

Small States Differentiated Integration

Liechtenstein

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European Integration

Differentiated Integration

- Historic steps towards European integration
 - 1960: Convention on the European Free Trade Association (EFTA) applied to Liechtenstein via Customs Union Treaty with Switzerland
 - 1972: Additional Agreement to Free Trade Agreement (FTA) between Switzerland and European Economic Community
 - 1991: Full EFTA membership
 - 1992: 1st Popular vote on Agreement on the European Economic Area (EEA)
 - 1995: 2nd Popular vote on EEA membership
 - 1 May 1995: Full EEA membership
 - 2004: Agreement on taxation of savings income
 - 2015: Amending Protocol to the Agreement on taxation of saving income
 - 19 December 2011: Full Schengen and Dublin membership
- Legal status
 - Approximately 18 basic agreements between EU and Liechtenstein (December 2017)
 - Special rule for the free movement of persons (workers)
 - Parallel marketability
 - Various opt-outs and tailor-made arrangements at the level of EEA secondary legislation

European Integration

Differentiated Integration

- Economic, social and cultural integration
 - Economic integration
 - EEA most important trade area
 - Favourable economic development after EEA accession
 - Growing number of commuters from Switzerland and Austria
 - Social and cultural integration
 - Increasingly selective membership in EU programmes and other EU activities
 - Various new policy due to EEA membership such as data protection, parental leave or environmental assessment
 - High share of foreigners (but has actually been reduced since EEA accession)

European Integration

Differentiated Integration

- National administration and European affairs
 - The Ministry for General Government Affairs and Finance (Prime Minister) is responsible for EEA matters
 - Supported by EEA Coordination Unit
 - Legal and technical approach to EEA membership
 - Ministry for Foreign Affairs represents Liechtenstein in the EEA Council
 - Diplomatic representation in Brussels as key actor for political lobbying
 - Different degree of Europeanisation within public administration
 - Every unit of public administration has at least one “EEA expert”
 - EEA expert are supported by EEA Coordination Unit
 - Interest in EEA matters varies
 - Minor role of Parliament in EEA matters
 - EEA Commission decides on indication of constitutional requirements based on recommendation by the EEA Coordination Unit (Article 103 of EEA Agreement)
 - Foreign Policy Commission may discuss key developments and strategic priorities of Liechtenstein’s European politics
 - General observation
 - Specific mechanism such as high autonomy for experts representing Liechtenstein in EU and EFTA institutions and committees, as well as selective engagement based on political priorities (see next slide)
 - Increasing professionalism in public administration (i. e. non partial recruitment, specific EEA education)
 - Strong increase of staff after EEA accession in 1995

European Integration

Differentiated Integration

- Decision shaping and policy making
 - Government and public administration
 - Experts of public administration
 - Selective engagement based on political priorities
 - Close cooperation with EFTA Secretariat
 - Main objective of decision shaping is gathering information in order to prepare incorporation and implementation
 - National interest come into play in the EEA decision making
 - Interest groups
 - Most of them are not actively participating in EU policy making
 - Exception: Interest groups related to financial services sector
 - Close cooperation with European umbrella organizations
 - Extensive and continuous lobbying based on cooperation with think tanks and consultants
 - No interest group has an office in Brussels
 - Targets of interest groups
 - Gathering information
 - Decision shaping
 - Improving reputation of Liechtenstein's financial centre

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National debates (1)

- Historical debate
 - Close call at both referenda on EEA membership (1992 and 1995)
 - Emotional debate and high turn out
 - Fear of “uncontrolled” migration, increased competition for local trade, increased political pressure on financial centre, dilution of direct democratic rights
 - Strong mobilisation by Prince and Prime Minister in favour of EEA membership
 - EEA membership has not been contested after EEA accession
 - U-turn of various politicians

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National debates (2)

- Current debate
 - Overall low degree of politicisation
 - No political opposition against EEA membership left
 - High public support for EEA membership
 - EEA as a gain of sovereignty
 - EEA as favourable for Liechtenstein's economy
 - Explanation for public support for EEA membership
 - Compatibility of EEA membership with Liechtenstein's close and deep relations with Switzerland
 - Lack of alternative models
 - Controversial issues
 - Rule density and feasibility of EEA membership
 - Cost of EEA membership (EEA Financial Mechanism)
 - Low degree of effectiveness of the EEA ("backlog")
 - Parental leave and labour law in general
 - Free movement of persons and Liechtenstein Business Act (residence requirements for certain jobs)

