

European Banking Federation, Board Dinner, 20.11.2019 (Hofkellerei Vaduz)

Speech held by

Sabine Monauni, Liechtenstein Ambassador to the EU

Distinguished Members of the Board,

Ladies and Gentleman,

It is a great pleasure for me to be invited here today and I would like to congratulate the Liechtenstein Bankers Association on its 50th anniversary. The Association has been a key player for the strategic direction of the Liechtenstein Financial Centre and is today one of strongest voices for international cooperation. In this context, I would like to highlight another important anniversary for Liechtenstein. As you might already know, this year we are also celebrating **25 years of the Agreement on the European Economic Area** – the so-called EEA Agreement which extends the EU Internal Market to the three EEA EFTA States Iceland, Liechtenstein and Norway. Who would have thought that this model of European integration stays for more than a quarter of a century?

Many considered the EEA only as a “waiting room” or a “training camp” for EU membership. In fact, three out of five EEA EFTA States left EFTA and joined the EU during the first year of the Agreement, including our neighbouring country Austria. I dare to say that the EEA would probably not have survived, did Liechtenstein not join the EEA a year later in 1995. At least, it is hard to imagine that the complex institutional framework, with **independent bodies like the EFTA Court and the EFTA Surveillance Authority**, could have been maintained for Iceland and Norway alone.

The relationship between the remaining three EEA EFTA States, who are bound to speak with one voice, is obviously not a natural one. Two Nordic countries, both proud fishing nations, deeply protestant, united with a small alpine country, catholic to the core, with no natural resources but a strong financial and industrial sector. Nevertheless, the **relationship among the three EEA EFTA States** has evolved over the years in a **friendly and respectful** manner. It's like in an old marriage: we got used to each other and, after having reached silver wedding, divorce is no longer an option. In Liechtenstein, we tend to say: "Through EEA membership we did not only become more European but also more Nordic".

Today, we can confidently say that the **Agreement functions well**, despite the fact that the European Union has undergone radical changes throughout the last decades, including two enlargements. The EEA Agreement has stayed robust and flexible enough to absorb these changes. We are continuously updating the Agreement to ensure a **homogenous Internal Market and a level playing field** for our economic operators. Over the last 25 years, more than 10'000 EU Acts have been incorporated into the Agreement and made part of our national legal order. The EEA EFTA States have proven to be trustworthy and constructive partners striving for pragmatic and practical solutions. Wisely enough, we never set any red lines, nor did we ever make use of veto rights.

For the European Union, the EEA EFTA States are the closest and the easiest partners: We are playing by the rules and share the same fundamental values and interests. Furthermore, the **EEA is a good example of managing diversity within Europe**, which could be an inspiration for future agreements between the EU and countries that cannot or do not want to join the Union. The success

of the EEA Agreement might be the reason why there is **currently no appetite for EU membership** in the EEA EFTA States. I guess this will not change in the near future. But accurate predictions have become extremely difficult nowadays, as we have learnt from the outcome of the Brexit referendum.

Brexit is a very sad chapter in the history of European integration. Hardly anything positive can be derived from it, except a wake-up call for Europe and a reminder that nothing can be taken for granted. Ironically, **Brexit has been a real booster for the European Union as well as the EEA**. Today, it is clear to anyone that leaving the Internal Market comes to a certain cost, and there will be no win-win situation at the end of the day. Three years have already passed since the Brexit vote and we still don't know *when, whether and how* Brexit will happen. Not to mention the fact that negotiations on the future arrangement have not yet started. It goes without saying that the new partnership between the EU and UK will also have great impact on the EEA EFTA States. By leaving the EU, the UK will also exit the EEA.

In order to **safeguard the integrity of the Internal Market**, and to avoid any mayor disruptions in our relations with the UK, we have agreed on an EEA EFTA separation agreement with the UK, which mirrors the EEA-relevant parts of the Withdrawal Agreement between UK and the EU. Of course, this all has yet to pass through Westminster. In view of the continued uncertainty surrounding Brexit, we have also prepared for a no deal scenario and incorporated relevant Brexit preparedness measures into the EEA Agreement. In parallel, the EEA EFTA States and the UK have signed a no deal citizens' rights agreement, as well as other agreements to facilitate continued trade with the UK.

