to improve its prevention of and fight against corruption. In April 2013, Liechtenstein will have to report on implementation. It will also undergo the Third Evaluation Round, which will concern criminal provisions regarding corruption and questions regarding the funding of political parties.

In the international fight against crime, the fight against corruption has become increasingly important.

In November 2009, the Conference of the States Parties to the United Nations Convention against Corruption (UNCAC) in Doha adopted a mechanism for monitoring implementation of the convention: a peer review process, in which the countries monitor each other reciprocally. It is the first time in the history of the United Nations that a mechanism of this kind has been included in a convention. At the same time, the conference appointed a working group – the Implementation Review Group (IRG) – with the mandate to accompany the mechanism. In 2010, Liechtenstein concluded the ratification process for the UNCAC. In June 2011, Liechtenstein, together with Yemen, was for the first time chosen by lot as the evaluator of the Sultanate of Brunei Darussalam. In June 2012, Liechtenstein was then chosen together with Kazakhstan as the evaluator of Italy. The evaluation of Liechtenstein is scheduled for the period starting June 2013.

On 2 September 2010, the Agreement for the Establishment of the International Anti-Corruption Academy as an international organisation was opened for signature in Vienna. Liechtenstein has supported this initiative, which was substantially promoted by Austria, by joining the agreement in September 2011. The Academy is envisaged as an interdisciplinary anti-corruption teaching and research centre based in Laxenburg near Vienna.

Analogous to the monitoring mechanism for the UN Convention against Corruption, reciprocal country evaluations are being prepared for implementation of the UN Convention on **Transnational Organized Crime** (UNTOC) and the three protocols to combat trafficking in persons, smuggling of migrants, and the illicit manufacturing of and trafficking in firearms. However, the negotiations are dragging on, so that an outcome cannot be expected before 2013. For Liechtenstein, the UNTOC entered into force in 2008.

The workload arising from participation in the evaluation mechanisms of the UN and the Council of Europe – whether due to evaluations of Liechtenstein or evaluations of other countries by Liechtenstein – is an increasing challenge for small states like Liechtenstein, demanding considerable time and personnel.

In the **fight against terrorism**, attention is increasingly being paid to the prevention of criminal terrorist acts and the protection of victims, and accordingly also to the rights of victims and questions of compensation. The preventive approach to radicalisation trends is also supported by Liechtenstein. It is a main pillar of the UN's counterterrorism strategy and also a focus of the Council of Europe Convention on the Prevention of Terrorism. The states parties to that convention have also adopted a monitoring mechanism. This year, Liechtenstein is considering signature of the convention – the only terrorism convention it has not yet ratified. Liechtenstein submitted its country profile to the Council of Europe Committee of Experts on Terrorism (CODEXTER), which considers all aspects of counterterrorism, in 2009 and 2012. The country profiles, which are made public, include extensive information on the country's legal and institutional counterterrorism measures and its efforts to combat terrorism. At the United Nations, Liechtenstein regularly meets its obligations to report to the competent committee of the Security Council (Counter-Terrorism Committee, CTC) and is involved in the work of the Counter-Terrorism Implementation Task Force (CTITF).

Moreover, Liechtenstein participates in the Council of Europe Committee of Experts on **Cybercrime** and participates in the work of the OSCE and the UN dealing with numerous questions relating to cybercrime and cyber governance at the regional and global levels, seeking a coordinated approach. The UN also identifies solutions and possibilities for cooperation in combating crime trends such as piracy, the illegal trade in cultural goods and natural resources, and environmental crimes, and it is strengthening its involvement in the fight against sexual exploitation, for instance in cooperation with the tourism sector.

Liechtenstein is part of the UN system of collective security which entrusts the UN Security Council to maintain world peace. Like all UN member states, Liechtenstein enjoys the protection of this system, but it is also required to implement the relevant decisions of the Security Council. The most important forms of pressure exercised by the Security Council include non-military **sanctions**, such as arms embargoes and financial sanctions. Liechtenstein attaches great importance in this regard to rapid implementation of financial sanctions against individual members of regimes, since such implementation bears a direct relationship to the credibility of the financial centre. This is true in the same way of financial sanctions of the EU, which are imposed especially in areas where the UN Security Council is unable to act for political reasons. The financial sanctions are part of the restrictive economic measures (restrictions in the arms, trade

Liechtenstein attaches great importance to rapid implementation of financial sanctions.

and services fields) that are imposed by the EU as part of its Common Foreign and Security Policy and that Liechtenstein generally joins. For instance, Liechtenstein has actively observed the developments in the countries in North Africa and the Middle East affected by unrest since the beginning of 2011, immediately implemented the UN and EU sanctions against the violent regimes in those regions, and seized all relevant measures – including the blocking of any assets of politically exposed persons. Financial crime is combated with great dedication in order to keep assets of criminal origin away from the financial centre and to return illegitimately obtained funds to the countries concerned. In addition to its work in multilateral bodies, Liechtenstein's involvement in the International Centre for Assets Recovery (ICAR) plays a central role.