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Free movement

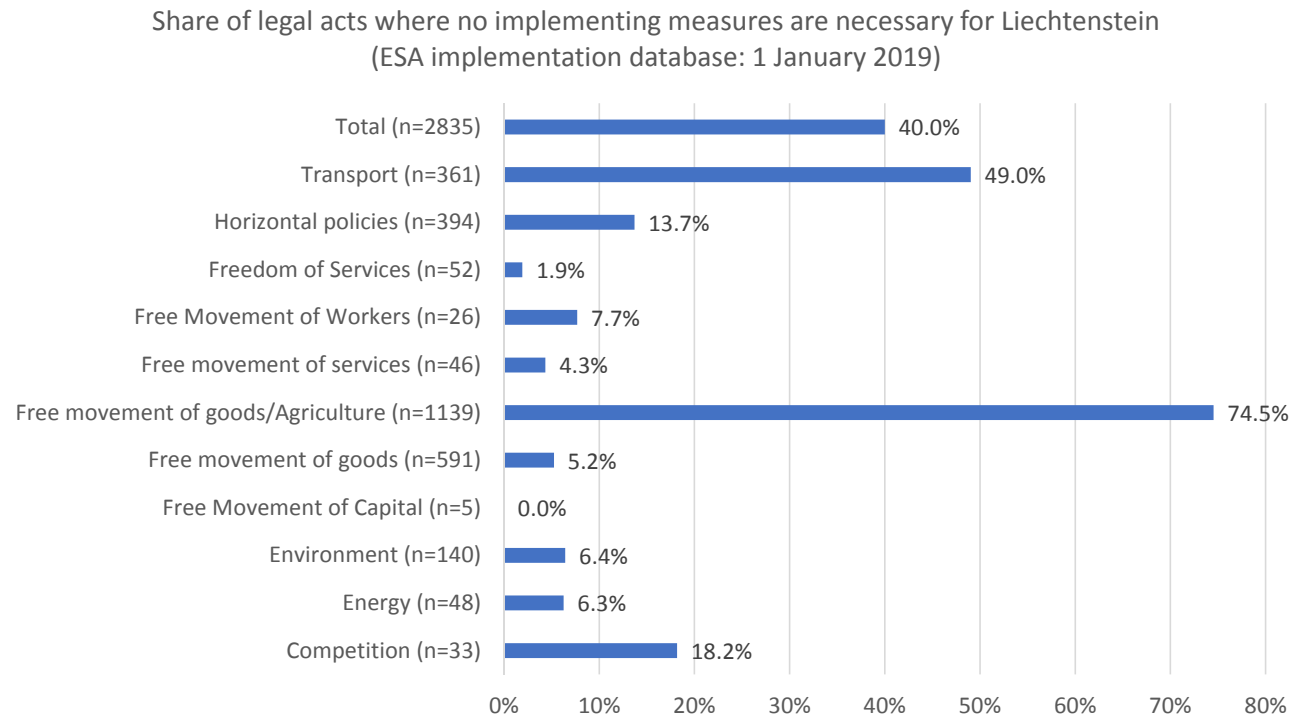
- Country's position towards the four freedoms
 - Free movement of goods
 - Highly supported due to high share of exports to EEA countries
 - Parallel marketability to enable customs union with Switzerland
 - Customs union with EU would potentially be beneficiary for Liechtenstein's economy but is currently not really discussed
 - Free movement of services
 - Highly supported due to high relevance of financial services
 - "Backlog" (i. e. delayed incorporation of EU law into the EEA Agreement) as an ongoing issue
 - Liechtenstein benefited from the fact that the free movement of services is not part of the Swiss EU relations
 - Free movement of persons
 - Special rule for Liechtenstein: Residence permits based on government decision or lottery
 - Precondition for public support for EEA in Liechtenstein
 - Free movement of persons has still triggered various changes in Liechtenstein law
 - Free movement of capital
 - Legal certainty for trusts

European Integration Conclusions

- Future trajectories
 - Status quo
 - Ongoing commitment to EEA Agreement
 - But only 'as long as there are no alternative models'
 - Framework agreement between Switzerland and EU as a critical juncture?
 - Brexit as a critical juncture?
 - Ongoing commitment to Schengen and Dublin
 - Future of Schengen association of Liechtenstein closely linked to future of Schengen association of Switzerland
 - Higher degree of politicization of European politics

