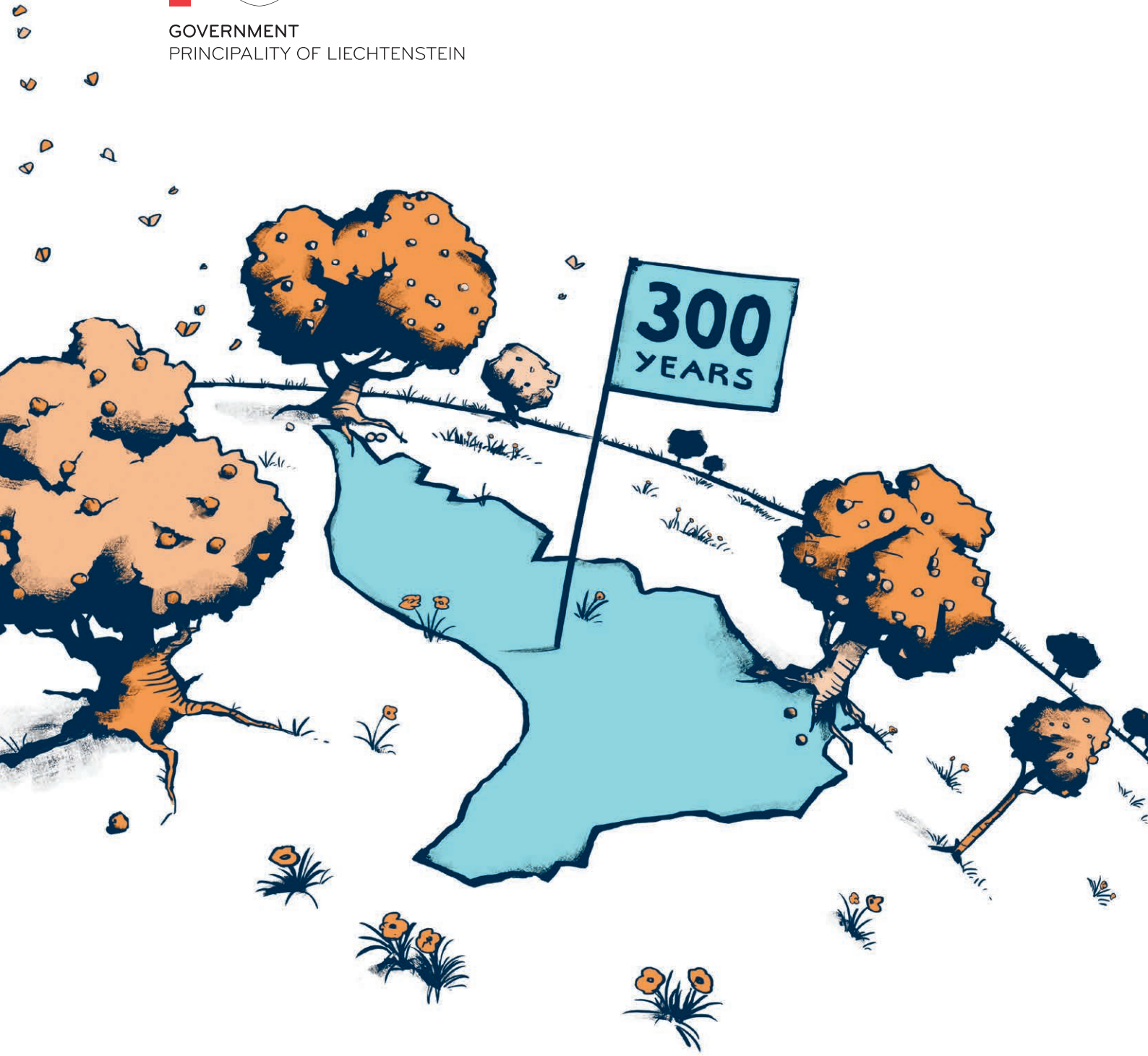




GOVERNMENT  
PRINCIPALITY OF LIECHTENSTEIN



# Priorities and objectives

of Liechtenstein foreign policy



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*300 years Principality of Liechtenstein – this also means 300 years of successful and autonomous foreign policy. The anniversary year 2019 was an invitation to take a deeper look at the orientation of our foreign policy. This report, which the Liechtenstein parliament debated in May 2019, is the product of that analysis.*

*In contrast to similar reports in the past, this document was kept lean. It was a conscious decision in order to provide the public with broad access to Liechtenstein's foreign policy and to initiate a discussion. This demonstrates the government's aspiration to communicate its foreign policy focus transparently, to seek an exchange with the public, and to thereby secure strong support.*

*The present report differs from its predecessors in another regard: The government does not limit itself to stocktaking, but rather points out medium-term objectives in a strategic section. Liechtenstein's foreign policy is well positioned in its core areas, but will require individual adjustments in order to react to global developments and to position Liechtenstein strongly for the future.*

*Foreign policy continues to contribute significantly to a sovereign, credible, and successful Liechtenstein – for the benefit of our country, our population, and our economy.*

# Summary

In a challenging international environment, Liechtenstein is well positioned to respond to current challenges and to design a foreign policy that serves the population, the business community, and the State, focusing on the country's independence and interests. Compared with other countries, Liechtenstein foreign policy is carried out with an efficient use of personnel resources and a small network of diplomatic missions.

**The priorities of Liechtenstein foreign policy are:**

- bilateral cooperation with the neighbouring countries of Switzerland and Austria and other priority countries, in particular Germany, the United States, and the Czech Republic, as well as regional policy;
- European integration through membership of the European Economic Area (EEA) and as an associated member of Schengen/Dublin, as well as close, dynamic cooperation with the European Union (EU);
- foreign economic policy relying on the four pillars of the Customs and Monetary Union with Switzerland, the EEA, the European Free Trade Association (EFTA), and the World Trade Organization (WTO), as well as financial centre policy;
- multilateral engagement in the Organization for Security and Co-operation in Europe (OSCE), the Council of Europe, and the United Nations (UN);
- international solidarity within the framework of International Humanitarian Cooperation and Development (IHCD) and sustainability.

These priorities are defined as general principles. At the same time, there is a need for conscious further developments in order to continue pursuing a successful foreign policy. Liechtenstein's small size is used deliberately as an opportunity: It makes the content of our foreign policy coherent, and it facilitates rapid decision-making. Bilateral relations are being further strengthened and expanded within Europe and with selected countries in Asia. The benefits of integration in Europe through the EEA are being maintained and strengthened. Foreign economic policy continues to play a key role in ensuring the best possible conditions for export and service enterprises. In international organisations, Liechtenstein continues to advocate for a rule-based international order as well as human rights and the rule of law, thus creating a clear and visible profile for itself. The country's engagement within the framework of international solidarity is being sustained at the current level.

# Introduction



In May 2007, the Government last presented Parliament with a detailed report on the priorities and objectives of Liechtenstein foreign policy (Report and Motion No. 62/2007). Since then, several publications on foreign policy have been published (see 2.3). In light of current developments in European and world politics, the present Report and Motion examines the substantive priorities and strategic objectives of Liechtenstein foreign policy. The Government is thus responding to Parliament's request for enhanced communication of foreign policy priorities and measures.

### **Purpose of the report**

The purpose of the report is to inform Parliament and the general public about the environment in which foreign policy takes place, the challenges confronting it, and its essential contents. The report also demonstrates how the Government is responding to current trends and what measures are planned in light of expected developments. The intention is to launch a discussion and to strengthen awareness that in a democratic state, a successful long-term foreign policy depends on the support of policymakers and the population.

## **Foreign policy in light of Liechtenstein's 300th anniversary**

### 300 years of autonomy through far-sighted diplomacy

### Positioning Liechtenstein as a credible partner

### Strong networks form the backbone of our foreign policy

Liechtenstein's 300th anniversary is not only celebrating the country itself, but also its foreign and sovereignty policy. The fact that the Principality has preserved its autonomy over the past 300 years and has experienced extraordinary economic success since the Second World War is not least of all the result of far-sighted diplomacy relying on long-standing partnerships and strong international networks to secure the country's long-term interests.