Apart from the consistent de jure and de facto enforcement of UN sanctions, Liechtenstein also cooperates actively with the relevant monitoring bodies of the UN and at the same time advocates compliance with principles of the rule of law. On 1 March 2009, the new Sanctions Act (Law on the Enforcement of International Sanctions) entered into force. The new law improves the harmonisation of the legal situation with the current realities of the international sanction regime.

Security and disarmament

Liechtenstein does not have the security policy options of larger states, and as a small state without its own armed forces, it has a special interest in participating in the international efforts to **promote global security** and **combat the proliferation and further development of weapons of mass destruction** as well as to strengthen regulation of the international arms trade. Internationally, Liechtenstein advocates the non-proliferation of weapons of mass destruction and their complete abolition (disarmament), and it works to ensure that the illegal trade in small arms does not additionally undermine already fragile states.

Accordingly, Liechtenstein has ratified the Treaty on the Non-Proliferation of Nuclear Weapons (Non-Proliferation Treaty, NPT), which is considered one of the most important multilateral non-proliferation and disarmament treaties in terms of security policy, and it has concluded a safeguard agreement with the International Atomic Energy Agency (IAEA). Also the Chemical Weapons Convention (CWC), which entered into force for Liechtenstein in 1999, is of special importance to security policy, since for the first time an entire category of weapons of mass destruction has been prohibited in a comprehensive, verifiable, and non-discriminatory way. Other important conventions in the field of disarmament that Liechtenstein has ratified are the Biological and Toxin Weapons Convention (BTWC) and the Comprehensive Nuclear-Test-Ban Treaty (CTBT).

Liechtenstein advocates preventing the illegal trade in conventional weapons and enforcing the prohibition of weapons deemed to be excessively injurious or to have indiscriminate effects. Of crucial importance in this regard is the Convention on Certain Conventional Weapons of 10 October 1980. Liechtenstein has ratified this framework convention as well as all five of

its protocols. Liechtenstein is also consistently committed to the **strengthening and progressive development of international humanitarian law**. Alongside the Anti-Personnel Mine Ban Convention (Ottawa Treaty), the Convention on Cluster Munitions, which was adopted on 30 May 2008, represents one of the greatest successes of the past years in the development of international humanitarian law and conventional disarmament. Liechtenstein signed the convention on 3 December 2008. Ratification is planned before the end of 2012, and Liechtenstein is one of the first countries also wanting to prohibit the financing of cluster munitions.

Liechtenstein advocates the non-proliferation of weapons of mass destruction and their complete abolition.

Liechtenstein also strengthens security policy activities and the respect for international humanitarian law by making various regular financial contributions to international non-governmental organisations (Geneva Call, International Crisis Group, Geneva Centre for the Democratic Control of Armed Forces, and International Peace Institute). The initiative to negotiate an international arms trade treaty within the framework of the UN, which was launched in 2009, is actively supported by Liechtenstein. The goal is to provide stricter controls on the international trade in conventional weapons, including to prevent arms deliveries that might lead to serious violations of human rights or crimes against civilians, especially women and children. In the negotiations, Liechtenstein has advocated standards that are as effective and far-reaching as possible, and it has supported trust-building measures.

International environmental policy and sustainable development

International environmental policy

Environmental pollution and threats, such as worldwide global warming, do not stop at national borders. Liechtenstein's advocacy for the protection of natural bases of life and its international involvement in the relevant bodies is therefore in its own interest. Liechtenstein is a **state party to numerous international environmental agreements** including in the fields of climate, biodiversity, chemicals, air, water and protection of species. The demands on the implementation of the agreements and the reporting obligations have increased substantially in recent years. Of particular importance to Liechtenstein in this regard are – at the global level – the United Nations Framework Convention on Climate Change (Climate Convention), the associated Kyoto Protocol, the Convention on Biodiversity (Biodiversity Convention) and – at the European level – the Convention on the Protection of the Alps (Alpine Convention). Liechtenstein's environmental policy is also extensively and directly shaped by membership in the Swiss and European economic areas, including through the incorporation of the relevant EU legal acts.

The **Climate Convention** with the **Kyoto Protocol** and the Biodiversity Convention are among the most important international treaties. They will continue to demand considerable attention in the coming years from Liechtenstein and other countries. The Kyoto Protocol defines binding goals for industrialised countries to reduce their emission of greenhouse gases in the time period from 2008 to 2012. Liechtenstein ratified the Kyoto Protocol in 2004. After protracted

negotiations, in which Liechtenstein actively participated, the states parties agreed in principle at the end of 2011 to a second commitment period under the Kyoto Protocol beginning 1 January 2013. Liechtenstein announced that it would reduce its greenhouse gas emissions by 20% compared with 1990 levels by 2020. Through Liechtenstein's membership in and active involvement in the Environmental Integrity Group, a climate negotiating group consisting of Liechtenstein, Switzerland, Mexico, South Korea and Monaco, as well as by providing additional financial resources for concrete emissions reduction and climate adaptation projects in developing countries (Fast Start Finance), Liechtenstein has been able to gain attention and develop a positive profile in the field of international climate policy in recent years, thanks to visible and credible results.