European Integration Annex

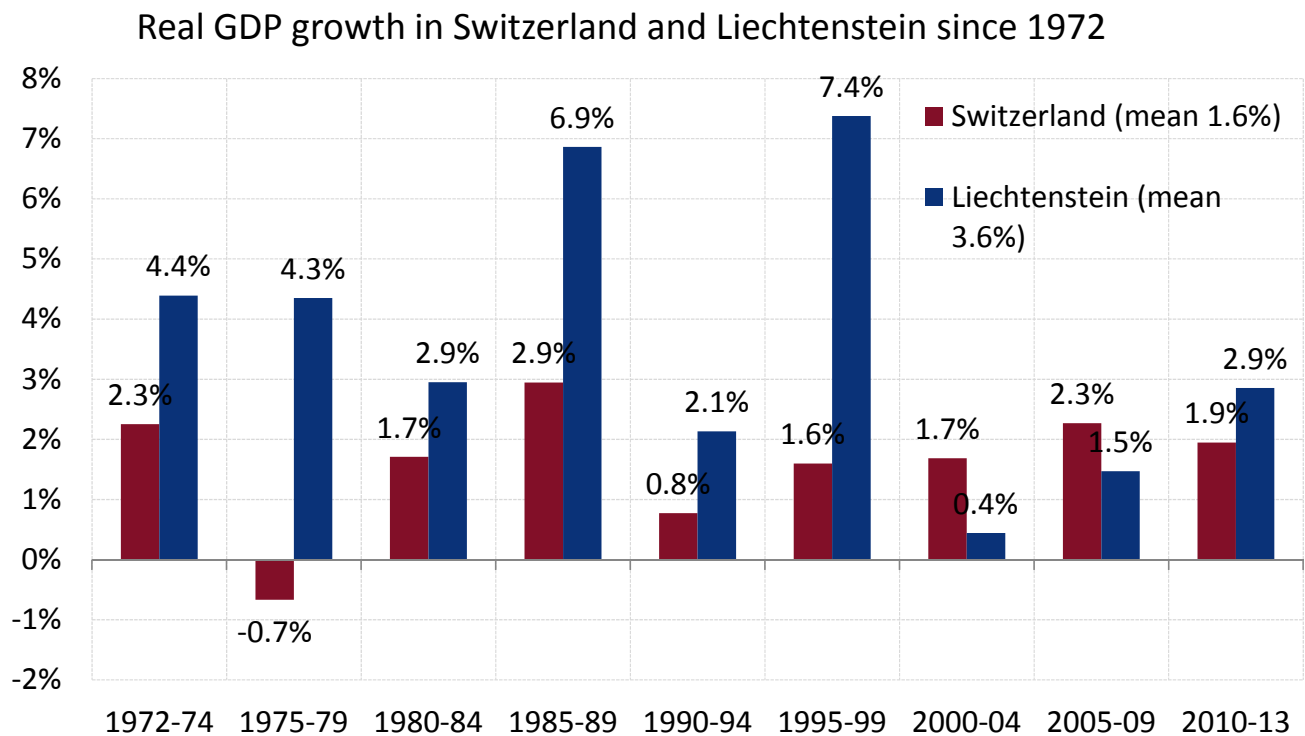
- Number of opt outs from EEA secondary legislation



Source: Own compilation based on EFTA Surveillance Authority (ESA) implementation status database