Brexit comes at a time when a strong and united Europe is needed more than ever: **global power is shifting** to Asia and the old alliance between America and Europe is under threat. I would however not go so far to say that Europe is “on the edge of a precipice” as the President of France said in his recent interview with the *Economist*. But I agree that Europe has to get its act together, otherwise it will no longer be in control of its destiny. Admittedly, the EEA EFTA States, and especially Liechtenstein, are small players. But all European countries are small on the global stage, even countries like Germany and France. We Europeans better stand together in **defending the European way of life**.

Let me now share with you some **experiences of Liechtenstein’s EEA membership**. What started with a constitutional crisis in my country, with demonstrations in front of the Government building, turned out to be a **big success story**. Only one week after the Swiss “No” in December 1992, Liechtenstein voters said “Yes” to the EEA. In retrospect, this decision was not only courageous but also far-sighted, especially against the background that important financial actors were adamantly against EEA membership and warned of excessive EU bureaucracy and loss of bank secrecy. Joining the EEA was indeed an adventure. All of a sudden, a small nation of 38’000 Liechtensteiner did not only gain access to a home market of more than 500 million people but also had to step out of the shadow of Switzerland, a **process which clearly revived Liechtenstein’s sovereignty**.

Today, the **EEA enjoys great support** in the population and in the business community, including the financial sector. It has led to a more open and diversified economy and Liechtenstein citizens enjoy the benefits of the four freedoms. The European Union is our most important trading partner and EU na-

tionals hold almost half of the jobs in Liechtenstein. Moreover, the EU passport for financial services has become a key factor for the success of Liechtenstein's internationally operating financial centre. The fact that Liechtenstein could remain in a customs and currency union with Switzerland while being an EEA member has certainly contributed to Liechtenstein's attractiveness as a business location. The **possibility to participate in two economic zones** is thereby owed to the goodwill and flexibility of both Switzerland and the European Union. In this regard, it is of major interest for Liechtenstein that **relations between Switzerland and the EU** remain good and stable, and we hope that a mutually acceptable solution will be found for the outstanding issues.

The avalanche of regulations and directives coming from Brussels is certainly on the flip side of EEA membership. This is a challenge not only for the public administration but also for the many small businesses in Liechtenstein. We count on the new EU Commission to apply a certain sense of proportion. At the same time, I am proud to say that with a clear political commitment and great discipline Liechtenstein has managed to achieve constantly **high implementation rates**. Today, we are even considered as a **role model for other small-sized states** like Andorra, San Marino or Monaco who are striving to find a similar association with the EU, and we are happy to share our experiences with them.

Last but not least, I should also mention that our **cooperation with the EU goes beyond the EEA** and covers areas like justice and home affairs, foreign policy and taxation. With regard to tax cooperation, mayor progress has been made in recent years. Liechtenstein's participation in the Automatic Exchange of Information on tax as an "early adopter" of the Common Reporting Standards, exchanging information from 2017, has been duly recognised by the European

Union. Furthermore, EU Finance Ministers concluded in October 2018 that Liechtenstein is **fully compliant with all criteria of the EU Code of Conduct on Business Taxation**. As a consequence, several EU Member States abolished legislation which treated Liechtenstein economic operators unfavourably.

On this positive note, I would like to conclude by thanking the Liechtenstein Bankers Association for its positive contribution to Liechtenstein's successful integration in Europe and its active role in Brussels. In spite of turning 50, your Association shows no signs of fatigue or midlife crisis. On the opposite, your team is more fresh, energetic and visionary than ever. I would like to highlight particularly your ambition for a **green and responsible banking sector**, which is driving the Sustainability Agenda of Liechtenstein and ultimately contributes to a positive future of our country.

Thank you.

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