The climate negotiations have a great impact on the shaping of Liechtenstein's climate and energy policy. Implementation of the agreements, the time-consuming reporting, and the keeping of an emissions trading registry remain a challenge and will continue to demand corresponding financial and personnel resources in the coming years from the competent specialist offices. On the other hand, opportunities also exist for the private sector. An active climate policy can create the right incentives for the development and use of climate-friendly and accordingly sustainable and innovative technologies. An energy-efficient, low-emissions economy will be more competitive in the future.

Liechtenstein has been able to develop a positive profile in the field of international climate policy.

In 2010, Liechtenstein submitted its national report on implementation of the **Biodiversity Convention** to the convention secretariat. The 2020 National Biodiversity Strategy adopted by the Liechtenstein Government on the basis of the report forms the guideline for the realisation of concrete measures in the coming years.

The **Alpine Convention** plays a special role in Liechtenstein's foreign environmental policy. From the outset, Liechtenstein participated actively in cooperation in the Alpine region and in the negotiation of the Alpine Convention and its protocols. Liechtenstein has been a state party to the convention since 1995. Liechtenstein's involvement has been very strong over the past years, and numerous exemplary projects have been initiated, especially in sustainable tourism, climate protection, and energy-efficient architecture. In this way, Liechtenstein has been able to raise its profile as a credible and reliable partner.

Sustainable development

With its Agenda 2020, the Liechtenstein Government reiterated its **commitment to a policy guided by sustainability standards**. The concept of sustainable development was a crucial element at the Earth Summit in Rio de Janeiro in 1992 and was confirmed at the follow-up conferences in Johannesburg (2002) and again in Rio in 2012 (Rio+20 Conference). Liechtenstein participated actively in these conferences.

Liechtenstein was strongly involved in the negotiations on the outcome document for the UN Conference on Sustainable Development (Rio+20 Conference), which took place in Rio de Janeiro in June 2012. Liechtenstein played a lead role in the negotiations relating to human rights and

successfully advocated the inclusion of the protection and promotion of human rights as well as good governance and the rule of law as basic principles and preconditions for sustainable development in the outcome document. The Rio+20 Conference adopted several mandates which Liechtenstein will help shape to the extent possible, especially the elaboration of sustainability goals and the redesign of the institutions. Once the mandates are elaborated, Liechtenstein will have to assess how it can participate in the reformed institutions and what opportunities any greater involvement may entail.

Foreign cultural policy

The foreign cultural policy concept adopted by the Liechtenstein Government in 2010 emphasises the importance of Liechtenstein's activities in the realm of foreign cultural policy. Already in past years, Liechtenstein has regularly and successfully taken advantage of the **links between foreign policy and cultural policy**. With the adoption of its strategy paper, the Government is moving away from the selective level and placing Liechtenstein's foreign cultural policy on a systematic foundation.

Culture is a means for integration and dialogue. The exchange and portrayal of Liechtenstein's cultural and artistic activities beyond its borders facilitate interesting encounters and positive perceptions of the country. In this way, culture and art become attractive ambassadors of the country.

Experience so far has shown that collaboration between culture and foreign policy can be very fruitful. Between 2009 and 2011, numerous regional and international **cultural projects** were realised. Priority countries of such cross-border projects were of course the immediately neighbouring countries of Switzerland and Austria, but also Germany and the United States were regular partners. The projects were carried out on a bilateral and multilateral basis.

The excellent relations between Austria and Liechtenstein have made cultural exchange an annual tradition. Reciprocal stays by artists in residence and successful exhibitions in Liechtenstein and Vienna are the consequence. Several foreign cultural policy ideas were also realised with Switzerland. Two artists were given the opportunity to present themselves in our western neighbour, and a Liechtenstein film production was shown in Bern.

The workshop for Liechtenstein artists established in Berlin in 2006 has been very popular in recent years. But not only in Berlin – foreign cultural policy projects have also been carried out in Munich, Frankfurt and Weimar. Liechtenstein composer Josef Gabriel Rheinberger spent most of his life in Germany. This was celebrated in several events over the past few years. The Arte Povera exhibition of the Kunstmuseum Liechtenstein in Weimar was an important foreign cultural policy project with the involvement of the Liechtenstein private sector.

In November 2012, Liechtenstein became a further partner of the TRADUKI translation network, a project of the German-speaking countries of Switzerland, Austria and Germany together with the states in the Balkans. TRADUKI promotes the translation of literature into the languages of the partner countries. This makes it easier for literature from and about Liechtenstein to find readers in other countries. The joint project is another example of culture's role as a bridge-builder.

Also in the context of bilateral contacts with the United States, culture has deliberately been used to build bridges. The concert tour of Jürg Hanselmann in 2012 – including a performance at the Kennedy Centre in Washington – was one of the highlights.

