

# Principality of Liechtenstein

## A documentary account



---

# Contents

<b>Structure of the state</b>	5
The people and their rights	5
The Reigning Prince	5
Parliament (the Landtag)	6
The Government	7
Administration of justice	7
<b>The House of Liechtenstein</b>	8
A historical overview	8
Succession to the throne	9
<b>The Princes (brief biographies)</b>	10
Prince Johann Adam Andreas	10
Prince Josef Wenzel	10
Prince Anton Florian	11
Prince Josef Johann Adam	11
Prince Johann Nepomuk Karl	11
Prince Franz Josef I	12
Prince Alois I	12
Prince Johann I	12
Prince Alois II	13
Prince Johann II	13
Prince Franz I	14
Prince Franz Josef II	14
<b>Simplified genealogical table of the House of Liechtenstein</b>	16
<b>The Princely family</b>	17
Prince Hans-Adam II	17
Princess Marie	18
Hereditary Prince Alois	19
Hereditary Princess Sophie	20
Prince Maximilian	20
Prince Constantin	21
Princess Tatjana	22
<b>Titles, orders, decorations</b>	23
<b>Parliament</b>	24
History	24
Two electoral districts	25
Organisation	25

<b>Electoral system</b>	27
Proportional representation: procedure	27
Electoral districts	27
Electoral term	27
<b>The political parties</b>	28
The period since 1918	28
The party landscape after 1945	31
<b>The Government</b>	33
Composition, election and term of office	33
The Government's role in the national administration of Liechtenstein	34
Government decisions	35
The special position of the Prime Minister	35
Division of Government business	35
Code of procedure	36
<b>Prime Ministers since 1921</b>	37
<b>Legislation</b>	38
Sources of law	38
The stages in the legislative process	39
Judicial review of constitutionality	40
<b>Taxes and duties</b>	41
Property tax and gainful activity tax for natural persons	41
Company taxes for corporate bodies	43
Real Estate Gains Tax	43
Estate Duty, Inheritance Tax and Gift Tax	44
Value-Added Tax	45
Stamp duties	46
<b>The communities</b>	47
<b>Foreign policy</b>	56
General	56
Bilateral relations with Switzerland	59
Liechtenstein and the EEA	60
Membership of international organisations and agencies	62
<b>Imprint</b>	64



## Structure of the state

«The Principality of Liechtenstein is a constitutional hereditary monarchy on a democratic and parliamentary foundation; governmental authority is vested in the Prince and people... », according to Article 2 of the Liechtenstein Constitution. In constitutional terms Liechtenstein is dualistic in character: sovereign power rests jointly in the people and the Prince.

### The people and their rights

The people can exercise their rights under the Constitution directly through elections and polls. Other direct democratic rights are the right to demand an initiative or referendum at both legislative and constitutional levels. Voters are obliged to participate in elections and polls.

The Reigning Prince, Parliament (the Landtag) and nationals entitled to vote have the right of initiative in legislation (legislative initiative: 1000 signatures or 3 communities; constitutional initiative: 1500 signatures or 4 communities). At least 1500 nationals also have the right to table an initiative to abolish the monarchy. There are legislative, financial, constitutional and international-treaty referenda (legislative and financial referenda: 1000 signatures or 3 communities; constitutional and international-treaty referenda: 1500 signatures or 4 communities). The optional international-treaty referendum was introduced in 1992.

### The Reigning Prince

The Reigning Prince is the Head of State and the country's representative vis-à-vis other states. According to the Constitution (Art. 7) his person is not subject to the judicature and not legally accountable. This means that he is not politically or criminally accountable for his actions in his official capacity or for anything he does as a private individual. The Prime Minister is however made accountable by countersigning Princely governmental acts.

The Prince may exercise his right to governmental authority only in accordance with the provisions of the Constitution and other statutes.

He concludes international treaties and either signs them in person or appoints a proxy to do so. Some treaties under international law take effect only when ratified by Parliament.

The involvement of the Reigning Prince in the legislative process consists in the right to initiate proposals and the right to ratify legislative acts; their validity depends on this. The Prince is also empowered to issue princely decrees. One such decree governs his prerogative to convene, close, prorogue and dissolve Parliament.