Liechtenstein's admission to the Confederation of the Rhine on 12 July 1806 marked the beginning of its sovereignty. This acceptance was an expression of Napoleon's respect for Reigning Prince Johann I, who was highly regarded as a successful Austrian general and a skilful negotiator. Napoleon was probably hoping for an influential ally in the Austrian camp. Although the Reigning Prince was honoured by Napoleon's gift, it also posed a great problem, because Johann I felt obliged to the House of Austria. To extricate himself from this dilemma, Reigning Prince Johann I put his diplomatic skills to excellent use, ceding the Principality of Liechtenstein to his three-year-old son, Karl Johann. He met the obligations entailed by membership in the Confederation

of the Rhine, providing the requested number of 40 soldiers for the Confederation's contingent. At the same time, he underscored his loyalty to Austria by never recognising the political system created by Napoleon in Germany. In 1813 he withdrew from the Confederation of the Rhine, and in return Liechtenstein's sovereignty was guaranteed by Austria. Liechtenstein troops went to war against Napoleon twice as a result of this treaty. After the fall of Napoleon, Liechtenstein's sovereignty was confirmed at the Congress of Vienna in 1815, and Liechtenstein's foreign policy gained further importance through its admission to the German Confederation.

From the very start, Liechtenstein's foreign policy has relied on a keen sense of diplomacy, good relationships, and courageous decisions. It has been shaped by an astute understanding of how to position Liechtenstein as a credible and reliable partner. In the beginning, foreign policy was shaped almost exclusively by members of the Princely Family; but since the beginning of the 20th century, they have increasingly been joined by other prominent individuals from Liechtenstein. Always on the lookout for partnerships, it also quickly became apparent that Liechtenstein is successful when it approaches challenges from an unbiased perspective and makes use of opportunities that present themselves to forge alliances and stake out topics. Liechtenstein's sovereignty has always been based not on isolation, but on integration into a confederation of states or international organisations. This policy of integration, which is tailored to the interests of the country, continues to be the expression of an independent and successful foreign policy.

Multilateral foreign policy, which has developed particularly strongly since the 1970s, was an important complement to the bilateral focus on neighbouring countries. Important milestones in Liechtenstein foreign policy in the 20th century are the conclusion of the Customs Treaty and the Monetary Treaty with Switzerland, participation in the Conference on Security and Co-operation in Europe (CSCE; later the Organization for Security and Co-operation in Europe, OSCE), accession to the Council of Europe, ratification of the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR) and recognition of the European Commission of Human Rights and, following its dissolution, the European Court of Human Rights (ECtHR). With Liechtenstein's accession to the United Nations (UN), the country was also able to safeguard its sovereignty at the global level. European integration, accomplished through full membership of the European Free Trade Association (EFTA) and accession to the European Economic Area (EEA), as well as membership of the World Trade Organization (WTO), further strengthened Liechtenstein's sovereignty.

The parallels between admission to the Confederation of the Rhine in 1806 and accession to the Council of Europe in 1978 and the UN in 1990 are interesting. This shows how Liechtenstein's modern foreign policy is guided by the country's historically evolved conditions and how the country's history continues to be written. Liechtenstein attained sovereignty through the Confederation of the Rhine in 1806, and its accession to the Council of Europe reaffirmed that sovereignty throughout Europe. Accession to the United Nations further strengthened it, attaining recognition from all countries

in the world. The era of the Confederation of the Rhine not only marks the beginning of sovereignty, but also Liechtenstein's development towards becoming a modern state. Liechtenstein is recognised and globally interconnected as a member of international organisations, which has opened many doors internationally.

For roughly 150 years, Liechtenstein has not benefited from any external or internal military protection and is thus dependent on the validity and observance of an international legal order to settle international conflicts as well as on good relations with its neighbouring countries. In the UN and the OSCE, Liechtenstein therefore advocates for human rights and the rule of law as the foundation of international security – values from which Liechtenstein benefits directly and whose respect is indispensable for a small state. Liechtenstein is unable to engage in power politics, but rather has an interest in ensuring that the same rules apply to all and that they are observed consistently. This is the country's greatest strength in the international arena: Liechtenstein is credible in what it does. In this way, it can develop its own foreign policy voice and make it heard.

Much of what was important already at the time of Prince Johann I is still crucial to Liechtenstein's foreign policy. Strong networks, partnerships, and cooperation form the backbone of a successful foreign policy. It has turned out to be a smart policy to build up trusting relationships in good times that survive the bad times. Liechtenstein's strategic presence with eight diplomatic missions in six countries, its active cultivation of bilateral relations, and its involvement in international organisa-

tions have contributed to Liechtenstein's perception by other countries as a reliable partner.

# Background and foreign policy environment

## Background

### We are well positioned internationally

Today, Liechtenstein is well positioned in the region, in the German-speaking world, in Europe, and at the global level:

- relations with our two neighbouring countries are excellent;
- the exchange with Germany has reached a new level of quality;
- Liechtenstein's chosen model of integration within Europe guarantees free access to the European single market and participation in European cooperation in the field of internal security and asylum;
- a network of free trade agreements and WTO membership opens up markets outside the European single market for Liechtenstein companies;
- selective memberships in international organisations strengthen sovereignty and cooperation; they give Liechtenstein a voice and thus an independent profile in the international community.

Foreign policy has made a significant contribution to this advantageous positioning. Important milestones such as accession to the UN and the EEA were by no means uncontroversial domestically. History shows that successful foreign policy requires foresight and courage. Liechtenstein would never have been able to celebrate 300 years without a wise foreign policy.

## Foreign policy in the service of the population and the business community

### Foreign policy is a policy of interests

### We are committed to the concerns of the population and the business community

### We see the promotion of the business location as a key task

Foreign policy is first and foremost a policy of interests. It serves to safeguard the interests of citizens and enterprises as well as of the State itself. The Government, the offices of the National Administration, and the Liechtenstein diplomatic missions see themselves as partners and points of contact for citizens and enterprises. They actively promote their concerns abroad and use different levels for this purpose, such as exchanges at the ministerial level or cooperation with foreign authorities at the level of civil servants. This may involve addressing unequal treatment under law<sup>1</sup>, securing existing rights<sup>2</sup>, or assisting companies in their interactions with foreign authorities. A Brexit Coordinator was also appointed to safeguard Liechtenstein's interests in the context of the withdrawal of the United Kingdom from the European Union and to serve as a contact point for the questions of citizens and enterprises.

<sup>1</sup> e.g. discrimination under tax law

<sup>2</sup> e.g. the rights of Liechtenstein citizens residing in the United Kingdom in the event of Brexit

The promotion of Liechtenstein as a business location is also one of the key tasks of the Government. In the field of foreign economic policy, a regular dialogue takes place with the Liechtenstein Chamber of Commerce and Industry, the Liechtenstein Economic Chamber, and financial centre associations. The Office for Foreign Affairs and the diplomatic missions support Government Ministers and associations in their visits and events abroad on economic issues. In negotiations on free trade agreements or in plurilateral and multilateral negotiation formats, the needs of the business community and individual enterprises are identified and contributed to the negotiations. During visits by foreign government representatives and other guests, Liechtenstein as a business location is presented through tours of Liechtenstein companies or invitations by business representatives for the purpose of exchanging views and experiences.

Liechtenstein citizens in emergency situations abroad may turn to the Swiss representations for consular protection. These Swiss missions represent the interests of Liechtenstein citizens abroad. Where Austria provides consular services for Swiss citizens, Liechtenstein citizens also benefit. The Office for Foreign Affairs and the Liechtenstein Embassy in Bern work closely together with the Swiss Federal Department of Foreign Affairs in events such as crises, natural disasters, terrorist attacks, and arrests. Where necessary, the Office for Foreign Affairs contacts family members of Liechtenstein persons and coordinates with relevant bodies abroad.

A wide range of bilateral and multilateral agreements specifically protect and promote

the interests of Liechtenstein citizens and companies. These include numerous bilateral and trilateral agreements with the neighbouring countries of Switzerland and Austria. Especially important are the Customs Treaty and the Monetary Treaty with Switzerland. To mention only a few examples, the content of the agreements ranges from mutual recognition of professional certificates and academic degrees to social security and trilateral police cooperation. There is hardly any area of life in which Liechtenstein does not work closely together with its neighbouring countries. In the past, Liechtenstein has repeatedly succeeded in finding constructive and pragmatic solutions to cross-border issues. Such solutions will continue to be sought in the future.

