



GOVERNMENT
PRINCIPALITY OF LIECHTENSTEIN

MINISTRY OF
FOREIGN AFFAIRS, EDUCATION AND CULTURAL AFFAIRS

25 Years of Liechtenstein in EFTA

1991 - 2016



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Foreword

An effective and successful foreign policy must take account of the needs and realities at home. We put this credo into practice in our everyday work. Strengthening economic relations is thus one of the priorities of Liechtenstein's foreign policy.

One milestone in our foreign economic policy was Liechtenstein's accession to the European Free Trade Association (EFTA) 25 years ago: Thanks to this step, Liechtenstein companies currently benefit from 27 free trade agreements with 38 countries outside the European Union – with a rising trend. By working together, the four EFTA members increase their weight substantially when negotiating new agreements.

In the context of Liechtenstein's foreign economic policy and especially its free trade policy, I believe it is especially important to exchange views with the Liechtenstein business community. This close cooperation is indispensable for concluding agreements that meet the needs of our companies and that bring true added value to our economic actors. This is especially true for agreements with emerging countries whose growing markets have a great deal of potential, as reflected in EFTA's agreement strategy.

Reliability, commitment, solidarity: These are the guiding principles of Liechtenstein's foreign policy. They also form the foundation of our foreign economic policy. In our relationships with our EFTA partners, but also in the relationships with our common trading partners, Liechtenstein stands for a high level of commitment and reliability.

On the occasion of Liechtenstein's EFTA anniversary, this brochure provides in a nutshell an overview of EFTA's activities and demonstrates the benefits of membership for Liechtenstein and its economic actors.



Dr. Aurelia Frick
Minister of Foreign Affairs,
Education and Culture

The Liechtenstein Business Location and Free Trade

The highly diversified Liechtenstein business location – 40% of GDP is generated in industry and manufacturing – is heavily dependent on export, given the lack of a sizeable domestic market.

For the service sector and especially for financial service providers, legal certainty and transparency regarding the rules governing market access are also very important for opening up new markets.

Free trade is therefore a central pillar of foreign economic policy, with the goal of further improving the framework for Liechtenstein economic operators by ensuring preferential access or access that is as non-discriminatory as possible. But this does not mean liberalisation of foreign trade at any price: Preserving the existing standards in areas such as consumer and environmental protection remain essential preconditions for the conclusion of any new agreement.

In the interest of the business sector, Liechtenstein participates in ongoing initiatives such as the Trade in Services Agreement (TiSA) that is negotiated by members of the World Trade Organization (WTO). Liechtenstein also closely follows developments such as the negotiations on a free trade agreement between the European Union and the United States, which might become important for Liechtenstein and EFTA.

Important figures on Liechtenstein's economic performance



1 employee per inhabitant

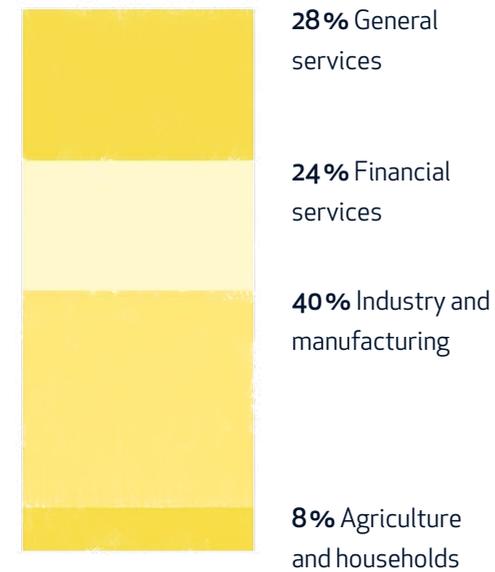


1 active company per 8.4 inhabitants



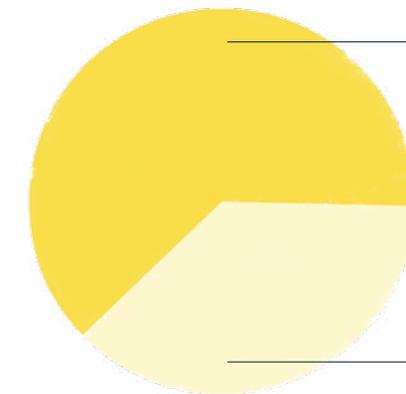
Gross Domestic Product 2013: CHF 5.303 billion

GDP share by sector (2013)