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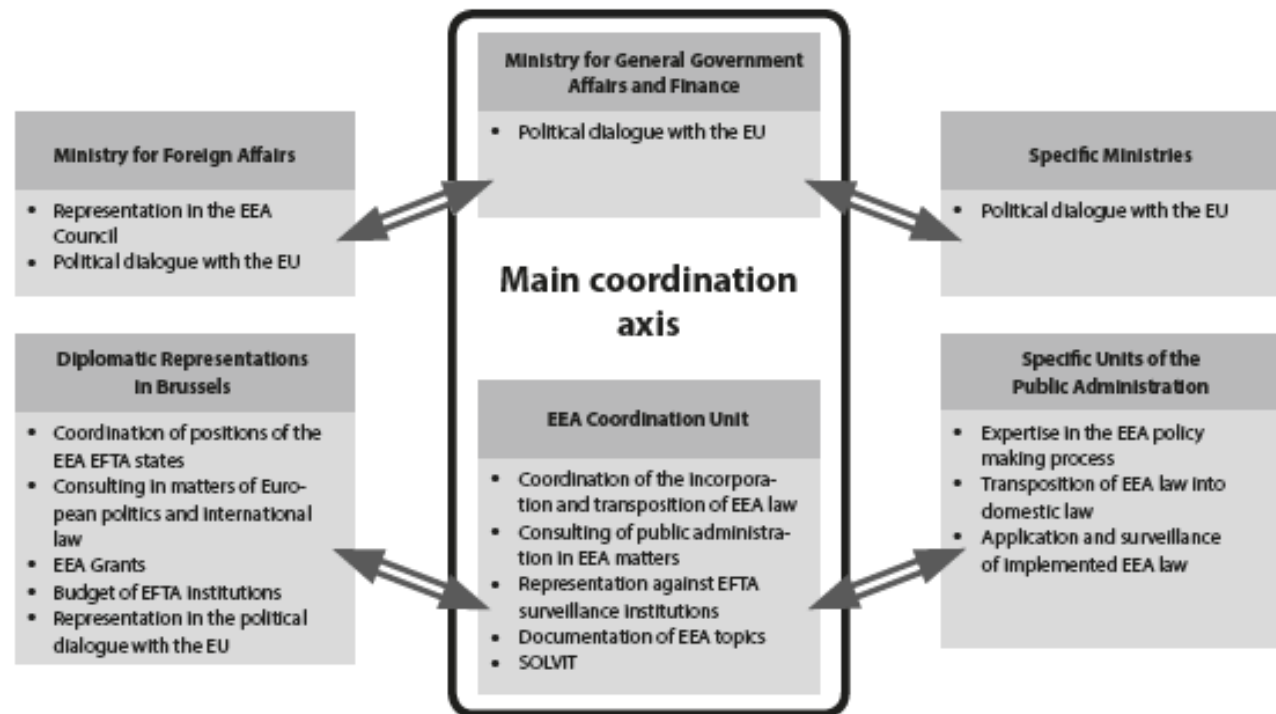
- Positive economic development after EEA accession 1995



Source: Own compilation based on data provided by Andreas Brunhart, Liechtenstein Institute

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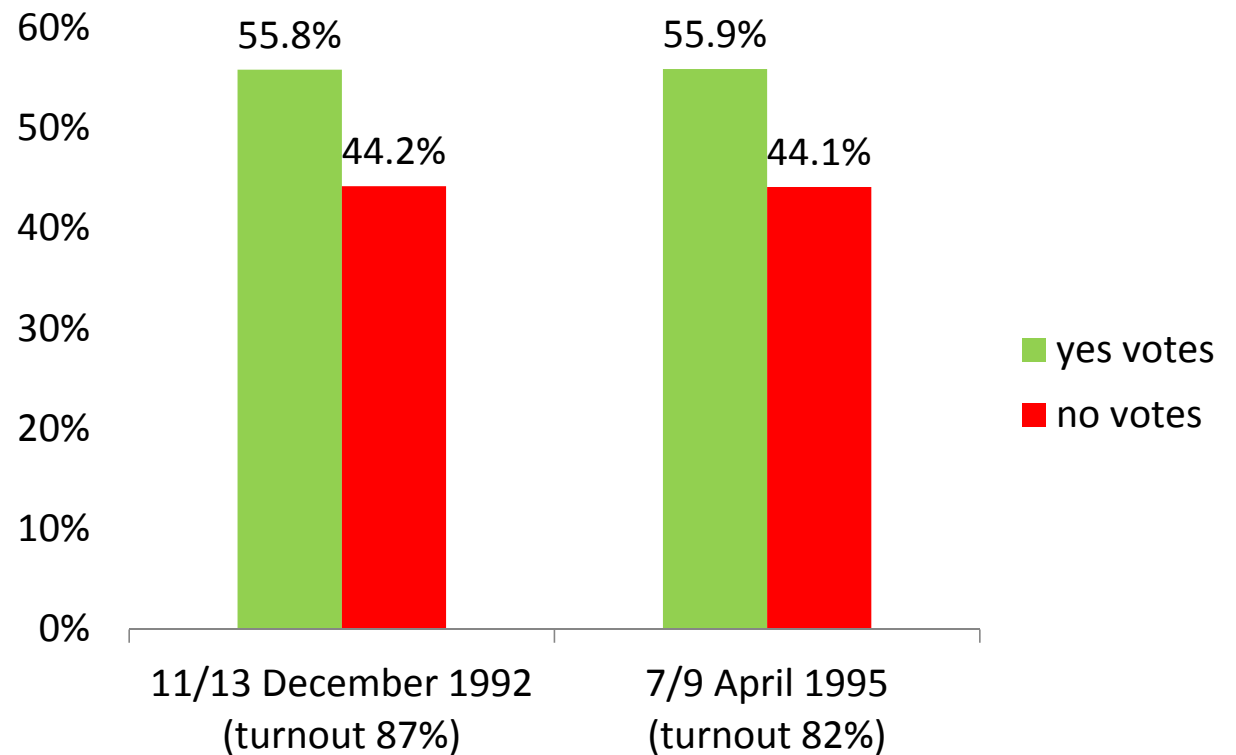
- How does Liechtenstein administrate its EEA membership?