The annual Ambassadors' Information Event, during which all ambassadors accredited in Liechtenstein are invited to Liechtenstein for a day, has included a foreign cultural policy component since 2009: Each year, a different country presents itself and its culture in Liechtenstein. In the past years, Indonesia, the Philippines, Luxembourg and Australia have taken advantage of this opportunity.

Culture and art are attractive ambassadors of the country.

Additionally, foreign cultural policy projects have been carried out in recent years with other countries such as Russia, Colombia, India, the Czech Republic, Norway and Sweden.



The Liechtenstein diplomatic service

Responsibilities and organisation

The responsibilities of the **Ministry of Foreign Affairs** are laid down in article 10 of the Ordinance on the Allocation of Duties and the Ministerial Schedule of the Government. Accordingly, the Ministry of Foreign Affairs is responsible for the following business:

- Safeguarding the independence and security of the country and the order of its international legal relations
- Bilateral relations:
  - Bilateral cooperation
  - Diplomatic and consular relations
- Multilateral relations:
  - European cooperation, especially the Council of Europe, Organization for Security and Co-operation in Europe, European Economic Area, European Free Trade Association, European Patent Organisation, European Telecommunications Satellite Organization, European Conference of Postal and Telecommunications Administrations, European Bank for Reconstruction and Development
  - International cooperation, especially the United Nations and its organisations and specialised agencies, the World Trade Organization, International Telecommunications Satellite Organization
- Cross-border (regional) cooperation
- Treaties and international agreements
- International Humanitarian Cooperation and Development:
  - Emergency and reconstruction assistance
  - International refugee and migration assistance
  - Development cooperation
- Human rights (human rights policy)

Apart from the **Office for Foreign Affairs** (Director: Ambassador Martin Frick), the following **diplomatic missions of Liechtenstein** are assigned to the Ministry of Foreign Affairs:

- Liechtenstein Embassy in Bern (Ambassador Hubert Büchel)
- Liechtenstein Embassy in Berlin (H.S.H. Ambassador Prince Stefan von und zu Liechtenstein)
- Liechtenstein Embassy in Brussels/Liechtenstein Mission to the EU in Brussels (Ambassador Kurt Jäger)
- Liechtenstein Embassy to the Holy See (H.S.H. Ambassador Prince Nikolaus von und zu Liechtenstein; non-resident)
- Liechtenstein Embassy in Washington (Ambassador Claudia Fritsche)
- Liechtenstein Embassy in Vienna/Permanent Mission to the OSCE and the UN organisations in Vienna (H.S.H. Ambassador Maria-Pia Kothbauer)
- Permanent Mission to the Council of Europe in Strasbourg (Ambassador Daniel Ospelt)
- Permanent Mission to the UN in New York (Ambassador Christian Wenaweser)
- Permanent Mission to EFTA, to the WTO and to the UN in Geneva (Ambassador Norbert Frick)

With its **eight representations abroad** (Bern, Berlin, Washington, Brussels, Vienna, Strasbourg, New York and Geneva), the size of Liechtenstein's network of diplomatic missions is about the same as that of Andorra, Monaco or San Marino. The somewhat larger European small states with six-digit populations (Iceland, Luxembourg, Montenegro and Cyprus) have significantly more diplomatic missions than Liechtenstein, especially also in Asia.

Currently, 22 full-time and 6 part-time diplomats work for the Office for Foreign Affairs and the Liechtenstein representations abroad (total of 25.6 full-time equivalents). The size of the diplomatic service is about the same as that of Andorra and San Marino. It should be taken into account, however, that these two states are neither members of the EEA and EFTA nor of the WTO. The other small states in Europe, including Monaco, have a significantly larger diplomatic service. Monaco employs nearly twice as many diplomats as Liechtenstein. Additionally, these countries often take care of their foreign relations with the help of multiple accreditations. The other European states with a size of up to one million inhabitants maintain foreign services with (significantly) more than 100 diplomats. Compared with the other European small states, the Liechtenstein diplomatic service is accordingly relatively small.

Liechtenstein has shown that despite limited resources, it is able to engage in an active and reliable foreign policy.

In recent years, Liechtenstein has shown that despite limited personnel resources, it is able to engage in an active, interest-guided foreign policy and to make a contribution to the international community. The small size of the diplomatic service forces Liechtenstein to clearly define its interests and substantive priorities and to largely focus its foreign policy activities on these areas.

Consular protection

Consular protection is an instrument under international law protecting the interests of one's own citizens by consular authorities or diplomatic missions abroad.

Since Liechtenstein has only few representations abroad, **Switzerland safeguards the interests of Liechtenstein** and its citizens abroad. This understanding is pursuant to an exchange of letters between the Principality of Liechtenstein and Switzerland from 1919. Austria represents Switzerland and accordingly also Liechtenstein in countries where neither Liechtenstein nor Switzerland has a representation. In all countries where Liechtenstein does not have its own representation, Liechtenstein citizens obtain assistance and advice in emergency situations from the local Swiss embassy or consulate general.