The princely decrees include the emergency decree. By means of emergency decrees the Prince can, without involving Parliament, but with the Prime

---

Minister's countersignature, take measures for the security and welfare of the state. Emergency decrees may not suspend the Constitution in whole or in part and cease to be effective not later than six months after their promulgation. The Prince's powers also include the exercise of the right of reprieve and the rights of clemency and commutation in relation to lawfully imposed punishments and of abolition, i. e. discontinuation of investigations which have been started. Overall jurisdiction is exercised in the name of the Prince and people by legally bound judges. All judgements are passed «in the name of the Prince and people».

### Parliament (the Landtag)

In the dualistic polity of the Principality of Liechtenstein Parliament discharges the important function of being the body legally representing all Liechtenstein nationals. The Liechtenstein Parliament is directly elected by the people by proportional representation. The Oberland electoral district returns 15 members, the Unterland electoral district 10. Until 1989 there were 15 members representing the population of the two electoral districts (9 from the Oberland and 6 from the Unterland). Parliament is convened and closed by the Prince. The Prince also has the right to dissolve Parliament on substantial grounds.

Parliament's principal function is legislation. To be valid a law requires not only the assent of Parliament but also ratification by the Reigning Prince, counter-signature by the Prime Minister and announcement in the Liechtenstein State Gazette. Any law adopted by Parliament and not declared urgent by it, and also any international treaty approved by it is subject to an optional referendum. Parliament's powers also include the right of nomination in the appointing of the Government, which must take place in consultation between Prince and Parliament.

The surveyor and cartographer  
Johann Jacob Heber  
(1667–1752) drew the first map  
of Liechtenstein in 1721.



Parliament's major functions are summarised in Article 62 of the Constitution. As well as involvement in making laws, special importance also attaches to overall financial control and supervision of the state administration including the justice administration. It also has various electoral duties.

## The Government

The Government of the Principality of Liechtenstein is based on the collegiate principle. It comprises the Prime Minister and four Ministers. They are proposed by Parliament and appointed by the Reigning Prince. All affairs of substance are deliberated on and voted on by the Collegiate Government. Within the Government business is divided between departments.

The Prime Minister is Chairman of the College, signs the adopted directives and statutory instruments, executes them and monitors the course of business. Like the other Members of the Government he has only one vote. His powers are however increased relative to those of the Ministers by the responsibility delegated to him for ensuring the legality of the College's decisions, by his right to make representations to the Reigning Prince and by the requirement for his countersignature on laws ratified by the Reigning Prince.

Of special importance in relation to co-operation with the Prince is the Prime Minister's right of countersignature under Article 86 of the Constitution.

The Government is responsible for the entire national administration. Affairs delegated by law or by virtue of statutory powers to individual offices or commissions subordinate to the Government are excepted.

## Administration of justice

Jurisdiction in civil and criminal cases is exercised in the name of the Prince and people in the first instance by the High Court (Landgericht), in the second instance by the Court of Appeal (Obergericht) and in the third and final instance by the Supreme Court (Oberster Gerichtshof). In the first instance a single judge or a collegiate court (court of lay assessors or criminal court) adjudicates. The Court of Appeal and the Supreme Court are collegiate courts. The majority of those sitting in all the collegiate courts are laymen. There are also Austrian and Swiss lawyers present at the Liechtenstein courts.

The laws to be applied by the Liechtenstein courts are modelled partly on Austrian and partly on Swiss laws. In the domain of public law, personal and company law and the law of property the individual statutes are similar to those of Switzerland. Criminal law accords approximately with that of Austria, and private law too is based on the Austrian model. Constitutional law, due to Liechtenstein's system of government, is a Liechtenstein construct which incorporates borrowings from both Switzerland and Austria.

Administrative jurisdiction is exercised by the Administrative Court, jurisdiction on constitutional matters by the Constitutional Court.

---

# The House of Liechtenstein

## A historical overview

The Liechtenstein family is one of the oldest Austrian noble families. The first reference to a bearer of this name, Hugo von Liechtenstein, dates from about 1136. Not of noble descent he named himself after Liechtenstein Castle south of Vienna. The family is assumed to be descended from the Lords of Donauwörth or the Lords of Machland, the so-called Haderichs.

Hugo von Liechtenstein and somewhat later Albrecht von Liechtenstein possessed estates south of Vienna and probably also on the north-eastern border of Lower Austria. The unbroken line of Liechtensteiners started in the next generation, whose kinship with Hugo and Albrecht cannot be established.