At the European level, Liechtenstein's membership in the EEA is of concrete and tangible importance to citizens on a daily basis, thanks to the guarantee of the four freedoms: the uncomplicated and free movement of persons, goods, services, and capital throughout 31 countries. Liechtenstein's association with the Schengen system was also an important milestone, facilitating everyday travel and commuting for many citizens by doing away with systematic border controls at internal borders. Participation in EU programmes such as Erasmus+ for education, training, youth, and sport also brings concrete benefits for citizens. The EEA Financial Mechanism also specifically promotes the participation of Liechtenstein partners in cross-border cultural projects and student exchanges, e.g. between the Liechtenstein academic secondary school and the German-speaking academic secondary school in Brno, Czech Republic.

Honorary consuls<sup>3</sup> also provide concrete services for the population and business community of Liechtenstein. Through their engagement and network, they open important doors in the political, educational, financial, and business sectors of their consular districts, offering a wide range of benefits to actors in Liechtenstein. For instance, honorary consuls support the organisation of events about the Liechtenstein financial centre and promote exchanges in the field of education.

## Communication of foreign policy

### High transparency of foreign policy action through active communication

Public outreach plays an important role in foreign policy. It has been expanded systematically over the past few years in order to improve the quality of information provided to the general public and interested parties and to further increase the transparency of foreign policy action. Since the last foreign policy report to Parliament, two publications have appeared on foreign policy priorities: the report “Priorities of Liechtenstein Foreign Policy” published in 2012, followed by “Liechtenstein Foreign Policy – reliability, commitment, solidarity” in 2015, presenting the activities and priorities of foreign policy in a compact form.

Anniversaries of Liechtenstein’s membership in international and European organisations have been used to illustrate their manifold activities and significance. In 2016, on the occasion of the EFTA anniversary, the Government published a brochure entitled “25 Years of Liechtenstein in EFTA”. In 2015, the 25th anniversary of Liech-

tenstein’s accession to the UN was celebrated with an anniversary event in Schaan, which included the participation of Deputy Secretary-General Jan Eliasson.

A further innovation was the creation of “Insight” in 2018: a brief brochure that describes an anniversary or topic of foreign policy on a few pages and explains the relevance for Liechtenstein. The first “Insight” appeared on the topic of Brexit in August 2018. A second issue was published in November on the occasion of the 40th anniversary of Liechtenstein’s accession to the Council of Europe, presenting the historical background and Liechtenstein’s engagement in this organisation. Further short issues of “Insight” will continue to be published on current topics of Liechtenstein foreign policy.

As part of the communication efforts, public events relating to foreign policy have been organised over the past few years. On the occasion of the anniversary of Liechtenstein’s accession to the Council of Europe, a seminar on the relationship between Liechtenstein and the ECHR was held at the University of Liechtenstein in August 2018. When the Financial Sector Commission on Modern Slavery and Human Trafficking met in Vaduz in January 2019, the public was invited to an event that provided information on the background and objectives of the Liechtenstein Initiative, which gave rise to the commission.

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<sup>3</sup> Europe: Frankfurt, Munich, London (opening in May);  
Asia: Hong Kong, Singapore (currently vacant);  
United States: Boston, Chicago, Houston, Los Angeles, Macon.

Also noteworthy are the annual events on Liechtenstein's involvement in International Humanitarian Cooperation and Development (IHCD). Each of these events is dedicated to a current topic (such as the UN Sustainable Development Goals (SDGs) in 2018) as well as public lectures with roundtable discussions and questions organised on the occasion of visits to Liechtenstein by high-ranking officials. This happened most recently during the visit of Austrian Minister of Foreign Affairs Karin Kneissl in November 2018. Previous events included presentations by the President of the UN General Assembly, Miroslav Lajčák, in August 2018; the Council of Europe's Commissioner for Human Rights, Nils Muižnieks, in November 2017; and the UN High Commissioner for Human Rights, Zeid Raad al-Husseini, in August 2016.

The Minister of Foreign Affairs, Justice and Culture gave various talks on Liechtenstein foreign policy both at home and abroad. The diplomats of the Office for Foreign Affairs and the diplomatic missions also regularly give talks on Liechtenstein in general, foreign policy issues, and the business location.

Current developments and events in foreign policy are communicated via press releases as well as the Twitter accounts @MFA\_LI (Ministry for Foreign Affairs), @LiechtensteinUN (Permanent Mission in New York) and @EmbassyLI (Embassy in Washington). The Twitter accounts, which now have a total of more than 16,000 followers, reach people and organisations in a low-threshold way that can hardly be covered by other media. In this way, Liechtenstein's foreign policy activities can be spread more widely.

## Foreign policy resources compared with other countries

### Constant level of resources despite increasing demands

Liechtenstein foreign policy has been working for years with the goal of making the use of resources as efficient as possible. The resources for foreign policy have remained constant over the past ten years, despite increasing demands. In some cases, expenditure has even decreased. This is illustrated by the key figures (total costs, wages, and number of diplomatic posts, representation and travel expenses, as well as the number of diplomatic missions and the associated costs for premises).

The total financial expenditure for foreign policy (Office for Foreign Affairs and diplomatic missions) has fallen by more than 10 % since 2010.<sup>4</sup> Travel and representation expenses in 2018 were also about 10 % lower than in 2010. The budget increase for the year 2019 is attributable to the numerous activities relating to Liechtenstein's 300th anniversary.

Wage costs for employees of the Office for Foreign Affairs and the diplomatic missions have decreased slightly. In contrast, the total number of full-time equivalent positions and the number of diplomatic posts has risen slightly: While the total number of positions at the end of 2010 was 38.75, of which 25.95 were diplomatic posts, the total number on 1 January 2019 was 40.65, of which 27.2 were diplomatic posts.

<sup>4</sup> The statements on cost development rely on budget figures.



The Liechtenstein network of diplomatic missions has remained unchanged since 2002, consisting of a total of eight representations in Berlin, Bern, Brussels, Geneva, New York, Strasbourg, Washington, and Vienna.<sup>5</sup> The costs for the premises of the eight diplomatic missions have fallen by just under 10% since 2010.

The locations in Brussels, Geneva, New York, Strasbourg, and Vienna are missions of Liechtenstein to multilateral organisations; at the same time, the mission in Brussels serves a dual function as the bilateral embassy to Belgium, while the mission in Vienna also serves as the embassy to Austria and the Czech Republic. In Brussels, the focus is on relations with the EU and the EEA as well as Liechtenstein's association with Schengen/Dublin. In contrast to other countries, Liechtenstein is very restrained in regard to multiple accreditations: Only the ambassador in Vienna is also accredited in the Czech Republic. The embassies in Berlin and Vienna and especially in Bern<sup>6</sup> are also used by the embassies of other countries accredited in Liechtenstein as a contact point for bilateral affairs with Liechtenstein.

Along with Andorra, Liechtenstein has the smallest network of diplomatic missions of any European country. San Marino and Monaco have a slightly larger network. Small states such as Iceland, Luxembourg, Malta, and Cyprus have significantly more diplomatic missions. Their regional presence is stronger especially thanks to embassies in Asia and Africa.

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<sup>5</sup> Additionally, there is a Liechtenstein embassy to the Czech Republic located in Vienna and an embassy to the Holy See (likewise not resident).

<sup>6</sup> For over 80 countries, the embassy in Switzerland is also accredited in Liechtenstein.

# Assessment of the global and European political situation

## Challenging international environment

### Multilateralism under pressure

### Increasing economic protectionism

The international environment has become more demanding and fragmented over the past few years. Increasing polarisation among the major powers, a resurgence of nationalism combined with scepticism towards multilateral institutions and treaties, a weakened transatlantic alliance, and nuclear and conventional rearmament are making the work of international organisations more difficult – with a negative impact on the enforcement of European and global standards as well as collective security in Europe. The partial turn away from multilateralism, the endangered basic consensus on the international legal order, and the less stable environment represent a critical development for states such as Liechtenstein. There is a threat of a certain weakening of the sovereignty and security policy benefits that Liechtenstein gains from multilateralism.

As a result of these developments, the international protection of human rights, acceptance of the rule of law, and support for democratic principles have diminished, especially in the global context. The climate for opposition politicians, human rights defenders, civil society actors, and journalists has worsened in many countries. This is accompanied by increasing intolerance, xenophobia, and growing mistrust of alleged elites, often encouraged by populism and strategies of disinformation.

Protectionism and pressure on international free trade are increasing – both as a result

of the muddled discussions and the deadlock in the WTO, as well as due to new trade barriers such as import restrictions and (punitive) tariffs. Looking at these developments, it must be assumed that in the future, Liechtenstein will have to depend even more strongly on close ties with its neighbours, a smoothly functioning EEA Agreement, EFTA free trade agreements, bilateral tax agreements, and plurilateral processes.