Consular protection mainly covers services that cannot be provided by travel insurance. It begins when all options for self-help have been exhausted. It includes services such as issuing temporary travel documents in the event of loss of passport or identity card, visits to sick or injured persons in the hospital or of persons in prison, arranging contacts with doctors, hospitals, public defenders and so on, as well as granting advances for return trips, rescue or repatriation. The Swiss representation charges for consular protection services.

Requests by Liechtenstein citizens are submitted either directly to the local Swiss representation or to the Liechtenstein embassy in Bern. A considerable number of citizens also contact the Office for Foreign Affairs directly in the event of problems abroad. In such cases, the Office works together with the Liechtenstein Embassy in Bern to contact the Swiss Federal Department of Foreign Affairs, and these authorities jointly endeavour to provide the required assistance. The number of Liechtenstein citizens requesting consular protection abroad increases each year.

Honorary consulates

Liechtenstein meanwhile has four honorary consulates in the **United States of America**. The honorary consulates in Macon/Atlanta, Los Angeles, Portland and Chicago are responsible for several American states. The consulates work closely together with the embassy. Their responsibilities focus on public relations. The Swiss consulates continue to be responsible for visa and passport matters. No expansion of the existing network of four honorary consulates is currently planned.

The Liechtenstein honorary consuls in the US are very visible. They play an active role within the consular corps, and they provide information about Liechtenstein using information materials, lectures, and in the context of their commercial and social contacts. So far, this has resulted in several collaborations and exchange programs of the University of Liechtenstein with American universities, reciprocal visits and lectures by professors and lecturers, and support for cultural events. Every two years, the consuls travel to Liechtenstein to be briefed on current topics. The honorary consuls also organise programs for Liechtenstein visits at the ministerial and ambassadorial level.

Honorary consulates are a low-cost and efficient instrument to promote Liechtenstein's image and expand its network of contacts.

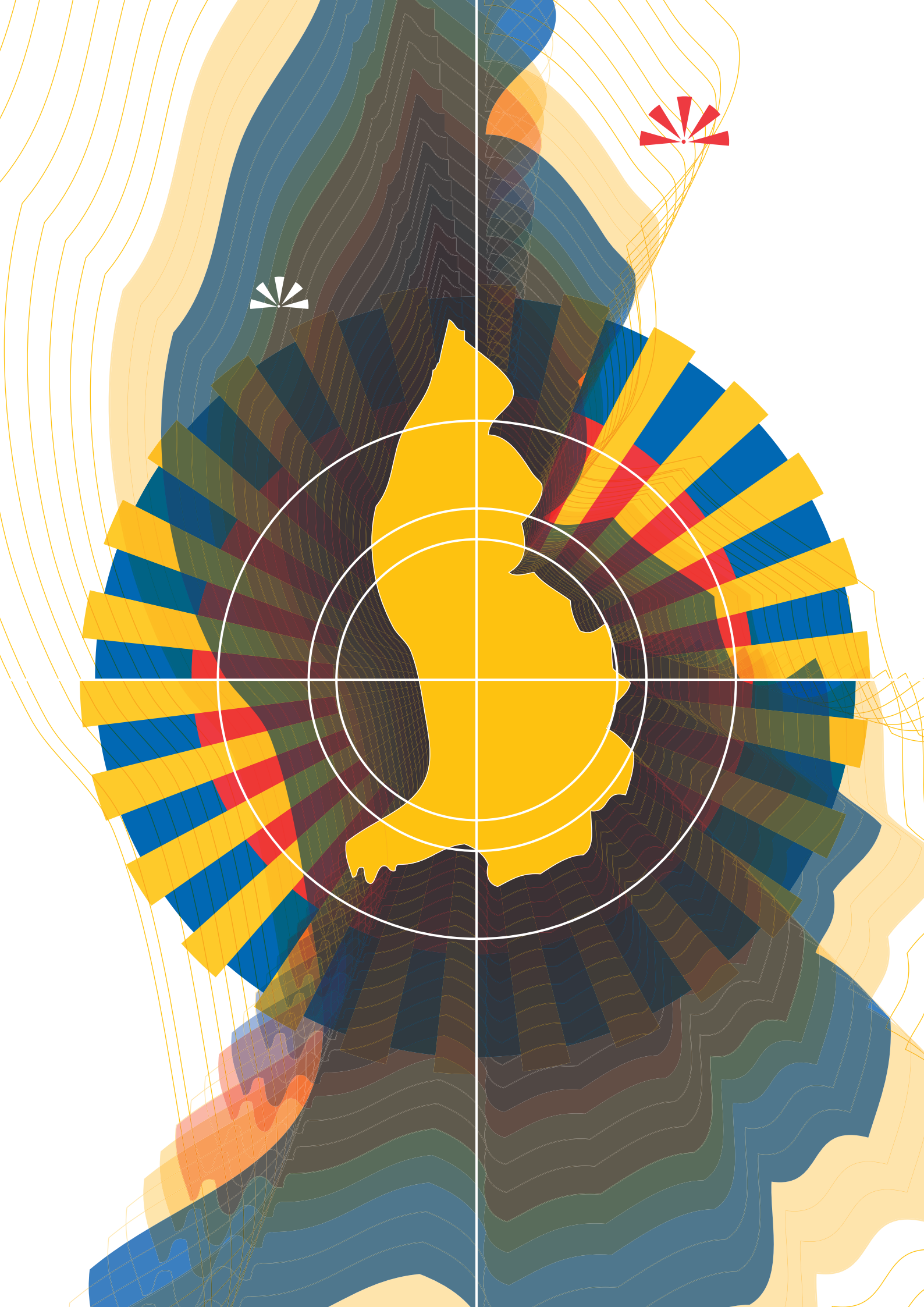
Experience over the last five years has shown that the honorary consulates are an extremely low-cost and efficient instrument to promote Liechtenstein's image, expand its network of contacts, and develop previously non-existent models of cooperation.