The year 1249 was significant for the family. Heinrich von Liechtenstein received the Lordship of Nikolsburg in South Moravia as a gift from King Wenceslas, so acquiring a considerable estate in the territory of the Bohemian crown. The importance of this estate was to be demonstrated in 1394, when Johann I of Liechtenstein, who for almost 30 years had managed the governmental affairs of the Habsburg Duke Albrecht III as Lord Steward, became a victim of the Habsburgs' ambitious power politics and fell out of favour. Together with his family he was forced to renounce practically all the family estates south of the Danube. In the following decades the family endeavoured to consolidate its possessions in Lower Austria with new acquisitions, whereby the South Moravian holdings in particular were enlarged.

In the 13<sup>th</sup> century the family divided into the Liechtenstein, Rohrau and Petrozell lines. Both the latter lines died out as early as the next generation however, causing the loss of much valuable family property. There was another division at the beginning of the 16<sup>th</sup> century when under the Family Covenant of 1504 Steyregg, Feldsberg and Nikolsburg lines were formed. Only the Feldsberg line survived. This time however well-thought-out family rules ensured that the possessions of lines dying out passed to the surviving line.

In the 16<sup>th</sup> century the family adopted the new faith and became special patrons of the Anabaptist movement, the so-called «Moravian Brothers».

Around the turn of the 16<sup>th</sup>/17<sup>th</sup> century there were the three brothers Karl, Maximilian and Gundaker who ushered in a new period in the family's history. They converted to the Catholic faith. Karl received the great charter bestowing the rank of Count Palatine in 1606 and the rank of Hereditary Prince in 1608. His brothers were elevated to the rank of Hereditary Imperial Prince in 1623. The brothers Karl, Maximilian and Gundaker succeeded in enlarging the Liechtenstein estates several times over. In 1606 they signed a new Family Covenant which prescribes among other things that the oldest line's firstborn always has the right to the hereditary titles and represents the family to the outside world as ruler of the House. The terms of this contract still apply today and form the basis of the law of succession to the throne in force in Liechtenstein. The Family Covenant was later augmented with various other «House



statutes». In 1993 the House statutes were combined into a new integrated House Statute which was published on 6<sup>th</sup> December 1993.

In the historically critical hours at the beginning of the 17<sup>th</sup> century the House of Liechtenstein stood by the Habsburgs. The intervention of the brothers Karl and Maximilian enabled a decisive victory to be won over the Bohemian rebels in 1620.

Since the rank of Imperial Prince was attained the House of Liechtenstein had endeavoured to acquire a territory having imperial immediacy. It was however almost a hundred years before an opportunity arose for Karl's grandson Prince Johann Adam I (1657–1712) to purchase the estates of Schellenberg and Vaduz in 1699 and 1712. Under the imperial charter of 23<sup>rd</sup> January 1719 the two territories were united and elevated to form the Imperial Principality of Liechtenstein.

After the line of Prince Karl had died out Anton Florian, a descendant of Gundaker, became Reigning Prince in 1712. While in the 18<sup>th</sup> century the country was still of rather peripheral interest – at that time the family still resided in Austria – after the attaining of sovereignty in 1806 it occupied an increasingly central position and in the 20<sup>th</sup> century became the Princes' place of residence. All family members alive today are descended from Prince Johannes I (1760–1836). In 1938 Prince Franz Josef II (1906–1989) made Vaduz his permanent home.

### Succession to the throne

The rules governing inheritance in general and succession to the throne in particular were laid down in 1606 by a Family Covenant. At that time succession by primogeniture, the right of the firstborn to succeed, was introduced. In this form of succession the House's family estates and other prerogatives (e.g. the title, family archives and collections) are always inherited by the male firstborn in the oldest line. Through his birth the firstborn son of the Reigning Prince inherits the right of succession for himself and his male heirs. If a Reigning Prince has no male issue, his father's other male descendants (starting with his eldest brother) inherit these rights. If his father had no other male issue, these rights pass to the male descendants of the grandfather and so forth. Women and their descendants are excluded from succession to the throne, as are illegitimate children. The aim of this succession arrangement was to prevent fragmentation of the estates and to secure the position of the House as a whole.