Foreign trade 2015

Total: CHF 5.133 billion

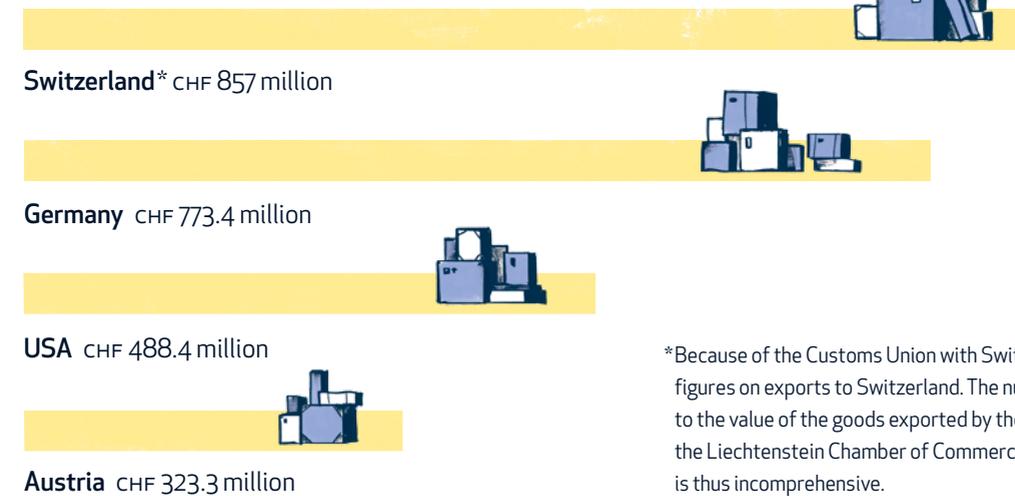


Direct exports
CHF 3.217 billion
(approx. CHF 85,000 per capita)



Direct imports
CHF 1.916 billion

The most important export partners (2015):



*Because of the Customs Union with Switzerland, there are no official figures on exports to Switzerland. The number used here corresponds to the value of the goods exported by the member companies of the Liechtenstein Chamber of Commerce and Industry (LCCI) and is thus incomplete.

EFTA in Brief



It is EFTA's goal to promote free trade and economic integration among its Member States and in relation to third countries. EFTA is an inter-governmental organisation with headquarters in Geneva and offices in Brussels and Luxembourg. It is responsible for the management of the following agreements:

- **EFTA Convention** (also referred to as Vaduz Convention)
- Worldwide network of **free trade and partnership agreements** of the EFTA States with third countries
- **Agreement on the European Economic Area (EEA)**, which expands the European single market to include three of the four EFTA Member States (Iceland, Liechtenstein, and Norway)

The highest governing body of EFTA is the EFTA Council which regulates the mutual relations of the Member States. The Member States use this forum to negotiate with each other

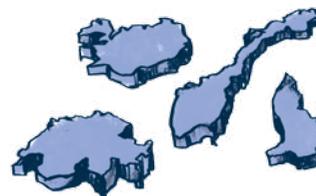
and take decisions on the implementation of common goals as well as administrative and budgetary questions. The EFTA Council meets eight to ten times a year. The ministers of the Member States meet in June and in November. They regularly exchange views with the Parliamentary Committee of the EFTA States and the EFTA Consultative Committee. The work of the EFTA Council is supported by committees dealing with specific issues, such as relations with third countries, questions on trade relations, and technical questions relating to the EFTA Convention.

The EFTA Secretariat is headquartered in Geneva. Its third countries division supports and accompanies the negotiations of EFTA States with third countries. The EFTA Secretariat office in Brussels supports Member States in the management of the EEA Agreement.

The EFTA Convention

In 2001, the EFTA States met in Vaduz to sign the Vaduz Convention, which replaced the EFTA Convention from 1960. The Vaduz Convention forms the legal basis for EFTA as an intergovernmental organisation and governs the trade relations among EFTA States. The goal of the modernisation of the Convention was to establish a level of economic integration between Switzerland and the EEA/EFTA States that corresponds to the bilateral agreements between Switzerland and the EU as well as the EEA. Among the EEA/EFTA States, the EEA Agreement applies. The EFTA Convention includes rules on the free movement of persons as well as the free movement of services and capital and the protection of intellectual property. It is dynamic in the sense that it is adjusted regularly to take account of the developments in the bilateral relations between Switzerland and the EU as well as within the EEA.

EFTA in figures



4 Member States

Iceland, Liechtenstein, Norway, Switzerland



27 free trade agreements with 38 countries



EUR 491 billion

Value of the goods and services exported by EFTA States in 2014



EUR 94 billion

Trade surplus of EFTA States in 2014

The most important milestones in the history of EFTA

1960

EFTA is founded by Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom.