In **Germany**, Liechtenstein has maintained honorary consulates at two locations since 2008, namely Frankfurt am Main and Munich. Two representatives were recruited who have known Liechtenstein for a long time already and accordingly are able to network effectively for the country. Networking is the most important activity of the honorary consulates in Germany. An expansion of the presence of the honorary consulates in Germany is currently under consideration.

In 2012, the Liechtenstein Government decided in principle to establish honorary consulates in **Asia** as well. Unlike in the US and Germany, Liechtenstein does not have any diplomatic missions in Asia. Honorary consulates in Asia accordingly do not – at least at the present time – serve to complement a local Liechtenstein embassy. They are a first, cost-effective step towards a stronger Liechtenstein presence in Asia. The honorary consulates in Asia will be coordinated from Vaduz.

The honorary consulates in Asia are firstly intended to increase familiarity with Liechtenstein and its business location in the respective host country. Secondly, the honorary consulates are intended to create and establish new networks. The honorary consulates may also serve to open doors in this regard, for example for the Liechtenstein private sector or educational location.

The plan is to open the first honorary consulate in Asia in Hong Kong. Others are intended to follow. As regards possible locations, the relevant business associations are asked for input in advance.



Strategic outlook

A foreign policy that wants to make a difference must be purposeful, credible and reliable. It must build on clearly defined foreign policy priorities. This foreign policy report enumerates the current foreign policy priorities of Liechtenstein and conveys that the limited personnel and financial resources do not permit a comprehensive consideration and engagement with all topics, states, and international organisations. More than other states, Liechtenstein is forced to focus its foreign policy. The defined policy priorities take account of the fact that foreign policy must be understood and practiced primarily as interest-driven policy. **Interest-driven policy** cannot be reduced only to economic interests. Without a doubt, the safeguarding of economic interests will continue to play a dominant role. Liechtenstein as a strongly export-oriented business location depends on optimal framework conditions, whether at home or in regard to access to foreign markets. Foreign policy can and should make a contribution to foreign economic policy. It must continue to employ the resources necessary to secure Liechtenstein's competitiveness. This happens especially within the framework of EFTA and the WTO. But foreign policy can also support implementation of the financial centre strategy. Especially in regard to the financial centre agenda, foreign policy networks could be made even more useful than they already are.

Liechtenstein's own interests go beyond purely economic interests. Liechtenstein has a basic interest in the worldwide promotion of democracy, compliance with human rights and principles of the rule of law, and the alleviation of poverty. Wars, conflicts, organised crime, terrorist activities and great poverty can – in a world of mutual dependencies – have a direct impact on Liechtenstein and Liechtenstein companies. Increased migration flows are only one of many possible consequences. **Liechtenstein's involvement in the areas of democracy, human rights, the rule of law, and international solidarity** should therefore continue to be pursued actively. International solidarity refers not only to financial commitment in the context of International Humanitarian Cooperation and Development, but also deliberately includes solidarity in terms of content, for instance by supporting sanctions.

Liechtenstein has a high degree of credibility in these areas by practicing very high standards at home. Thanks to its active engagement, the country has been able to build up a **clear, independent and visible profile**. This is true for instance of the areas of women's rights and children's rights. Liechtenstein's foreign policy is also called upon to raise its voice in the face of grievances, such as serious violations of human rights. Liechtenstein has gained special visibility in its many years of extremely active and successful involvement on behalf of the International Criminal Court. This involvement has shown that even small states are able to make a valuable contribution to the progressive development of international law. Being heard depends not only on the size of a state, but especially also on the substance of its contribution. **Liechtenstein will continue to make a contribution to the international community**, whether through active substantive participation or the selective assumption of chairmanships and memberships in bodies. It is imperative in this regard that Liechtenstein's foreign policy concentrates on specific thematic focus areas within the defined priorities. Only in this way can its voice be heard. It is planned to strengthen Liechtenstein's foreign policy involvement in the area of women's rights, also by gaining membership in the relevant bodies (such as UN Women and the Commission on the Status of Women).