Succession to the throne on a three-generation picture taken in 1978: Prince Franz Josef II, Hereditary Prince Hans-Adam and the latter's firstborn son Alois



---

## The Princes



**Prince Johann Adam Andreas  
1699–1712**

Johann Adam Andreas (born 1657, died 1712) enjoyed an excellent education. In 1699 he acquired the Lordship of Schellenberg and in 1712 the County of Vaduz. He is considered the first Prince of Liechtenstein, although the Principality of Liechtenstein came into being only in 1719. His principal activities were directed towards reorganising and enlarging the family estates. He held no office at the imperial court, but made himself available for public duties as occasion arose. This was principally in financial matters. He was a financial expert and knew how to increase the princely income. His contemporaries also called him Hans Adam the Rich. Apart from the administration of his estates he was interested primarily in art. He bought the works by Rubens and van Dyck for the princely collections. At the same time he was one of the most munificent patrons of his time. In the field of architecture he erected two important monuments to himself in the Bank Street palace in Vienna and the summer palace in Rossau.



**Prince Josef Wenzel  
1712–1718 and 1748–1772**

Josef Wenzel (born 1696, died 1772) devoted himself mainly to the military profession. The high points in his military career were his promotion to Field-Marshal and to Generalissimo in Italy (1745) and Supreme General Commander in Hungary (1753). His greatest military accomplishment was the reorganisation of the Austrian artillery. For developing new cannons he provided considerable funds from his own private resources. His military career was interrupted several times by diplomatic activities. In 1735–36 he served as imperial envoy in Berlin. From 1737 to 1741 he was ambassador in Paris. He was well-qualified for these assignments by virtue of his skilful manner and splendid appearance. In 1760 he had the honour of «collecting» the bride of the later Emperor Josef II from Parma and escorting her to Vienna. Prince Josef Wenzel ruled the Principality three times: the first time from 1712 to 1718 as the heir to Johann Adam I, the second from 1732 to 1745 as Regent for Prince Johann Nepomuk Karl and the third from 1748 to 1772 as ruler of the House of Liechtenstein. The most important event was the partial re-introduction of the so-called chief-magistrate constitution of 1733.

### Prince Anton Florian 1718–1721

Anton Florian (born 1656, died 1721) was carefully prepared for his assumption of political responsibilities. As early as 1691 he was ambassador at the Papal Court in Rome. In 1695 he became Lord High Steward to the young Archduke Karl and was given charge of the latter's education. During the War of Spanish Succession he accompanied Karl to Spain, where he was Lord High Steward and Prime Minister to the Archduke. When following the sudden death of his brother the Archduke was elected Emperor in 1711 as Charles VI Anton Florian too returned to Vienna, where as president of the privy council and imperial Lord High Steward he was a central political figure until his death. Thanks to the support of the Emperor Charles VI he was admitted «ad personam» to the Diet of Princes of the Empire in 1713. His successors were to retain this honour only if they could prove possession of an immediate fief of the Empire. In 1719 Emperor Charles VI united Vaduz and Schellenberg and elevated them to the Imperial Principality of Liechtenstein. This is how the Principality of Liechtenstein came into being. With the official order of 1719 Prince Anton Florian sought to modernise the country in the spirit of absolutism.



### Prince Josef Johann Adam 1721–1732

Josef Johann Adam (born 1690, died 1732) was Prince Anton Florian's only surviving son. While still young he travelled through Italy to visit his father in Spain, where he briefly served in the army. Somewhat later we find him in the army of the Duke of Marlborough fighting against the French. After the Treaty of Utrecht he returned to Vienna in 1713 and in 1723 became an imperial privy councillor. He soon withdrew from politics again to devote himself fully to managing his estates.

### Prince Johann Nepomuk Karl 1732–1748

When his father Prince Josef Johann Adam died, Johann Nepomuk Karl (born 1724, died 1748) was only eight years old and grew up under the guardianship of his uncle Prince Josef Wenzel, who also conducted government business for him as Prince. Johann Nepomuk Karl himself was able to devote only a short time to it, for he died three years after reaching his majority, without leaving a male heir. With him the line of Prince Anton Florian, the true founder of the Principality of Liechtenstein, also died out in only the second generation, and governmental power passed to Prince Josef Wenzel again.

---

### **Prince Franz Josef I 1772–1781**

After the death of Prince Josef Wenzel the regency passed to his nephew Franz Josef (born 1726, died 1781). At his birth he was already the clear successor to the throne, because the only son of Josef Wenzel had died as early as 1723. So in his earliest youth Franz Josef was already accompanying his uncle on military campaigns and diplomatic journeys. Later he not only showed great interest in economic issues, but also involved himself actively with the art collection, which he enhanced with an extensive collection of copper engravings.