1970

Iceland becomes a member of EFTA.

1972

Denmark and the United Kingdom leave EFTA to join the European Economic Community (EEC).

1985

Portugal leaves EFTA to become a member of the EEC.

1986

Finland becomes a full member of EFTA (associate member since 1961).

1991

Liechtenstein becomes a member of EFTA.

1995

Austria, Finland, and Sweden leave EFTA to join the EU; Liechtenstein joins the European Economic Area (EEA).

2002

The Vaduz Convention, a modernised version of the EFTA Convention of 1960, enters into force.

EFTA as a Free Trade Bloc

Free trade agreements create a predictable and preferential framework for the further development of economic relations. The main concern and starting point of the third-country policy of the EFTA States is to establish access to markets outside the EU and EFTA that is as non-discriminatory as possible for their economic operators, and in that way to prevent disadvantages compared with their main competitors, especially from EU countries and the United States. EFTA States also create attractive conditions for opening up new markets.

For instance, the EFTA States concluded an agreement with South Korea long before the EU did. More recently, the EFTA States signed an agreement with the Philippines – neither the EU nor the US have been able to do so yet. This means that the economic operators in the EFTA States will have a competitive advantage over their main competitors. A focus of EFTA's agreement strategy is thus on emerging markets with their large potential for growth.

Reliable and pragmatic
The EFTA States generally negotiate free trade agreements jointly. As a bloc, they are an attractive negotiating partner with substantial economic weight. They are able to conclude more attractive agreements jointly than they would if each member were to negotiate on its own. Together, the EFTA States maintain one of the most comprehensive networks of free trade agreements worldwide.

Recently, modernisation and expansion of existing free trade agreements has become increasingly important. Negotiations to this effect are being conducted with Chile, Mexico, and Turkey. With Canada, the EFTA States are holding exploratory talks about a possible expansion of the existing agreement.

The share of merchandise exports covered by the free trade agreements rose from 3% of the total merchandise exports of the EFTA States in 2006 to 12.4% in 2015.

This clearly indicates the growing importance of the free trade agreements.

The EFTA free trade agreements complement the World Trade Organization (WTO) and its agreements. They are based on the WTO obligations, expand these obligations, and supplement them by other areas such as investment or trade and sustainable development. A liberal multilateral trading system based on binding rules continues to be a priority for Liechtenstein. Given the lack of progress on negotiations within the WTO, the EFTA free trade agreements play a key role for the Liechtenstein business location.



Brief history of third-country policy

The first agreements – with the exception of the agreement with Spain in 1980 – were concluded in the early 1990s after the fall of the Iron Curtain with countries in Eastern Europe. Most of those agreements are

no longer in force due to EU accession of those countries. The oldest agreements of the EFTA States still in force are those with Turkey (1991) and Israel (1992). Starting in 1995 – and following the EU – the EFTA States concluded free trade agreements with more Medi-

terranean countries. Finally, in the 1990s, EFTA looked overseas: The first such agreement was concluded with Mexico in 2000. In 2002, the first free trade agreement in Asia was signed with Singapore.

Three generations of free trade agreements

While the early agreements, especially with Eastern European countries, focused on liberalising the trade in goods (**first-generation agreements**), the EFTA agreements with countries overseas were the first to include services, investments, public procurement, and intellectual property (**second-generation agreements**). The agreement with

Mexico was the first such agreement. More recently, the EFTA States have been including a chapter on trade and sustainable development (**third-generation agreements**). This was covered for the first time in the agreement with Montenegro (2011). The first comprehensive agreement with elements from all three generations was concluded with the Central American States in 2013.



Liechtenstein in EFTA

10 Before joining EFTA, a separate protocol governed the relations between Liechtenstein and the EFTA States. Within this framework, the EFTA Convention was applied to Liechtenstein via the Customs Union Treaty with Switzerland. In light of the progressing European integration and the question of whether Liechtenstein should join the EEA, attaining full EFTA membership appeared preferable – a step that was realised relatively quickly in 1991: After the Government had submitted an official application to join on 1 March 1991, Liechtenstein officially became a member of EFTA on 1 September 1991.

Today, EFTA constitutes a central pillar of Liechtenstein's foreign economic policy, the goal of which is to obtain favourable conditions for the cross-border business relationships of Liechtenstein's heavily export-oriented companies. The free trade agreements concluded under the EFTA umbrella offer a framework for trading with countries outside the two economic areas to which Liechtenstein belongs, namely the Swiss economic area via the Customs Union Treaty and the European Economic Area (EEA). Thanks to the EFTA free trade agreements, Liechtenstein companies benefit from legal certainty and from stable access to foreign markets that is as non-discriminatory as possible.

