

# Pursuing a strategy of cooperative partnership

*Editorial by Dr. Klaus Tschütscher, designated Prime Minister*

Competition among financial centres is tough. Since the outbreak of the financial market crisis last autumn, competition has become even tougher. Another more positive way of looking at things is that the true strengths of competitors only become obvious during a crisis. The Liechtenstein financial centre has proven itself as a place of stability in the midst of the crisis. The equity ratio of Liechtenstein banks, for instance – disproportionately high compared to other banks in Europe and internationally –, has not been significantly weakened by recent events. So far, there has been and continues to be no need for the state to intervene with guarantees, capital infusions, nationalisation or other such measures. Liechtenstein is thus now the exception to the rule.

## Capable of timely, future-oriented reform

It is becoming apparent that the political process must take increasing responsibility to stabilise systems and intervene in competition. Strong new signals in this regard are expected from the G-20 summit at the beginning of April in London. The recommendations of this summit will not be immediately binding. But for legal communities such as the EU and its member states, with which Liechtenstein maintains close relations, they will set out the new direction. Regulation of the financial markets is entering a new era. Liechtenstein is not unprepared when facing this transition. Several agendas for the future have already been completed, such as the total revision of the law on Liechtenstein foundations. These projects and other strategic considerations have shown that the financial centre is capable of timely, future-oriented reforms.

## Preservation of long-term legal certainty

The supreme goal of our efforts has been and continues to be the preservation of long-term legal certainty for existing and potential clients of the financial centre. Stable business conditions are the basis for trust. These business conditions in Liechtenstein will in turn be based on the international regulatory framework. Along with further qualitative strengthen-

ing of supervision, international tax cooperation will become an important pillar of this new regulatory framework. We seek to help shape these rules by participating visibly in the international debates and by actively contributing our standpoint.

## Protection of privacy

One of the legitimate interests of attractive financial centres that will continue to be important in the future is the protection of privacy. The protection of clients in wealth management is ultimately a special form of data protection. The reactions in connection with various data scandals over the past few months in several European countries have shown that nobody wants a snooping surveillance state. In particular, honest wealth investors in no country in the world should be subject to the general burden of proving that they have not evaded taxes.

## Cooperation based on partnership

Our position relies on cooperation based on partnership. This means that we want to support other states in identifying efficient cross-border tax solutions. This approach also expects that the legitimate interests of the Liechtenstein financial centre will be taken into account, namely that the partner state in question helps put existing client relationships on a sustainable foundation with clear rules and refrains from discriminating against Liechtenstein in the field of tax competition.

## Winners on all sides

With this approach, all parties will win: Cooperative partner states will gain tax revenue thanks to more efficient application of tax law to foreign assets. Clients and their wealth advisors in Liechtenstein will be provided with a sustainable legal framework for tax compliance based on acceptable conditions, and the financial centre will enhance its attractiveness and reputation for a tax-compliant clientele. The alternative to our offer of cooperation based on partnership would be a successive shift of wealth to other, non-European financial centres. We do not believe this would be sensible, since it benefits none of the parties involved. Now it is our task to convince our partners.

## Gaining new trust through continuity

Sustainable positioning in times of change is only possible if transparency is established. The newly formed government of Liechtenstein will always engage in open communication to make clear to all potential partners what the principles and intentions of our country are during this transition. Our motto is: Gaining new trust through continuity. This constitutes the basis for a balancing of interests and is at the same time the best guarantee for overcoming the crisis.

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We are looking forward to Dr. Tschütscher's editorials on Liechtenstein in our future issues. And we would like to thank the outgoing Prime Minister Otmar Hasler for all the articles he wrote for PRIVATE over the past years and wish him all the best.