Foreign policy must build on clearly defined foreign policy priorities and must be understood as interest-driven policy.

It cannot be overlooked that Liechtenstein's foreign policy, with its active involvement in the areas of democracy, human rights, the rule of law and international solidarity, **makes a positive contribution to Liechtenstein's reputation**. This makes a traditionally lesser-known side of Liechtenstein visible and corrects the sometimes one-sided and distorted picture of Liechtenstein or at least puts it into perspective. It must in particular also be the task of foreign policy to contribute to a real and differentiated image of Liechtenstein. Apart from emphasising the competitiveness and innovation of the Liechtenstein business location, this also for instance includes Liechtenstein's strong commitment to humanitarian cooperation. In the future, conveying an accurate image of Liechtenstein and eliminating obsolete clichés should play an even greater role in Liechtenstein's foreign policy.

Liechtenstein is especially vulnerable to power politics, since it does not have any political, economic or military means to enforce its interests. It will therefore continue to advocate a **strengthening of international law**. Clear and universal legal rules guaranteeing the equality of all states are in the interest of Liechtenstein. Foreign policy will continue to advocate the safeguarding of Liechtenstein's interests in the progressive development of international law. In particular, Liechtenstein must make sure that it does not have to assume obligations entailing disproportionate effort or unnecessarily restricting Liechtenstein's freedom of action – and accordingly its sovereignty. The implications for Liechtenstein's attractiveness as a location must always also be taken into account. The increasing effort entailed by reporting obligations and evaluation mechanisms represent a burden on Liechtenstein. Especially for a relatively small public administration, the associated time requirements are considerable. Liechtenstein therefore advocates **efficient mechanisms that are appropriate to size**.

With its active involvement foreign policy makes a positive contribution to Liechtenstein's reputation.

Organisations such as the WTO, the OSCE and the WTO, which in principle respect the equality of all states, have a great importance for Liechtenstein. Membership in these organisations is an important way to safeguard and shape Liechtenstein's sovereignty. The architecture of global governance has become more fragmented. There has been a certain trend towards shifting decision-making processes into informal groups, such as especially the G20. As a small state, Liechtenstein has a special interest in keeping decision-making processes open and transparent, within the institutional framework of international organisations where Liechtenstein has a voice and a vote. Liechtenstein's foreign policy therefore advocates **decision-making processes that are accessible to all states**. To the extent decision-making processes have been entrusted to a specific body (such as the UN Security Council), Liechtenstein advocates transparent decision-making processes and greater consultation of non-voting but affected states.

Liechtenstein's fate is closely connected with that of Europe. Foreign policy has therefore paid **special attention** to the **developments in Europe** and especially in the EU and the EEA. Overcoming the euro and debt crisis will likely remain the dominant issue in Europe in the short and medium term. It can be expected that the members of the Eurozone will develop a stronger integration dynamic, leading to different integration speeds and intensities within the EU. The possible consequence of a Europe of different formats for the EEA and Liechtenstein's integration prospects must be followed and assessed attentively. Important in this regard are also the ongoing developments in the EEA. These include studies on the functioning and the future of the

EEA[13], the announced evaluation of the EEA by the European External Action Service (EEAS) and the expected conclusions of the Council, as well as the ongoing negotiations regarding Iceland's accession to the EU. Attention must also be paid to Switzerland's dialogue with the EU on the continuation and institutional design of its bilateral path and the talks between the EEAS and the small states of Andorra, San Marino and Monaco on an association agreement. In the context of these current developments, it must be ensured that the **level of integration achieved by Liechtenstein so far can at least be maintained**. Of primary importance in this regard is preserving Liechtenstein's unimpeded access to the Single Market.

Liechtenstein's fate is closely connected with that of Europe; therefore, foreign policy has to pay special attention to the developments in Europe.

Foreign policy must **take account of the political and economic power shifts** at the global level. The emerging countries of Asia, but also countries like Brazil, exhibit a high growth dynamic in comparison with the established Western industrial countries. The enormous economic weight of these countries has also brought about a considerable gain in political influence and an increasingly self-confident presence on the international stage. Liechtenstein's foreign policy must take adequate account of these political and economic realities. Today, Liechtenstein has no diplomatic missions in Asia, Africa, or Latin America. The importance of these countries must for now be taken account of through increased diplomatic visits, including representatives of the private sector, and by opening honorary consulates. In the medium term, greater local presence must be considered. Possible forms of cooperation with other states should be considered in this regard.

This changes nothing about the importance of the traditional priority countries. Maintaining **bilateral relations with the neighbouring states** will continue to be of the **utmost importance**. In light of the close legal and factual ties with the neighbouring states, there is a permanent need for cooperation and for maintaining friendly relations. Liechtenstein also depends on a reliable partnership with other countries, especially Germany and the United States. Even just the fact alone that Germany plays a key role in the EU gives special weight to bilateral relations with German. Because of its influence, the United States remains a natural and important partner of Liechtenstein.