Source: Own compilation

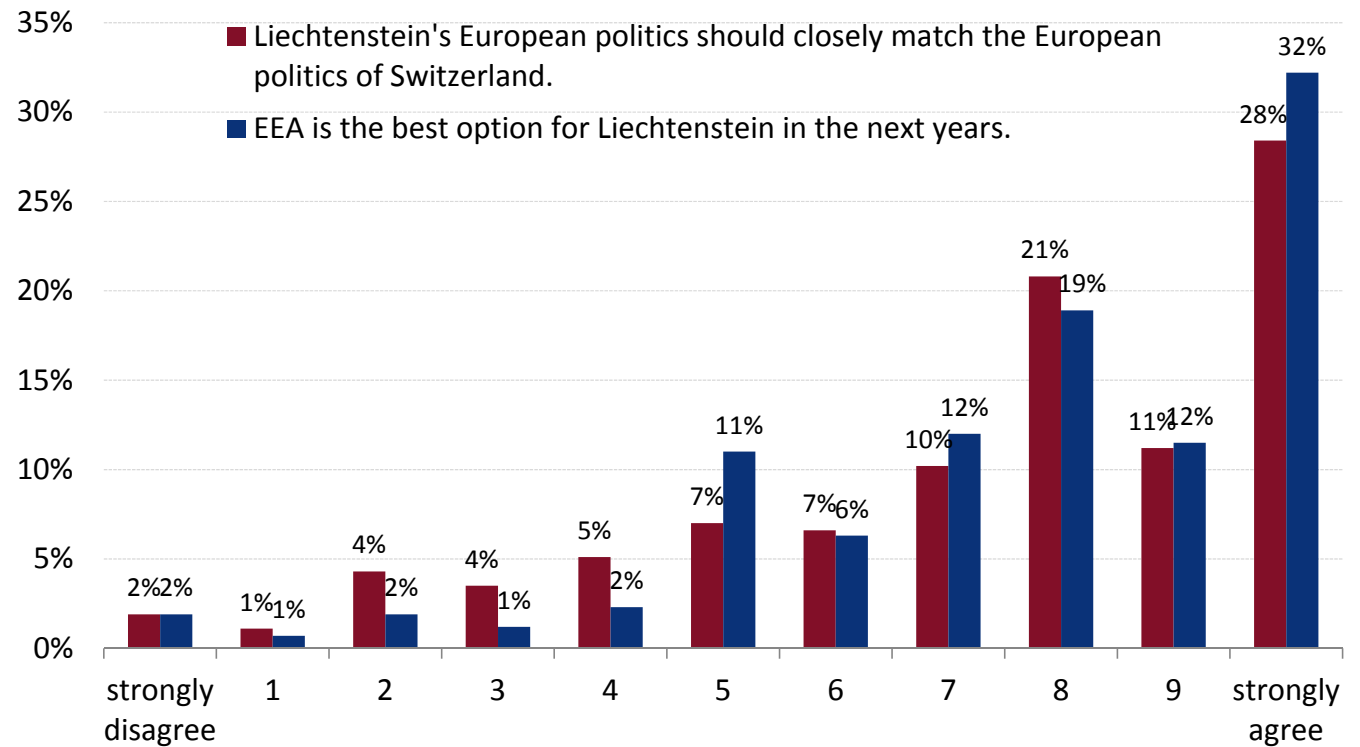
European Integration Annex

- EEA referendums in 1992 and 1995



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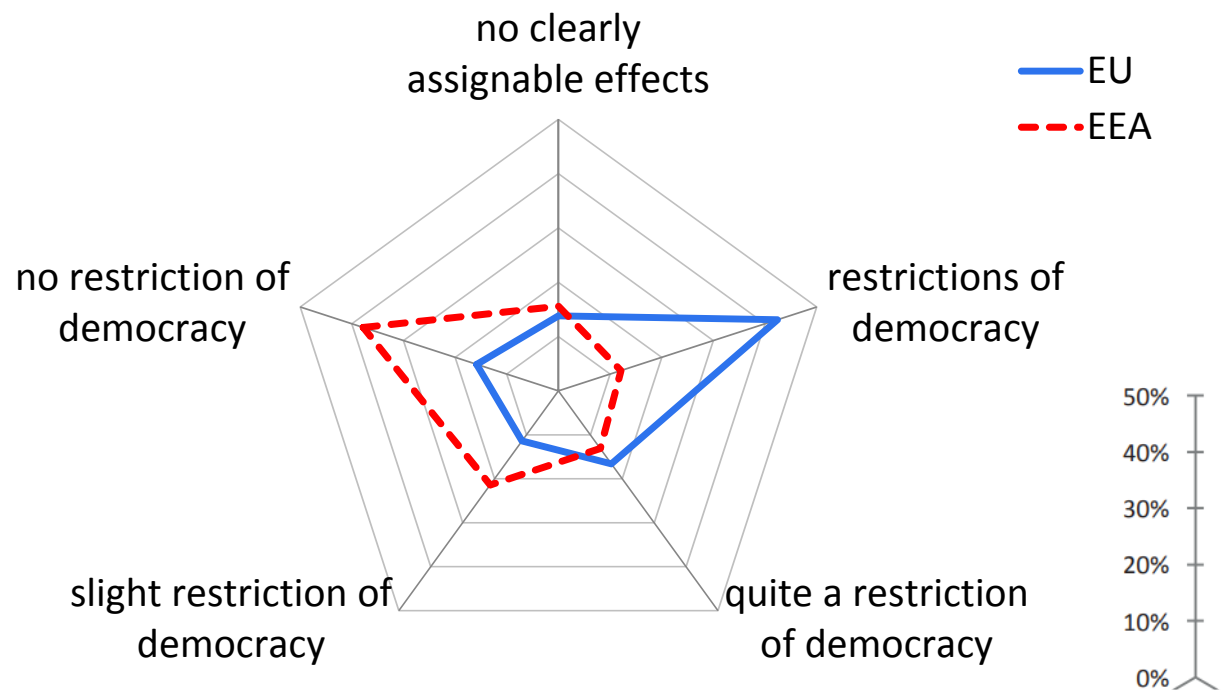
- Public support for EEA membership in December 2014



Source: Own compilation based on representative survey among Liechtenstein citizens in December 2014