Over the past few years, EU scepticism and tensions within the EU have increased. This is in stark contrast with the accession euphoria of previous decades. No substantial progress has been made in important EU dossiers, such as the Dublin reform.

The foreign policy climate has become difficult for Europe: China's strength and increased self-confidence as well as Russia's behaviour have changed the environment. The importance of security policy and OSCE membership has increased again in recent years. Europe's weight in foreign policy has decreased further. This is in part due to the fact that the EU is no longer able to speak with a single voice to the outside world and that it is occupied with itself because of the Brexit discussions and other developments. The rivalry between the US and China could become a challenge for the EU if both sides demand support for their concerns.

Due to the high number of conflicts and crises, combined with demographic trends, the prosperity gap, and the negative impact of climate change, migration pressure will remain high worldwide. Dealing with migrants and asylum seekers will continue to be one of the

defining themes of domestic and foreign policy at the European level as well.

Sustainability and environmental issues will become even more important in foreign policy. Challenges such as climate change can only be mastered together. Combined efforts are also needed to implement the UN SDGs. The SDGs are attracting increasing attention in the private sector, and especially in the field of climate change, states are no longer the only key players.

The political climate for solutions at the multilateral level is likely to remain difficult in the near future. It is to be feared that multilateral approaches will come under increasing pressure in relation to bilateral solutions, for example in the area of trade. This increases the risk that targeted political and economic pressure will once again play a greater role. The protection guaranteed by international organisations through the sovereign equality of their members, in particular for smaller states, must therefore be defended. Liechtenstein's commitment to efficient multilateralism in the sense of a sustainable and far-sighted foreign policy is therefore becoming increasingly important.



# Priorities of foreign policy

## **Bilateral relations with neighbouring and priority countries**

### Close and durable relations with neighbouring and priority countries

Liechtenstein is especially dependent on friendly, close, and durable relations with its neighbours, Switzerland and Austria, as well as with other priority countries. While membership in international organisations primarily strengthens Liechtenstein's sovereignty, neighbourly relations in particular secure the basic needs of the State and its people. In an international environment characterised by uncertainty and fundamental change, neighbourly relations, bilateral relations with priority countries and cooperation in the region are of particular importance. In the future, Liechtenstein foreign policy will have to pay even greater attention to these relations, including with new initiatives. Cultural foreign policy, which is being pursued through various projects such as the artist's studio in Berlin, Traduki, Liechtenstein Languages, and the Liechtenstein shelves in Austrian libraries, has considerable potential in this regard.

The fact that Liechtenstein is surrounded by friendly, democratic, and federal states and that the region is economically strong and tightly integrated is a good precondition for close cooperation, opening up numerous opportunities.

## *Neighbouring countries*

### Especially close links with our neighbours

The understanding that the State cannot guarantee the basic needs of its population and the economy entirely under its own power already shaped Liechtenstein foreign policy in the 19th century, leading to conclusion of a customs agreement with Austria in 1852 and the Customs Treaty with Switzerland in 1923. The Customs Treaty and Monetary Treaty with Switzerland as well as more than 140 further agreements between Liechtenstein and its two neighbours – more than 100 with Switzerland and (in addition to the EEA Agreement, which placed relations with Austria on a new foundation) more than 40 with Austria – form a sustainable network of international agreements. They cover all areas and affect the lives of Liechtenstein residents every day. New bilateral agreements are added each year. The EEA Agreement, the Schengen-Dublin Agreement and the Trilateral Police Agreement are further preconditions for an open economy and open borders.

The goal of Liechtenstein's neighbourhood policy is to safeguard, maintain, and further develop this network of treaties – which is of fundamental importance to Liechtenstein and continues to evolve – as well as to engage in a regular and open exchange with Switzerland and Austria on all questions concerning the bilateral relations, for the purpose of securing the country's long-term capacity to act. In turn, Switzerland and Austria build on the reliable partnership with Liechtenstein as well as on Liechtenstein's support and solidarity in their national and international

concerns, and they rely on a fair balance of interests.

It is incumbent upon Liechtenstein to increasingly take the initiative for projects and to create joint forums on key issues of relevance to its neighbourhood; to demonstrate a presence in its neighbouring countries and to engage in ongoing exchanges with representatives of politics, public life, associations, the business community, culture, and the media; to cultivate friendship; and to continue to secure trust.

#### *Other priority countries*

#### Direct contacts of crucial importance to relationships

#### Positioning Liechtenstein as a reliable partner that demonstrates solidarity

In Germany, the United States, the Holy See, and the Czech Republic, Liechtenstein has resident or non-resident embassies. Economic interests, European policy, as well as linguistic and historical links form the basis for Liechtenstein's enhanced cooperation with these and a number of other states. Countries in which Liechtenstein does not have an embassy are also increasingly becoming important partners. These include in particular the EEA/EFTA states of Iceland and Norway as well as other strategically important EU countries. Direct contacts at all levels play a key role in bilateral relations with these countries in order to raise relations to a new level. In this regard, Liechtenstein's commitment and initiatives in the multilateral field, such as relating to the rule of law and human rights, also play an im-

portant role: they open doors and create opportunities for cooperation. They may therefore constitute a concrete investment in bilateral relations with priority countries. The overriding goal is to establish stable relations with these countries, to acquaint them more closely with Liechtenstein, and to be a reliable partner for them that demonstrates solidarity, sharing European and international concerns and common values.

In Germany and the United States, the focus is on cooperation in economic, financial centre, and tax matters as well as in the fight against terrorism. On these and other topics – also at the level of the federal states – information events and lectures are organised or co-hosted at universities, think tanks, and other institutions. In addition to the classical foreign policy priorities, other topics are deliberately used to encourage ties with Liechtenstein, for instance by participating in large trade fairs in Germany such as the ITB Berlin tourism trade fair, the Leipzig Book Fair, and International Green Week. Broader public outreach further strengthens relationships, ensuring a comprehensive and positive image of Liechtenstein.

Liechtenstein and Germany are linked by the same linguistic and cultural area, a shared region, and close economic ties. Due to its leading role in Europe, Germany is one of the most important advocates of Liechtenstein in the EU. The United States is Liechtenstein's second largest export market. Economic ties with Germany and the United States are to be further promoted.

The Czech Republic and Liechtenstein have a unique history spanning more than seven



hundred years. Issues pertaining to property rights are still pending between the two countries, arising from the time after the Second World War, which concern the interests of the descendants of 37 Liechtenstein citizens and continue to be awaiting a resolution.

Developments in Europe, globalisation, the emergence of new global players, and the negative dynamics in multilateral cooperation raise the question of whether Liechtenstein's current foreign policy network is sufficient and what new priorities need to be established. Liechtenstein foreign policy must take account of this changing environment.

### *Regional policy*

#### We contribute to the strength of the region

Liechtenstein has strong ties in the region. Its core region comprises Liechtenstein, the Austrian province of Vorarlberg, the Swiss cantons of St. Gallen and Graubünden, and the Lake Constance and Alpine regions. Regional cooperation is of particular importance for Liechtenstein both economically and culturally. For the region, in turn, Liechtenstein's statehood represents an enrichment. Annual meetings with the cantonal governments of Graubünden and St. Gallen and the provincial government of Vorarlberg underline the importance of regional cooperation and create tangible added value through personal contacts and networking.

The region is one of the most dynamic in the world. The strong economic performance and the innovative strength in the region entail challenges for the labour market, transport,

the environment, and education. In the future, Liechtenstein and the region will have to increasingly face these challenges together. Liechtenstein's participation in the Zurich Process of the Ministers of Transport, meetings within the framework of the Alpine Convention, the International Lake Constance Conference (IBK), and the macro-regional EU Strategy for the Alpine Region (EUSALP) form the basis for regional cooperation and coordination in this regard.

It is in Liechtenstein's interest to evaluate the activities of regional policy and, in dialogue with its neighbours, to focus these activities more strategically on the concrete challenges of the future with a view to maintaining and expanding the strengths of the region.