### **Prince Alois I 1781–1805**

Like his father Prince Franz Josef I, Alois (born 1759, died 1805) also saw brief military service, but soon left the army for health reasons. His interests lay mainly in other fields: as a considerable authority on forestry he had numerous new species of tree planted on his estates, the seeds of which his agents had in some cases fetched from as far afield as America. On his estates in Moravia he promoted extraction of ore and erected a modern ironworks near Olmütz. In addition he also took an intense active interest in scientific questions and founded the Liechtenstein Library, for which he had a special building built in Vienna. The picture gallery too is indebted to him for a number of new acquisitions and, finally, he was so fascinated by music and the theatre that for three months in the year he maintained his own troupe and musical ensemble at Feldsberg Castle.



### **Prince Johann I 1805–1836**

Johann I (born 1760, died 1836) chose, like Prince Wenzel, a military career. In the Napoleonic wars he took part in several battles, distinguishing himself by his courage and determination. When Austria had to swallow a major defeat at Austerlitz (the so-called «Battle of the Emperors») in 1805, he was appointed the Austrian envoy at the peace negotiations. In 1809 the fighting started again. After Austria had lost the decisive battles Johann I was promoted to Field Marshal and given supreme command of the Austrian army. He was also given charge of the peace negotiations. Napoleon dictated terms for Austria which were very harsh. When Johann I acceded to these terms he was accused of having inadequate diplomatic skill and fell out of favour with the Emperor. Johann I thereupon withdrew from all state duties. He now

devoted himself to managing his estates and to the princely art collection. In 1806 Napoleon incorporated the Principality of Liechtenstein in the Confederation of the Rhine, so making it a sovereign state. Liechtenstein's sovereign statehood was recognised at the Congress of Vienna. Domestically the reign of

Johann I was marked by numerous forward-looking reforms, but also by his absolutist style of government.

### **Prince Alois II 1836–1858**

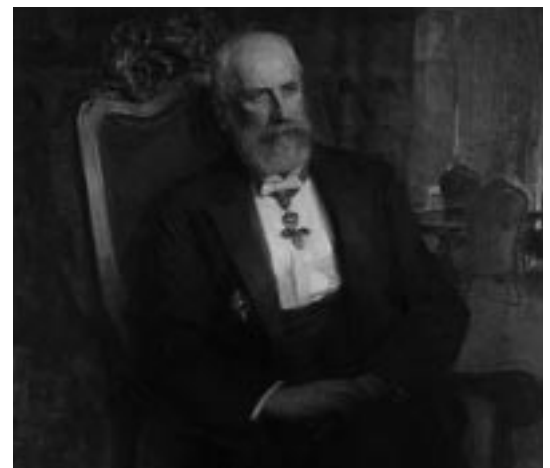
In Alois (born 1796, died 1858) government of the country passed to the eldest son of Prince Johann I. Unlike his father he was more interested in agricultural and botanical matters and cultivated on his estates numerous plants which he caused to be brought from experts in England and overseas. Thanks to his active contacts with contemporary artists he also added successfully to the art collections.

Prince Alois II is significant for Liechtenstein as the first Prince to visit his country (in 1842 and 1847) and to participate actively in its economic and political development. Under him the Rhine protective structures were embarked on, by which the valley floor was eventually to be spared from the constantly recurring floods. Furthermore, the conclusion of a Customs Treaty with Austria (1852) laid the foundation for an economic upturn.

Following the 1848 February Revolution in Paris liberal ambitions arose in Liechtenstein too and the population petitioned the Prince for a liberal constitution. In an initial response Alois II abolished sundry taxes and feudal dues and on 9<sup>th</sup> March 1849 he decreed a series of provisions giving the people a real share in the shaping of political life. In 1852 after the collapse of the revolution he revoked these, but after his death in 1858 the definitive step towards a new constitution was not long in coming.