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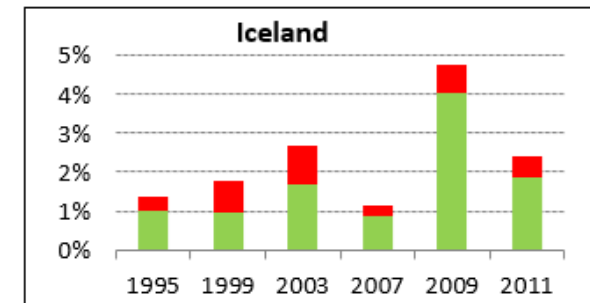
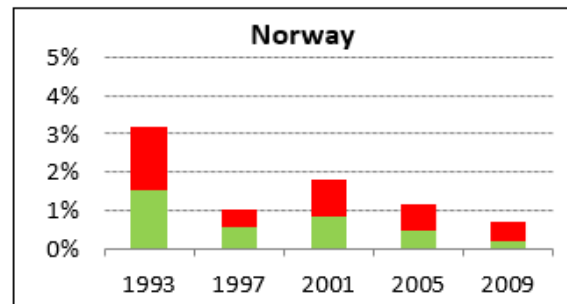
- Different perception of effects of EU (prediction) and EEA (assessment) on domestic democracy of Liechtenstein



Source: Own compilation based on representative survey among Liechtenstein citizens in December 2014