Level playing field for negotiations
EFTA membership allows Liechtenstein to participate in negotiations with trading partners on a level playing field with the other EFTA States and to actively pursue its interests. Individually, negotiations would not be possible in this form. Aside from trade in goods, Liechtenstein particularly focuses on trade in services (first and foremost financial services), public procurement markets, and the protection of intellectual property. The Permanent Mission of Liechtenstein in Geneva conducts the negotiations on behalf of Liechtenstein in cooperation with the Office for Foreign Affairs.

Liechtenstein's priorities in EFTA



With regard to the **trade in goods**, Liechtenstein focuses on the greatest possible reduction of customs duties on goods, liberal rules of origin, the reduction of technical barriers to trade, sanitary and phytosanitary measures, and the simplification of customs formalities. In this area, Switzerland negotiates on Liechtenstein's behalf.



With regard to the liberalisation of **trade in services**, Liechtenstein's interests focus on financial services provided by banks and insurers. The legal certainty and transparency regarding rules governing market access and national treatment are to be strengthened.

Recently, other areas of trade in services have been included as well, such as telecommunications, energy, and maritime transport.



Under the **investment chapter**, the EFTA States aim to achieve national treatment of EFTA investors in third countries to the greatest possible extent. The EFTA States do not negotiate jointly on investment protection. Liechtenstein has not concluded any bilateral investment protection agreements so far.



Intellectual property is an important issue for Liechtenstein's innovative business location. Under this chapter, the EFTA States primarily aim to improve patent and trademark protection and to estab-

lish the strongest rules possible against counterfeiting and other violations of intellectual property.



Under the chapter on **public procurement**, the EFTA States aim to establish access for their economic operators to the public procurement markets of third countries that is as comprehensive as possible.



The chapter on **trade and sustainable development** establishes minimum standards, especially in regard to labour rights and environmental protection. The goal is to prevent distortions of competition through social or environmental dumping.

A Global Network

11 12 Map →

EFTA Member States

- Liechtenstein
- Iceland
- Norway
- Switzerland

EEA

- EU plus Liechtenstein, Iceland, Norway

Bilateral free trade agreements of Switzerland*

- China
- Japan
- Faroe Islands

*The chapter on trade in goods is applicable to Liechtenstein via the Customs Union Treaty with Switzerland.

