

# A leap ahead

*Editorial by Prime Minister Otmar Hasler*

**Every crisis has a good side. Crises are opportunities for extensive renewal. Renewal depends not only on the will to reform, but also on the capacity to reform. In turn, the capacity to reform depends on experience. The global financial and economic crisis gives us this experience, whether we want it or not. The crisis has intensified competition among financial centres. The capacity to reform is therefore crucial, especially for small financial centres like Liechtenstein. In the end, only the best make it to the final round.**

Irrespective of the current crisis, Liechtenstein has been engaged in an extensive process of change and renewal for some time now. The global financial and economic crisis has simply accelerated this process. Especially against this backdrop, repositioning of the financial centre will be the focus of political efforts in 2009. The goal is to improve framework conditions so that financial-market players can continue to cover the legitimate interests of their clients in an optimal way.

## **Redefinition of competition**

The design of such a forward strategy for a financial centre is not a fluke, but rather requires thorough preparation, including a comprehensive analysis of potentially changeable parameters. These parameters have changed for all financial centres in Europe, regardless of the current crisis. For several major European countries and for the United States, for instance, cross-border cooperation on tax matters has become an important concern. In more general terms, this means that fair competition has become one of the parameters in need of redefinition.

This is one of the reasons why we have substantially completed negotiations of an anti-fraud agreement with the EU, the finalization and signing of which are still pending. Complementing this agreement, we are willing to conclude comprehensive treaties with individual states in the field of taxation. These agreements must, however, take account of the interests of the Liechtenstein financial centre. This means

that the clients of our financial centre must continue to be able to trust that banks and fiduciaries will treat data confidentially and will take their full responsibilities toward clients seriously. This also means being able to count on finding good solutions for existing assets.

With the signing of a tax-information exchange agreement with the United States, we have shown that cooperation and transparency do not conflict with the protection of privacy. Several provisions in the agreement restrict information exchange. Simple suspicion on the part of the U.S. tax authorities does not suffice; instead, a concrete request must be submitted to trigger the obligation of substantial information exchange. This includes specification of the identity of the affected taxpayer by the U.S. authorities.

An important cornerstone of the ongoing reform process for the benefit of the financial centre and business location is our comprehensive tax reform. This reform will further enhance the attractiveness of Liechtenstein's tax law, also with respect to private wealth management. Coupon and capital taxes will be eliminated. At the same time, the reform is compatible with international and EU legal norms.

The year 2009 holds many challenges for the Liechtenstein financial centre, but also the opportunity for a leap forward. In recent years, policy has created important preconditions for success. The current crisis shows that our efforts to reposition the financial centre are aiming in the right direction.

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