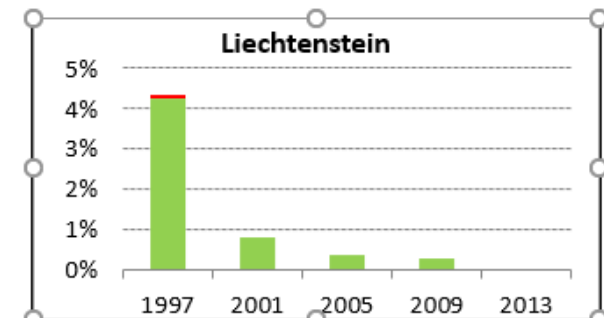
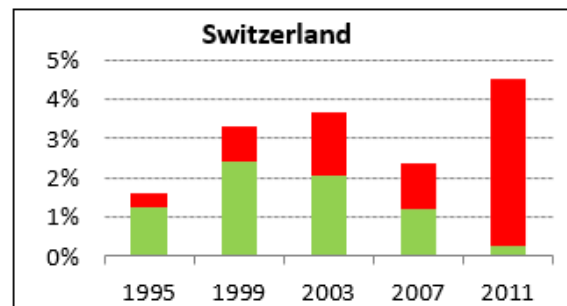
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- National debate: low politicization of EEA membership by political parties (manifesto)



■ share of EU negative quasi-sentences

■ share of EU positive quasi-sentences

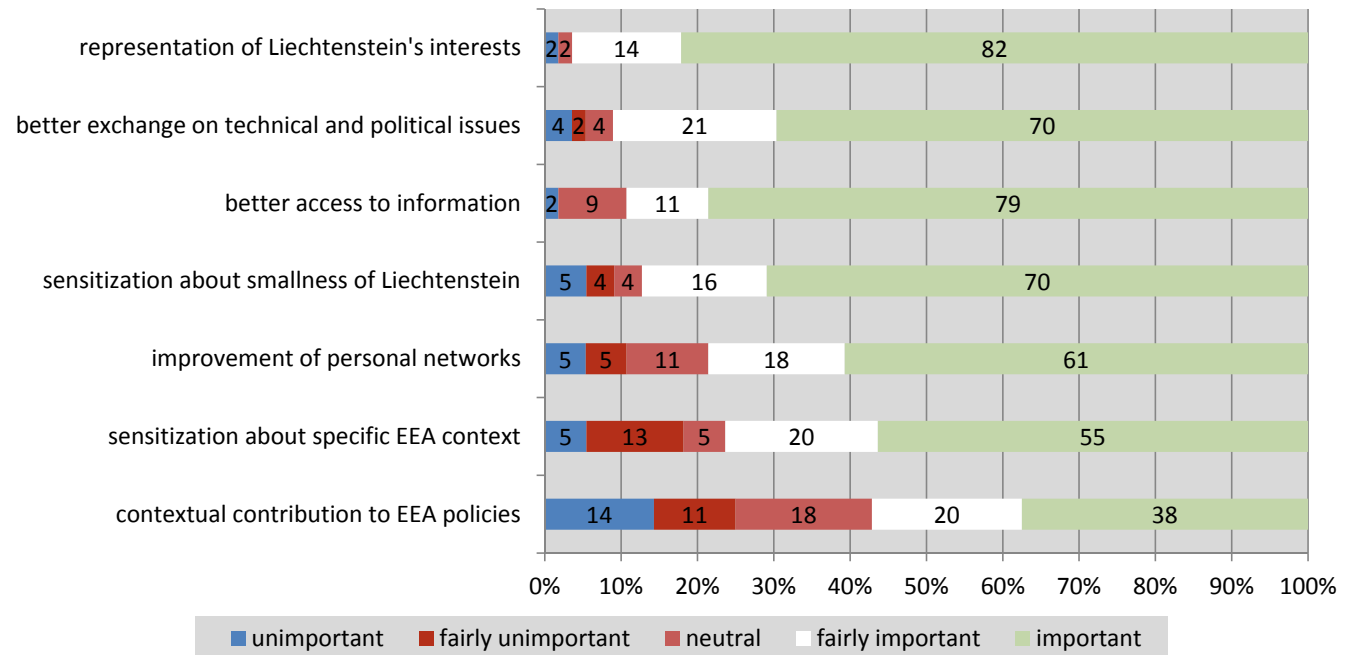


Source: Own compilation based on manifestoproject (Lehmann et al. 2015)

European Integration Annex

- EU decision shaping/
EEA decision
making: View of EEA
experts of
Liechtenstein's
public
administration

Goals when participating in an EFTA committee or working group



Source: Own compilation based on representative survey among EEA experts of Liechtenstein's public administration (January 2015)