EFTA free trade agreements

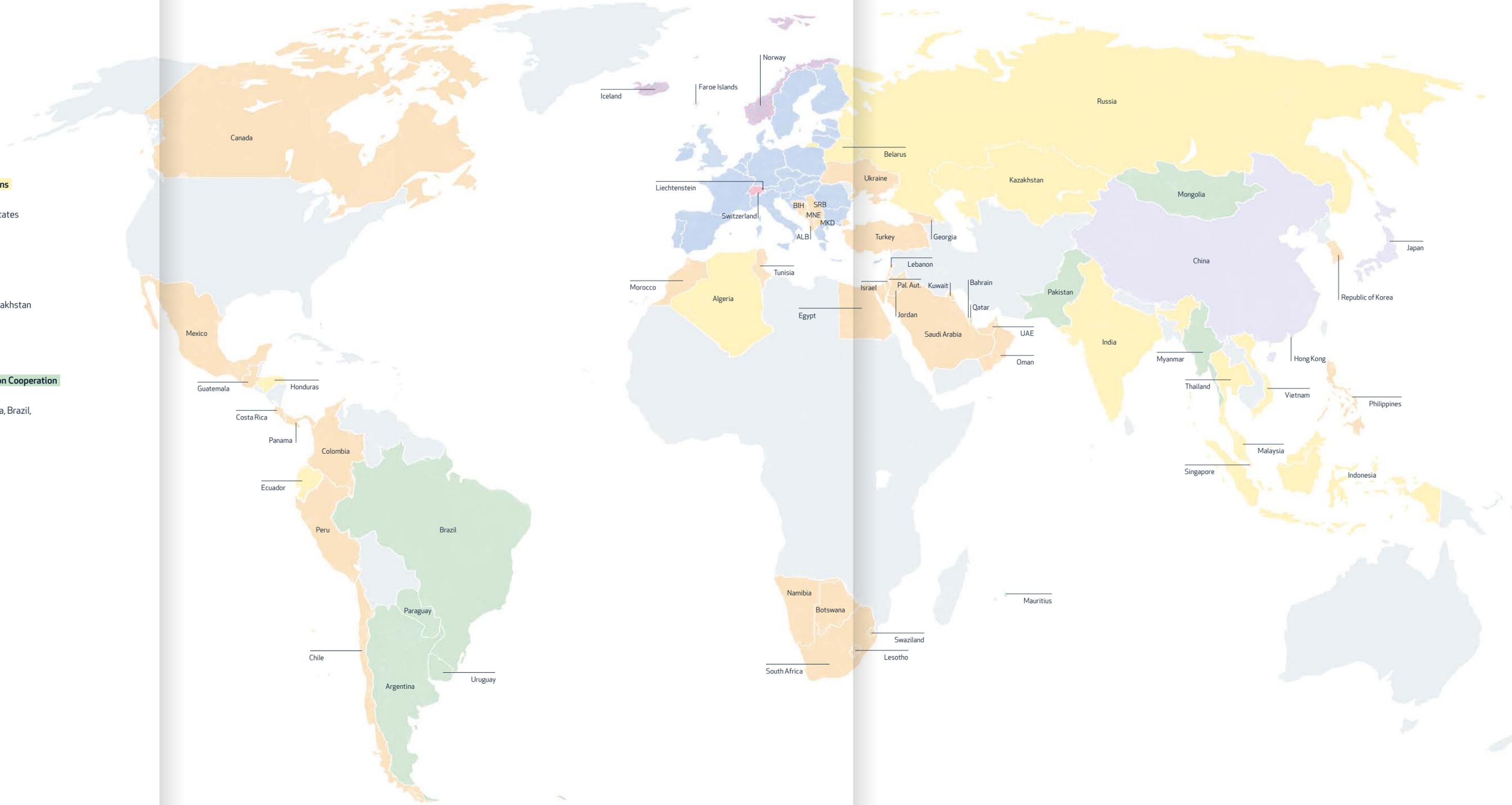
- Albania (ALB)
- Bosnia and Herzegovina (BIH)
- Canada
- Central American States (Costa Rica, Guatemala, Panama)
- Chile
- Colombia
- Egypt
- Georgia
- Gulf Cooperation Council (Bahrain, Kuwait, Oman, Saudi Arabia, Qatar, United Arab Emirates (UAE))
- Hong Kong
- Israel
- Jordan
- Korea, Republic of
- Lebanon
- Macedonia (MKD)
- Mexico
- Montenegro (MNE)
- Morocco
- Palestinian Authority
- Peru
- Philippines
- Serbia (SRB)
- Singapore
- Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, Swaziland)
- Tunisia
- Turkey
- Ukraine

Ongoing negotiations

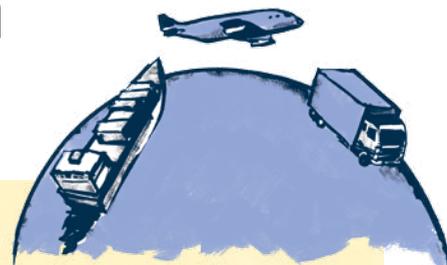
- Algeria (on hold)
- Central American States (Honduras, on hold)
- Ecuador
- India
- Indonesia
- Malaysia
- Russia, Belarus, Kazakhstan (on hold)
- Thailand (on hold)
- Vietnam

Joint Declarations on Cooperation

- Mauritius
- Mercosur (Argentina, Brazil, Paraguay, Uruguay)
- Mongolia
- Myanmar
- Pakistan



The Trading Volume of EFTA States in Comparison



Total trade in goods of EFTA States compared with other economic areas (2014, in USD billions)

Rank	Economy	Trading volume	Share of world trade	Export	Import
1	EU	12,295	32.28%	6162	6133
2	China	4,302	11.29%	2342	1959
3	USA	4,033	10.59%	1621	2413
4	Japan	1,506	3.95%	684	822
5	Hong Kong	1,125	2.95%	524	601
6	Republic of Korea	1,098	2.88%	573	526
7	Canada	950	2.49%	475	475
8	EFTA	830	2.18%	460	370
9	Mexico	809	2.12%	398	412
10	Russian Federation	806	2.12%	498	308

Total trade in services of EFTA States compared with other economic areas (2014, in USD billions)

Rank	Economy	Trading volume	Share of world trade	Export	Import
1	EU	3,986	41.00%	2165	1822
2	USA	1,139	11.72%	688	452
3	China	614	6.32%	232	382
4	Japan	348	3.58%	158	190
5	EFTA	319	3.28%	167	152
6	India	303	3.11%	156	147
7	Singapore	281	2.90%	140	141
8	Republic of Korea	220	2.26%	106	114
9	Canada	191	1.96%	85	106
10	Russian Federation	184	1.89%	65	119

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