

## **„Some of our businesses are already active in India“**

Interview S.D. Erbprinz Alois von und zu Liechtenstein mit  
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*People in India know very little about Liechtenstein beyond the fact that it is a tax haven. But is there more to Liechtenstein than this?*

Yes, the widespread impression of Liechtenstein is that it is an offshore financial centre. But in fact the country is one of the most industrialized economies in Europe. If you look at industry as a percentage of GDP in Liechtenstein it is almost 40% and accounts for 42% of all jobs. This is particularly interesting since in many European countries the emphasis in the economy has moved to services. It's amazing that given we only have 36,000 inhabitants we have more than 3,500 businesses involved in everything from food processing to artificial teeth and auto components.

*How is it that such a small country has been so successful industrially?*

We have an interesting environment for business. We offer high political and economic stability, low taxes and simple but effective regulations. We have very little bureaucracy. Businesses also have access to a highly educated workforce from the country and neighbouring regions since we have open borders with Austria and Switzerland. We have 30 good universities within an hour's radius of Liechtenstein. Also as a people we are very entrepreneurial. There is one company for every 10 inhabitants in Liechtenstein, whereas there is one company for every 30 inhabitants in Germany.

*What do you hope to achieve during your trip to India?*

We already have good relations with India. We've had direct diplomatic relations since 1992. The Liechtenstein FIU (Financial Intelligence Unit) had the opportunity to support India in establishing an FIU of its own and to second its admission into the Egmont Group in the year 2007. Some of our businesses are already active in India. But this visit would be a good opportunity to deepen this relationship. We are grateful for this invitation from such a big country to such a small country. There are many areas we can develop cooperation by learning more about each other and making new contacts. Our negotiation of a free trade agreement between India and EFTA (Europe Free Trade Association of which Liechtenstein is a member along with Switzerland, Norway and Iceland) countries is quite far down the road.

*By when can we expect the FTA to be concluded?*

India has benefited from trade openness as witnessed by its outsourcing industry. And we in Liechtenstein have been able to boom economically only through free trade. Ninety eight percent of our industry is export oriented. India and we thus have an area of common interest in trade. But setting clear deadlines for the FTA is difficult. I think of all are the most eager to conclude it, but several countries have to come to an agreement on many issues. An additional factor is the parallel FTA negotiation between India and the EU that is ongoing.

*India signed a tax treaty with Switzerland earlier this year. Would Liechtenstein consider signing a similar treaty with India?*

Yes. We have already had some preliminary talks with India and there will now be exploratory talks to establish a tax treaty according to OECD standards. We would like to conclude a double taxation agreement rather than a treaty just for a tax information exchange. We are after all not just a little island only offering offshore financial services. So we think a double taxation treaty would help trade as well and be a good complement to the FTA by enhancing business development on both sides by reducing another trade barrier. We have already signed such double taxation treaties with several countries including Hong Kong, one of our main trading partners in Asia, and are about to conclude one with Germany, our biggest trading partner overall.

*What are some of the specific areas of economic cooperation between India and Liechtenstein that you can foresee?*

Indian companies might be interested in establishing an India fund in Liechtenstein to attract European money for investment in say infrastructure development in India. From here they would be able to access the whole of Europe without having to re-register in any other country. Some 600 fund vehicles are already operating out of Liechtenstein. As far as Liechtenstein companies in India are concerned there are many opportunities. Our largest company Hilti which makes products for the construction and building maintenance industries is already in India and given India's ongoing construction boom it's a very interesting market for them. We have Ivoclar one of the world's largest dental products companies that is also in India and following the market. We have companies into heating and cooling systems that will be accompanying me and are looking at India. In the financial sector there is also some interest particularly from insurance companies. So I'm confident that the result of the trip will be more business for the benefit of both sides.