

Tax cooperation as part of international cooperation

Editorial by Prime Minister Otmar Hasler

International financial centers are currently under pressure. The impact of the financial-market crisis is a challenge worldwide, along with the international discussion on bank client confidentiality. The German tax affair, which is being fueled by stolen client data from the Liechtenstein financial center, is obstructing sight of the efforts Liechtenstein has already undertaken for several years to integrate itself step-by-step into an international system of rules.

Access to international markets

Liechtenstein is pursuing two major objectives in this regard: First, the sovereignty of the small state of Liechtenstein should be further secured through membership in legal communities. Second, Liechtenstein aims to further facilitate the access of Liechtenstein businesses to international markets by way of appropriate agreements – both for Liechtenstein's financial-services sector and for its industrial sector.

Reform projects for the financial center

Of course, Liechtenstein is currently facing particular challenges, but this should not distract from the fact that Liechtenstein has been engaged in reform projects for its international financial center for several years already. Some of the reform projects arising from EU directives and other international standards have already been implemented, while others are currently under development or are part of the "Futuro" project, which contains specific reform steps and initiatives to strengthen the Liechtenstein business and financial location.

Highest standards

With respect to the fight against financing of terrorism and money laundering, Liechtenstein exhibits the highest level of standards, as has also been acknowledged by other countries and international organizations such as the IMF. The implementation of the third EU Money Laundering Directive currently underway is further strengthening our system for combating money laundering and financing of terrorism. Liechtenstein is taking an important step toward stronger cooperation by joining Schengen/Dublin. An anti-fraud agreement with the EU, entailing extensive cooperation by Liechtenstein in tax matters, has been substantially completed and is awaiting approval by EU member states. In this context, Liechtenstein has always emphasized that bank client confidentiality – or, in more general terms, the protection of privacy – continues to be justified. However, bank client confidentiality is not absolute: It does not protect criminals.

Choosing a forward strategy

On the occasion of the 2008 National Day, I emphasized that the time has come for Liechtenstein to choose a forward strategy. A strategy that – in light of the international trend toward greater cooperation in tax matters – provides the possibility of cooperation with all states willing to find sensible solutions to work together with Liechtenstein on a fair and constructive basis. We are convinced that the Liechtenstein financial center will develop in a positive way as the reform process moves forward. Although several reforms have already been carried out and others are currently being implemented, the government has decided that this forward strategy is best. Only a policy leading to a clearly defined and stable legal framework can secure the future of the financial center for the long term.

International reputation

There is no alternative to this strategy. Liechtenstein's economy is increasingly interdependent and integrated into the European Economic Area and other multilateral organizations. Liechtenstein's business location needs open markets, and an excellent reputation secures the future of the financial center. International reputation can only be achieved if, in addition to the fight against money laundering and financing of terrorism, clearly defined cooperation in tax matters can also be demonstrated.

Balancing of interests

With the discussions about reforms and demands for change, we should not lose sight of the fact that the current legal situation for participants in the Liechtenstein financial center has evolved historically. When we speak of international cooperation, we do not simply mean adjustment to the current demands of individual states and organizations. We mean a balancing of interests, taking account of Liechtenstein's economic and legal tradition.

Trust between state and citizens

A difference in interests between Liechtenstein and some other states must be noted: While other states are moving in the direction of a "transparent citizen", Liechtenstein practices a culture of privacy extending far beyond the oft-cited bank client confidentiality in tax matters. Liechtenstein has an understanding of the state that builds on a relationship of trust between the state and citizens – and it wants to preserve and cultivate this understanding in the future as well. This includes bank client confidentiality.

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