### **European integration**

#### The EU is our most important trading partner

Due to its geographical location and shared history, Liechtenstein is closely linked to Europe. An economically strong, secure, and peaceful Europe is in Liechtenstein's own fundamental interest. Even after Brexit, the EU will continue to be Liechtenstein's largest and most important trading partner. A good and close partnership with the EU is of the utmost importance for Liechtenstein. The relationship with the EU is measured not only by the advantages of the single market, but also by the responsibility that Liechtenstein assumes for the common challenges. This includes standing together with our European partners in international forums as well as supporting and implementing EU sanctions for violations of international law.

*Membership in the EEA*EEA as the ideal solution for LiechtensteinAccess to the European single market is essential

The EEA has so far proven to be the ideal solution for Liechtenstein's integration in Europe. EEA membership not only contributes to prosperity and stability, but also makes it possible for Liechtenstein to participate in shaping Europe. Liechtenstein is recognised as a reliable and constructive partner in this regard. Our country is considered a model for other small European states such as Andorra, San Marino, and Monaco, which are now striving for similar links with the EU.

Access to the European single market is essential for the Liechtenstein economy, as is the open border with Austria, which thousands of cross-border commuters cross every day. Many Liechtenstein citizens benefit from the four freedoms guaranteed throughout the EEA by studying, living, investing, or working in another EEA country. Especially the younger generation looks at these rights as a matter of course. Schengen membership not only guarantees open borders and freedom of travel, but also participation in the European Security Union, including police cooperation and networking of security databases. As part of the Dublin system, Liechtenstein also benefits from European migration cooperation.

All these advantages entail duties as well. The implementation of EEA regulations requires a high level of resources in both the public and private sector. One goal of Liechtenstein's

European policy is therefore to always ensure that regulation is compatible with size. Liechtenstein's solution governing the free movement of persons and the possibility of participating in two economic areas at the same time (EEA and Customs Union with Switzerland) are good examples of how Liechtenstein's specific situation has been taken into account. These special solutions must be preserved, especially given that they are crucial to ensuring the general public's high level of acceptance of the EEA. In light of the increasing transfer of powers within the EU to decentralised agencies, it is important to make use of the existing flexibility of the EEA Agreement without excessively undermining the two-pillar structure. Solutions in this respect can always only be found in agreement with Liechtenstein's EEA/EFTA partners, Iceland and Norway. It is therefore essential for Liechtenstein to strengthen relations with these two countries at a bilateral level as well.

*Relations with the EU*Daily tangible benefits of the EEAFurther deepening of the privileged partnership with the EU

Liechtenstein has made great strides in recent years in the fields of tax cooperation and tax transparency, thereby gaining credibility with its European partners. But the EU's pressure on low-tax countries will not ease, which means that Liechtenstein will continue to be a focus of attention. A clear commitment to international tax compliance as well as rigorous prevention of money laundering therefore continue to be

essential for the success of Liechtenstein's European policy.<sup>7</sup>

Liechtenstein's foreign and European policy is defined clearly by its opposition to isolationism and nationalism, and it works to strengthen fundamental European values such as the rule of law, democracy, and human rights – values that are increasingly being called into question again, even within the EU. This makes the EEA Financial Mechanism all the more important with a view to promoting structures that sustain the rule of law and an independent civil society. In recent years, the use of EEA funding has made it possible to improve living conditions in the countries of Eastern and South Eastern Europe and to intensify bilateral relations between Liechtenstein and these countries. In particular, joint projects in the field of culture and education make a crucial contribution to mutual understanding and will therefore continue to receive targeted support through the EEA Financial Mechanism in the future.

Brexit represents a break with the European project; the second largest national economy in the EU is leaving the single market and is looking for an alternative. Brexit offers both opportunities and risks for the EU, which will also have an impact on Liechtenstein. The long-standing and close relations that Liechtenstein and the United Kingdom have maintained on the basis of the EEA must continue to be placed on a solid foundation in the future. It is equally important to reinforce and further deepen Liechtenstein's privileged partnership with the EU.

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<sup>7</sup> This commitment is reinforced by a strategic measure in the Government's new financial centre strategy.

## Foreign economic policy

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### Central role of foreign economic policy

#### We create the most advantageous export conditions possible

Foreign economic policy is a central component of Liechtenstein's foreign policy and an important element of a successful Liechtenstein location policy. As a country with a very small domestic market and a strong export economy, Liechtenstein is dependent on open foreign markets. The goal is to provide the best possible conditions for Liechtenstein's export economy, but at least to ensure a level playing field with Liechtenstein's main competitors. International competitiveness is also a top priority for the Liechtenstein financial centre. The key responsibilities of foreign policy in this regard are to improve framework conditions, in particular by ensuring equal legal treatment and avoiding double taxation, as well as responding to international developments.

### *Foreign trade policy*

#### Customs Treaty, EEA, EFTA, and WTO as the pillars of foreign economic policy

#### We are committed to a rule-based trading system

With the exception of the Customs Treaty with Switzerland, The four pillars of Liechtenstein's foreign economic policy (Customs Treaty, EEA, EFTA, WTO) date back to the early 1990s. In the course of negotiations on accession to the EEA Agreement, Liechtenstein became

a full member of EFTA in 1991. Accession to the EEA and the WTO followed in 1995. This laid the foundations for Liechtenstein to pursue a more autonomous foreign economic policy beyond the EEA, but always within the framework of the Customs Treaty. Liechtenstein thus pursues two tracks and, especially within the WTO, advocates for an open and rule-based international trading system. At the same time, Liechtenstein opens up new markets – together with the other EFTA member states – through the EFTA Free Trade Agreements, laying the foundation for preferential economic relations with individual countries outside the EEA and Switzerland. These two objectives are not contradictory, but complementary.

Alongside the EEA, the Customs Treaty continues to be the key element in Liechtenstein's foreign economic architecture. With regard to the trade in goods, it ensures unrestricted market access to Switzerland for Liechtenstein companies and – via Switzerland's purely bilateral free trade agreements – with markets such as China and Japan.

The multilateral trading system of the WTO has come under increasing pressure over the past few years. This pressure is currently being intensified by the US criticism of the WTO. This has resulted in a lack of progress in negotiations on the improvement of market access as well as on binding rules. Moreover, the United States is currently blocking the appointment of members of the Appellate Body of the WTO dispute settlement mechanism – i.e. the mechanism that makes WTO rules universally binding. For Liechtenstein, this system is of fundamental and systemic importance: Ultimately, it stands for the primacy of the

principle of the rule of law over "might makes right".

Due to the lack of progress in the negotiations, plurilateral<sup>8</sup> negotiation formats are becoming increasingly important and may offer a way out of the deadlock. The most recent example of this is the commencement of plurilateral negotiations on e-commerce and digital trade by 76 WTO members, announced at the margins of WEF 2019.<sup>9</sup> Liechtenstein is increasingly engaged in sustaining and reforming the WTO, and it supports the use of plurilateral negotiation formats.

For Liechtenstein and the other EFTA states, the WTO's difficulties mean that free trade agreements have gained substantially in importance, a trend that is likely to continue given the difficult world economic environment and the spread of protectionism. For the foreseeable future, EFTA membership will remain the only vehicle that allows Liechtenstein to participate independently and comprehensively in negotiations on free trade agreements with reasonable effort. This membership is therefore of great strategic importance: It safeguards and improves existing market access outside the EEA and creates access to new markets.

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<sup>8</sup> Plurilateral negotiations or agreements are in principle open to all members of the WTO, but not all members participate – only those that are interested. It is important for a critical mass to take part (also in terms of trade volume). The best known example of such an agreement is the WTO Agreement on Government Procurement (GPA). Liechtenstein is a member of the GPA. In contrast, a multilateral agreement of the WTO involves all WTO members.

<sup>9</sup> In addition to Liechtenstein and the other EFTA states, the participants include the EU, the United States, China, and Japan. Together, these 76 states account for 90% of world trade volume.

Topics such as social and environmental sustainability are becoming increasingly relevant in the design and implementation of a successful trade policy. This is being taken into account by expanding and strengthening agreement provisions on trade and sustainable development. At the same time, the negotiations of the EFTA states on free trade agreements have become more demanding and protracted in recent years. This is partly due to the different levels of development of the third countries with which negotiations are being conducted, but also to the fact that it has become more difficult to reconcile conflicting interests, for instance in the field of agriculture and the protection of intellectual property. Important gaps in the network of EFTA agreements, such as an agreement with the United States, cannot be filled without a liberalisation of the agricultural policy of the EFTA states.