Liechtenstein currently has a comparatively very small network of diplomatic missions. All these **diplomatic missions**, whether at the multilateral or bilateral level, **continue to be fully justified. Memberships in the UN, the Council of Europe, EFTA and the WTO are each essential in their own way**. Especially the example of the embassy in Berlin proves that a local presence over the past years has been able to achieve considerable strengthening of bilateral relations and improved realisation of Liechtenstein's interests. This must be taken into account when Liechtenstein's presence abroad is evaluated in the future. Naturally, budgetary considerations must shape the choice of geographic priority areas. But ultimately, it is a political judgement as to what importance should be attached to stronger relations with specific countries.

13 Independent study by the Centre for European Policy Studies (CEPS) in Brussels, commissioned by the Liechtenstein Government, and a study by the Norwegian Government.

It is crucial for the strength of Liechtenstein's foreign policy that it regards the country's small size and limited resources as an opportunity. Small size facilitates rapid and flexible action, which for instance can be a success factor in negotiations. Small size facilitates greater efficiency thanks to the lesser need for coordination. Small size grants individual diplomats more responsibility and accordingly more freedom to shape their dossiers. Small size means broader areas of responsibility and accordingly easier identification of interdependencies. Small size and strength of content are not mutually exclusive. It is the duty of foreign policy to **purposefully take advantage** of the **opportunities arising from small size** within the framework of the defined priorities – for the benefit of Liechtenstein, its population, and its business location.

It is crucial for the strength of Liechtenstein's foreign policy that it regards the country's small size as an opportunity.

Abbreviations

3G	Global Governance Group
AIBA	Agency for International Education Affairs
BTWC	Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction
CAHDI	Committee of Legal Advisers on Public International Law
CCPCJ	Commission on Crime Prevention and Criminal Justice
CDDH	Council of Europe Steering Committee for Human Rights
CEB	Council of Europe Development Bank
CEPS	Centre for European Policy Studies
CODEXTER	Committee of Experts on Terrorism
CPT	European Committee for the Prevention of Torture
CSCE	Conference on Security and Co-operation in Europe
CTBT	Comprehensive Nuclear-Test-Ban Treaty
CTBTO	Comprehensive Nuclear-Test-Ban Treaty Organization
CTC	Counter-Terrorism Committee
CTITF	Counter-Terrorism Implementation Task Force
CWC	Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction
DTA	Double Taxation Agreement
EASO	European Asylum Support Office
EBA	European Banking Authority
ECHR	European Convention on Human Rights
ECtHR	European Court of Human Rights
ECOSOC	United Nations Economic and Social Council
ECRI	European Commission against Racism and Intolerance
EEA	European Economic Area
EEAS	European External Action Service
EFTA	European Free Trade Association
EIOPA	European Insurance and Occupational Pensions Authority
ESA	EFTA Surveillance Authority
ESMA	European Securities and Markets Authority
EU	European Union
EURODAC	European Dactyloscopy (fingerprint database)
EUROJUST	European Judicial Cooperation Unit
EUROPOL	European Police Office
FAO	Food and Agriculture Organization of the United Nations
FATCA	Foreign Account Tax Compliance Act
FRONTEX	European Agency for the Management of Operational Cooperation at the External Borders
FSC	OSCE Forum for Security Co-operation

G8	Group of eight of the world's largest economies
G10	Group of major agricultural importing countries
G20	Group of 20 major industrial and emerging countries
GCC	Gulf Cooperation Council
GRECO	Group of States against Corruption
H.R.H.	Her Royal Highness
H.S.H.	His Serene Highness
IAEA	International Atomic Energy Agency
ICAR	International Centre for Asset Recovery
ICC	International Criminal Court
ICRC	International Committee of the Red Cross
IHCD	International Humanitarian Cooperation and Development
IRG	Implementation Review Group
ITU	International Telecommunication Union
LDF	Liechtenstein Disclosure Facility
LED	Liechtenstein Development Service
LGBl.	Liechtenstein Law Gazette
LISD	Liechtenstein Institute on Self-Determination
MIL	Microfinance Initiative Liechtenstein
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures
NPT	Nuclear Non-Proliferation Treaty
ODA	Official Development Assistance
ODIHR	Office for Democratic Institutions and Human Rights
OECD	Organisation for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
S-5	Small Five group – Costa Rica, Jordan, Liechtenstein, Singapore and Switzerland
SIS	Schengen Information System
SWGCA	Special Working Group on the Crime of Aggression
TIEA	Tax Information Exchange Agreement
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNTOC	United Nations Convention against Transnational Organized Crime
UPU	Universal Postal Union
VIS	Visa Information System
WHO	World Health Organization
WTO	World Trade Organization

Impressum

Publisher:
Ministry of Foreign Affairs
Peter Kaiser Platz 1
9490 Vaduz
Liechtenstein

Illustrations:
Beate Frommelt

Layout:
Grafisches Atelier
Sabine Bockmühl, Triesen

Print:
Gutenberg AG, Schaan

December 2012

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