### *Financial centre policy*

#### Communication of the financial centre strategy as an ongoing task

#### Extension of the network of double taxation agreements

International cooperation and the improvement of framework conditions are among the key topics of Liechtenstein's international financial centre policy – and thus of foreign policy. With the 2009 Liechtenstein Declaration and the 2013 Government Declaration, Liechtenstein laid the foundation for an open and internationally oriented financial centre and opted for a clear strategy of transparency and tax cooperation. Supporting the Government in the imple-

mentation and communication<sup>10</sup> of this strategy is one of the ongoing tasks of the Ministry for Foreign Affairs. This requires active and continuous communication with bilateral and multilateral partners. Over the past few years, the Government has made great efforts to ensure that the reorientation of the financial centre is recognised abroad, and that double taxation agreements are negotiated or updated with major partner countries in Europe. At the same time, relevant developments in international and national tax policy<sup>11</sup> are being followed and, in some cases, actively shaped.

In addition to its participation in negotiations on double taxation agreements (DTAs), the Ministry for Foreign Affairs is also involved in the dialogue with the EU and its member states on tax matters. Bilateral meetings with other countries are used specifically to share Liechtenstein priorities such as the opening of negotiations for a DTA or the elimination of discrimination under tax law.

Through its membership in international organisations, Liechtenstein has committed itself to implementing international standards to combat corruption and money laundering, and it undergoes regular assessments in this regard. These include, for example, the evaluation by the Council of Europe Group of States against Corruption (GRECO) or the review under the UN Convention against Corruption (UNCAC), coordinated by the Office for Foreign Affairs.

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<sup>10</sup> This includes the organisation and support of events about the Liechtenstein financial centre abroad.

<sup>11</sup> e.g. the tax reform in the United States and its implications for Liechtenstein companies

The Financial Sector Commission (FSC), created by the Liechtenstein Initiative, provides an opportunity for close cooperation with the financial centre. The initiative brings the private sector and the Government together in a public-private partnership. In this way, the expertise of the Liechtenstein financial centre is put into practice for a project relating to the Sustainable Development Goals in a way that enhances its reputation.

### **Multilateral engagement**

#### Clear substantive focus of multilateral engagement

#### Actively shaping sovereignty in international organisations

Participating in international organisations is a platform for preserving and actively shaping sovereignty, for contributing to the resolution of common challenges and for safeguarding the country's interests at the international level. The principles of the sovereign equality of all states – one state, one vote – and respect for international law are the foundations of Liechtenstein's security and recognition at the international level. They make each country's voice heard and protect Liechtenstein from international relations being defined by "might makes right".

Membership and active participation in international organisations is a key component of Liechtenstein foreign policy. This is true not least of all because, for reasons of capacity, dynamic bilateral relations can only be maintained with a limited number of partners.

Multilateral engagement is also limited to a few selected priorities: the protection and promotion of human rights, the rule of law, and international law. These topics are chosen deliberately from the perspective of a small state. They form the basis for constructive multilateralism and collective security. Moreover, these priority topics enable Liechtenstein to make a name for itself in a targeted and effective way.

Another key component is participation in the work of international human rights bodies, including a regular assessment of the situation within the country itself, which benefits Liechtenstein in two respects: internationally, the universal implementation of human rights promotes a stable environment; and at home, citizens benefit from the ongoing improvement of their fundamental rights. Moreover, Liechtenstein's commitment to human rights and the rule of law can be credible only if Liechtenstein itself lives up to these values and makes itself available for assessments.

#### *OSCE*

#### We position ourselves as a partner that demonstrates solidarity and has an independent profile

As a non-aligned country without armed forces, Liechtenstein was one of the founding members of the CSCE process in the year 1975, which led to the creation of the OSCE, headquartered in Vienna, in 1995. Today, the OSCE is the central forum for dialogue on European security issues. With its 57 participating states, it covers the northern hemisphere from

Vancouver to Vladivostok. The OSCE is currently the only international organisation dealing with European security issues and conflicts on the European continent that is open to Liechtenstein on an equal footing. In light of the increasing security tensions, the OSCE has an important role to play in the search for solutions. Since Liechtenstein has a direct interest in security issues in Europe and conflicts on the European continent have consequences for Liechtenstein, this access and the opportunity to actively participate in the organisation's work are essential. The maintenance and effective use of the OSCE as a central and comprehensive forum for addressing European security issues will continue to be important in the future, given the existing challenges in the OSCE area. From a Liechtenstein point of view, it will continue to be a matter of positioning the country in this important organisation as a partner that is noticed by its interlocutors, demonstrates solidarity, and has an independent profile.

#### *Council of Europe*

##### Clear commitment to the fundamental values of the Council of Europe

As the oldest political organisation in Europe, the Council of Europe is celebrating its 70th anniversary in 2019. It includes all European countries except Belarus and Kosovo and is thus a purely European organisation with the goal of creating and maintaining peace. A particular advantage of the Council of Europe for the promotion of democratic security in Europe is that it offers a combination of standard-setting measures as well as cooperation and monitoring functions. Liechtenstein's accession to the

Council of Europe in 1978, in combination with the ratification of the ECHR in 1982, was a milestone both in terms of sovereignty policy and human rights protection. Liechtenstein's engagement in the Council of Europe focuses on promoting human rights, democracy, and the rule of law, in particular by strengthening the ECtHR and the fight against money laundering and corruption. In the Committee of Ministers, Liechtenstein contributes to current issues and challenges as well as to the implementation of ECtHR rulings.

#### *United Nations*

##### Strong profile in human rights and the rule of law

UN membership serves as a platform for the country's independent and constructive role in the priority areas of Liechtenstein foreign policy and for maintaining contacts with global partners. Liechtenstein enjoys a special profile in the areas of human rights and the rule of law – with a focus on international criminal justice, where its engagement on behalf of the International Criminal Court (ICC) and the Syria Mechanism (IIIM) is of particular note.

Liechtenstein's engagement at the United Nations prioritises the UN General Assembly. This makes sense for a small state, given that the General Assembly operates according to the principle of equality of all member states and provides the opportunity to chair committees and take on other mandates. So far, Liechtenstein has one time each been a member of the Economic and Social Council (ECOSOC) and of the Commission on the Status of Women (CSW).

Liechtenstein is also actively involved in the agendas of the UN Security Council – especially the thematic agendas that are also open to active participation by non-members. Through its leadership on the Code of Conduct regarding Security Council action against genocide, crimes against humanity and war crimes,<sup>12</sup> Liechtenstein contributes to ensuring that the Security Council responds more efficiently to the most serious crises of our time. On the other hand, Liechtenstein has never declared a candidature for the Security Council itself.

The UN Human Rights Council (HRC), based in Geneva, is another priority of Liechtenstein's UN engagement. So far, Liechtenstein has never been a member of the Human Rights Council itself, but as an observer state, it advocates on behalf of the protection of human rights within the HRC. Liechtenstein also participates in the work of the UN in Vienna, in particular the UN Office on Drugs and Crime (UNODC) and the International Atomic Energy Agency (IAEA).

### **International solidarity**

#### Implementation of the Sustainable Development Goals is in the interest of all

#### We contribute to sustainable development through international solidarity

Liechtenstein's sovereignty and capacity to act can be guaranteed in the long run only in a world in which stability and peace prevail. The strongly export-oriented Liechtenstein economy depends on stable framework conditions and legal certainty in order to secure and expand its access to sales markets. The global

implementation of the SDGs is of great importance for Liechtenstein and its foreign policy: The goals aim to promote stability and peace worldwide by securing sustainable livelihoods. It is the responsibility of all countries to contribute to the implementation of the SDGs. For industrialised countries such as Liechtenstein, the goals are therefore determinative not only in regard to the support of developing countries and the international commitment to human rights and the rule of law – it is also in Liechtenstein's own interest to have its actions guided by these goals. In the consumer sector, for example, developed countries are especially called upon to promote sustainable behaviour. Also in other areas such as gender equality, lifelong learning and access to sustainable energy, a positive development is important for the future of the country.

IHCD is the primary foreign policy instrument with which Liechtenstein – through implementation of concrete projects in developing countries – makes a substantial contribution to global sustainable development. The guiding principle of the IHCD is to improve the framework conditions for development in a targeted manner, to empower people to lead their lives independently, and to promote partnerships with various actors (states, non-governmental organisations, and private individuals) for that purpose.

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<sup>12</sup> The supporting states undertake to refrain from voting against any credible draft resolution aimed at preventing or stopping mass atrocity crimes and to ensure that the Security Council takes timely action.



IHCD is implemented by the Office for Foreign Affairs and the Liechtenstein Development Service (LED). For many years, IHCD has been pursuing clear thematic and geographical priorities based on the fundamental interests of Liechtenstein. The focus of the projects is on the following core issues: protection and promotion of human rights and the rule of law, promotion of food security and rural development, lifelong learning, combating irregular migration and trafficking,<sup>13</sup> and emergency and reconstruction assistance for short-term humanitarian assistance in the event of a crisis or disaster. Especially in education projects, the positive experiences of the Liechtenstein education system can be put to use.<sup>14</sup>

In the current year, 22.6 million Swiss francs are available for all of IHCD. Of this amount, the LED uses 65% for bilateral development cooperation. The remaining 35% are used by the Office for Foreign Affairs for international refugee and migration assistance, emergency and reconstruction assistance, and multilateral development cooperation. IHCD funds are used predominantly in Africa, South and Central America (Peru and Bolivia), and Europe (Moldova, Bosnia and Herzegovina, and Kosovo).

The ODA rate serves as an international benchmark for IHCD spending.<sup>15</sup> The internationally recognised target ODA as a percentage of GNI is 0.7%. This level is achieved by only a few countries.<sup>16</sup> In 2016, Liechtenstein reached an ODA rate of 0.42%. With the steady increase in economic output, this rate has fallen continuously since 2012 (0.75%).

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<sup>13</sup> Projects are primarily carried out in countries and regions with migration movements to Liechtenstein (e.g. Western Balkans).

<sup>14</sup> For example, the LED has successfully contributed to improving the vocational training system in the Republic of Moldova since 2008.

<sup>15</sup> Official development assistance (ODA) covers all funds that a state spends on development cooperation and humanitarian assistance in accordance with the criteria of the Organisation for Economic Co-operation and Development (OECD). In order to compare ODA between countries, a benchmark has become established which looks at ODA as a percentage of the gross national income (GNI) of a country, the ODA rate.

<sup>16</sup> In 2017, these countries were the United Arab Emirates (1.03%), Sweden (1.02%), Luxembourg (1%), Norway (0.99%), Turkey (0.95%), Denmark (0.74%), and the United Kingdom (0.7%).

# Objectives and priorities through 2030

### Using Liechtenstein's small size as an opportunity

### Permanent dialogue between foreign and domestic policy

### Coherence of content and timely decisions as strengths

An active and forward-looking foreign policy that focuses on the political and economic interests of our country will continue to be needed in the future. Foreign and domestic policy are closely interlinked: On the one hand, foreign policy is a policy of interests. It strives to realise the needs of the Liechtenstein population and the business community in the best possible way. On the other hand, foreign policy developments are becoming increasingly important for domestic policy. Ongoing reconciliation of domestic and foreign policy strengthens the acceptance of the substantive work of foreign policy.

To implement an active foreign policy, a state requires a high-performance diplomatic service with sufficient resources. Foreign relations are not conducted solely by the Ministry for Foreign Affairs, however, but also by the Government as a whole and the National Administration in their respective areas of competence. At the same time, the Ministry for Foreign Affairs plays an important and resource-intensive role in supporting all ministries and administrative offices in the various domains of foreign relations. This includes the organisation or coordination of visits by Government Ministers abroad or the negotiation, ratification, and administration of bilateral and multilateral agreements in various fields.

Liechtenstein must understand and use its small size as an opportunity. In contrast to larger countries, coherence of content and timely decisions can be achieved more easily. In addition, Liechtenstein is able to act relatively independently, since it has not committed to a common foreign policy with any other state. While political and social fragmentation will continue to increase in many countries, Liechtenstein should be able to make uniform and efficient foreign policy action an even more pronounced strength. A further increase in the coherence and effectiveness of foreign policy requires a continuous exchange of information within the administration.

### **Changing foreign policy environment**

#### We continue to develop our foreign policy in a targeted way

#### Existing memberships as indispensable pillars

#### Digitalisation – a challenge and opportunity for foreign policy

The environment in which foreign policy operates is subject to change. Factors such as the use of political, economic, and military pressure, a partial withdrawal from multilateralism, the resurgence of nation-state thinking, doubts about the liberal order, disregard for and weakening of international rules, and digitalisation will likely continue to play a decisive role and in some cases even become more pronounced. All these factors and developments, most of which have a critical impact on Liechtenstein, must be considered and taken into account when shaping foreign policy.

From today's perspective, deliberate further developments of foreign policy will be necessary in the coming years. However, Liechtenstein's current positioning of its foreign policy already offers a good foundation in an increasingly demanding environment; this foundation must now be built on. Liechtenstein's key memberships – EFTA, the EEA, the Council of Europe, the OSCE, the UN, and the WTO – continue to be indispensable pillars of Liechtenstein's foothold in the international community. The existing human and financial resources and Liechtenstein's network of diplomatic missions abroad already form the minimum framework for an effective foreign policy.

Future adjustments will have to take account of the fact that the structure of the international order is being put to the test: The weakening of multilateralism and the diminishing respect for international standards are critical developments for Liechtenstein. Liechtenstein's foreign policy will thus continue to play a decisive role for the well-being of our country, both in the creation of open doors to important bilateral partners and in the global promotion of sustainability, security, and peace:

- In order to broaden the network of partner countries, it will be important to further strengthen bilateral relations with priority and key countries (especially within the EU). The importance of well-functioning regional cooperation also increases in a more difficult global environment.
- Integration within the European single market and close relations with the EU are indispensable in view of Liechtenstein's export-oriented economy, its geographical location, and shared values.

- The importance of a foreign economic policy based on free markets gains additional importance during times when the trend is towards more protectionism.
- Especially in light of increasing power politics, the commitment to the rule of law, democracy, and human rights in international organisations is even more important.
- Contributing to the alleviation of crises out of solidarity and providing long-term support for disadvantaged regions on the ground will continue to be in demand. The importance of issues such as sustainability and environmental protection will continue to increase.

Foreign policy also faces new opportunities and challenges arising from technological developments. Increasing digitalisation is bringing about profound changes, not least in foreign policy. On the one hand, it offers opportunities: New technologies and social media enable a more direct exchange with the public and foreign policy actors. Target groups that have not yet been reached now have access to information on Liechtenstein's foreign policy activities and positions. Similarly, it has become easier to open up foreign policy issues for public discussion and questioning. Social media offer an ideal platform for this purpose.

On the other hand, there is a danger that unilateral and abbreviated responses will be provided or that false information can be used purposefully to manipulate opinions, and that discussions are dominated by polemical voices. In the future, foreign policy will be increasingly called upon to explain itself and to make its work comprehensible. Targeted public outreach

for all age groups is essential. The main focus is to show citizens the concrete advantages and necessities of an active foreign policy.

## **Bilateral relations**

### Bilateral relations gain strategic importance

#### Broader support for bilateral networking in Europe

#### We are placing a stronger emphasis on the Asian region

Due to the weakening of multilateralism and the increasing importance of bilateralism, activities aimed at cultivating and intensifying bilateral relations with priority countries and creating new viable partnerships are increasingly gaining strategic importance. Accordingly, bilateral exchange and cooperation, especially in Europe, should be strengthened and expanded. This requires both a definition of suitable partner countries and an identification of topics and formats that create a sustainable dialogue with these states as well as resilient networks.

The country's particularly close neighbourly relations have proven to be positive for Liechtenstein, but also for its neighbours Austria and Switzerland. Special attention must therefore be paid to the ongoing cultivation and further development of neighbourly relations. Also in future, the daily life of the majority of the population will continue to be in the region. For most small and medium-sized enterprises, the region is the primary market. Proven cooperation in the region and with the two neighbouring countries must therefore be main-

tained and further developed. Attention must also continue to be paid to the cultivation of personal contacts and the creation of viable networks.

The relationship with Germany is of great importance. The goal is to strengthen it further, including through a targeted policy of invitations and visits, cooperation in international organisations, deepening of relations with the federal states, and an expansion of the network of honorary consulates. Liechtenstein strives to benefit in a targeted manner from Germany's key role in the EU.

Bilateral links in Europe are to be expanded beyond the German-speaking world and supported more broadly. The focus of the enhanced relationship management is on the EEA/EFTA partners of Iceland and Norway as well as the EU member states. Existing good and friendly relations with EU countries such as Luxembourg are to be preserved, and relations with the other EU countries must be cultivated more deliberately. Special attention must be paid to regular exchanges with Iceland and Norway at the governmental and administrative level in order to improve mutual understanding and create networks that can be used to address EEA issues. An intensified policy of visits at the governmental and administrative level in relations with Iceland and Norway, but also with a view to other important EU partners, can promote the perception of Liechtenstein abroad, enhance the visibility of the EEA, and increase understanding for Liechtenstein's situation and concerns. The close cooperation with European partners in international organisations must be increasingly used to intensify bilateral contacts.

Greater attention should be paid in future to relations with France and the United Kingdom. In line with the financial centre strategy, the establishment of a diplomatic mission in Paris should seriously be considered. The presentation of Liechtenstein's political and economic concerns as well as targeted public outreach and reputation management would be greatly facilitated by a permanent presence on the ground. Bilateral exchanges with the United Kingdom were significantly intensified over the course of the Brexit negotiations. Britain's withdrawal from the EU should open up new options for cooperation with the United Kingdom, with an initial focus on future trade relations. The opening of an honorary consulate in London makes the deepening of the relationship visible.

Relations with the Czech Republic and the resolution of the outstanding issues continue to be of special importance. The goal is to open an honorary consulate in the Czech Republic. In general, however, the network of Liechtenstein honorary consulates should remain manageable. New honorary consulates are concentrated in countries where honorary consulates already exist or which are of particular strategic importance for Liechtenstein.

Outside Europe, the United States continues to be Liechtenstein's crucial partner. Trade relations and efforts to conclude a double taxation agreement are of special importance in bilateral exchanges with the United States.

In the future, a stronger emphasis will be placed on the Asian region. In addition to the traditional exchange with Singapore, relations with China and India must be cultivated and deepened

more actively, for now through regular diplomatic visits. At the same time, specific expertise is to be built up at the Ministry for Foreign Affairs, in particular in relation to China.

### **European integration and foreign economic policy**

#### The EEA continues to be the appropriate form of integration for Liechtenstein

#### We contribute to a strong and united Europe

#### Consistent continuation of active foreign economic policy

#### Close exchanges with the domestic business community

Liechtenstein continues to pursue its own independent European policy tailored to its needs. The EEA continues to be regarded as the appropriate form of integration. The close ties with Europe are an absolute necessity for Liechtenstein. Membership in the EEA has proven to be a success story of Liechtenstein foreign policy. Today, Liechtenstein enjoys the reputation of being a constructive and reliable partner in Europe.<sup>17</sup> The privileged partnership with the EU and the priority countries within the EU must be maintained and further expanded. At the same time, the Liechtenstein integration model is continuously being reviewed and compared with alternative models of European integration.

<sup>17</sup> See Council conclusions on a homogeneous extended internal market and EU relations with non-EU Western European countries of 11 December 2018.

The advantages of the single market associated with EEA membership are of great relevance in the everyday lives of Liechtenstein citizens and are essential for Liechtenstein's strongly export-oriented economy. These advantages must be preserved. The EU will continue to be the most important sales market for the foreseeable future. Liechtenstein's Schengen/Dublin association is also crucial for a country surrounded by Schengen members. Effective protection of the EU's external borders is in Liechtenstein's interest. Liechtenstein will also continue to show solidarity by contributing to this area as well.

In the future, Liechtenstein will continue to contribute to a strong and united Europe. An important instrument for this is the EEA Financial Mechanism, which increases Liechtenstein's visibility especially in the beneficiary states. A politically and economically strong Europe is in Liechtenstein's own fundamental interest. The European model of society, which is of great benefit to Liechtensteiners, is based on values such as freedom, democracy, and the rule of law – values that Liechtenstein works to strengthen in the context of international organisations. Where possible, Liechtenstein aims to have its citizens represented in senior positions at European institutions of which Liechtenstein is a member. These include the EFTA Secretariat, the EFTA Surveillance Authority, the EFTA Court, and the ECtHR.

In light of Liechtenstein's limited domestic market, foreign economic policy is of special importance. Liechtenstein is consistently pursuing its existing policy and is strongly committed to the development of relations with

third countries within the framework of EFTA. The focus is on growth markets. At the same time, Liechtenstein stands for a strengthening of the WTO and thus for a transparent and rule-based multilateral trading system. Liechtenstein participates in plurilateral initiatives, provided that they coincide with the interests of the country's export economy.

Foreign policy is in close contact with the Liechtenstein business community in order to ascertain its interests and to be able to pursue them in a targeted manner in negotiations. Foreign economic issues are systematically raised in bilateral talks at all levels in order to promote the conclusion of free trade agreements and DTAs as well as to avoid or eliminate tax discrimination. Active monitoring of relevant developments in the economic sector as well as maintaining contacts with important institutional and bilateral partners also continue to play an important role. Joint initiatives by the State and the private sector to strengthen the location and to promote a balanced image of Liechtenstein are increasingly being sought.

In line with the financial centre strategy, membership of the International Monetary Fund (IMF) must be examined. Further memberships or partial steps (observer status) are likewise to be evaluated.<sup>18</sup>

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<sup>18</sup> e.g. Committee on Fiscal Affairs or Forum on Tax Administration of the OECD

## Multilateral engagement and international solidarity

### Commitment to solution-oriented multilateralism

#### We want our engagement to create added value

#### Engagement on behalf of fundamental values out of conviction

#### Liechtenstein is committed to climate protection and international solidarity

Liechtenstein is committed to efficient and solution-oriented multilateralism. The country's active engagement on behalf of efficacious multilateral institutions, the universally binding nature of relevant international rules, and fundamental values is an expression of a policy of interests put into practice. Liechtenstein cannot escape global challenges such as climate change and increasing migration. By cooperating in solutions to address them, Liechtenstein is assuming responsibility within the international community.

The occupation of niches, the targeted assumption of leadership on specific topics, and the development of own initiatives create a clear and visible profile as well as respect and recognition for Liechtenstein. These initiatives and contents are expressions of sovereignty put into practice; Liechtenstein's membership in international organisations serves as a platform for the country. Such memberships also play an important role as door openers: They position Liechtenstein as a relevant bilateral partner, make the country an attractive

interlocutor, and promote the positive perception of the country.

Liechtenstein deliberately focuses on topics in which it has a high level of credibility and creates added value. It has a strong and credible profile in the areas of human rights, the rule of law, and democracy. This is due in part to Liechtenstein's work to criminalise wars of aggression – a historic success that has contributed decisively to the development of international law. Today, Liechtenstein is a leading voice in international criminal justice. An innovative and active commitment to international law will continue to shape Liechtenstein's profile in the future.

Engagement on behalf of respect for fundamental values is a matter of conviction, especially at a time when these values are being put to the test. At the same time, this engagement serves to present Liechtenstein in a positive light to international partners, making it a recognised partner at the bilateral level. To reaffirm its commitment, Liechtenstein is aiming for a seat on the UN Human Rights Council in the medium term. A candidature for the UN Security Council is not a strategic goal of the Government, however.

The credibility of Liechtenstein's multilateral engagement is reinforced by the country's compliance with its obligations under international human rights conventions. The promotion of human rights at home takes place in dialogue with civil society.

Liechtenstein is actively committed to climate protection and the implementation of the UN's 2030 Agenda for Sustainable Development.



The focus on climate protection in the environmental sector arises from its importance for Liechtenstein as an Alpine country. At the same time, Liechtenstein complies with the requirements of the numerous multilateral environmental agreements to which it is a party. The SDGs are to be implemented in cooperation with the private sector and civil society. On the side of the public sector, IHCD has a key role to play: Its projects actively contribute to the implementation of the 2030 Agenda.

Public and private engagement in development policy and humanitarian efforts have a long tradition in Liechtenstein. This tradition must be maintained, and the public sector's commitment is to be continued at the current high level. Compared with other countries (ODA rate), Liechtenstein is stabilising the current level and will expand it again in the medium term. Through its development policy and humanitarian engagement, Liechtenstein demonstrates solidarity, but it also contributes to the prevention of conflicts and massive migration flows. The effectiveness of the projects, the areas of activity, and the priority contents of IHCD will be evaluated and adjusted where necessary. In future, greater emphasis will be placed on public outreach in order to make IHCD activities more visible at home and abroad. Liechtenstein's development policy and humanitarian engagement is to be made even more visible through enhanced cooperation between public and private partners.

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