### **Prince Johann II 1858–1929**

Unlike his ancestors Johann II (born 1840, died 1929) led a reclusive life. He was reputed to be shy, remained unmarried and took no part in social occasions. Neither did he ever undertake any duties in Austrian politics or in the Austrian army. Although Johann II avoided the general public, he was held in high esteem. He was an outstanding art connoisseur and a generous patron. He bought numerous works of art for the princely collections, but also donated works of art to many public museums. Several castles, among them Vaduz Castle and the ancestral castle at Mödling, were restored at his instigation. He gave generous support to scientific and cultural projects, charitable institutions and the building of churches. His beneficence and charitable works earned him the sobriquet «the Good». The land reforms in Czechoslovakia after the First World War weakened the economic base of the House. Johann II reigned for 71 years in all. During this long reign the country experienced two periods of radical change. In 1862 Johann II enacted a constitution which gave the people of Liechtenstein important political rights. In the succeeding years the country experienced an economic and



---

cultural upturn. After the First World War Liechtenstein turned towards Switzerland. In 1921 the country acquired an up-to-date constitution which embodied a major expansion of popular rights.

### **Prince Franz I 1929–1938**

Franz (born 1853, died 1938) entered the diplomatic service after completing his law studies and was from 1879 to 1882 attaché at the Austrian embassy in Brussels. For some years he then assisted his brother Prince Johann II in managing his estates. In 1894 he went to the court of the Tsar in St. Petersburg for five years as Austrian ambassador. In this post he succeeded in improving relations between the two countries, but he quitted the post because he could not overcome Austrian opposition to an alliance with Russia. Subsequently he again increasingly devoted himself to science and art and between 1905 and 1912 directed the restoration of Vaduz Castle.

As advisor to Prince Johann II he often stayed in Liechtenstein and had a close and cordial relationship with the people. When he took over as ruler in 1929, he continued his brother's work on economic development. On 25<sup>th</sup> July 1938 he died at Feldsberg Castle without issue.

### **Prince Franz Josef II 1938–1989**

Prince Franz Josef was born on 16<sup>th</sup> August 1906 at Frauenthal Castle in Styria as the first son of Prince Alois von und zu Liechtenstein and Archduchess Elisabeth Amalie of Austria. The Emperor Franz Josef I was godfather to the little prince. Prince Franz Josef spent an untroubled youth at various castles in Austria; his time at Gross-Ullersdorf Castle in particular (1911–1914) deserves to be highlighted, as the young Prince developed there the love of nature which determined his future studies. After an upbringing founded on the traditions of the Liechtenstein line Prince Franz Josef attended the Vienna Schottengymnasium, leaving in 1925 with an advanced-level diploma. His favourite subjects were Mathematics, Natural History and Greek. His great love of nature led to his subsequent study of forestry at the College of Agriculture and Forestry in Vienna (1925–1929). In 1929 Prince Franz Josef left the College as a graduate forestry engineer and afterwards devoted himself to managing the extensive estates in Czechoslovakia which came to him following the death of Prince Johannes II. Skiing, mountaineering and swimming were among his favourite leisure pursuits. Very often the young Prince was also on travels, in Europe and overseas.

Prince Franz I had handed over the regency to Prince Franz Josef as early as 30<sup>th</sup> March 1938. On 25<sup>th</sup> July of the same year Franz I died and the designated Prince Regent took over direction of the country's fortunes. The people of Liechtenstein's act of homage to their Prince took place on 30<sup>th</sup> May 1939. At a time when the world was threatened by the belligerent signals emanating from the «Third Reich» this declaration gained doubled importance: the people

made a moving profession of allegiance to national independence under the leadership of their new Prince Franz Josef II.

Liechtenstein experienced a second high point when on 7<sup>th</sup> March 1943 the Prince married Countess Georgine von Wilczek (daughter of Count Ferdinand von Wilczek and Nora Countess Kinsky, born in Graz on 24<sup>th</sup> October 1921, died in Vaduz on 24<sup>th</sup> October 1989). The union gave birth to five children: Hereditary Prince Hans-Adam (born 14<sup>th</sup> February 1945), Prince Philipp Erasmus (born 19<sup>th</sup> August 1946), Prince Nikolaus Ferdinand (born 24<sup>th</sup> October 1947), Princess Nora Elisabeth (born 31<sup>st</sup> October 1950) and Prince Franz Josef Wenzel (born 19<sup>th</sup> November 1962, died 28<sup>th</sup> February 1991).

Prince Franz Josef II did his utmost to keep Liechtenstein out of the Second World War. In speeches from the throne and public communications the Regent bolstered his people's inner solidarity and resistance. After the war Franz Josef II's paramount concern was Liechtenstein's economic, social and cultural progress. The success of his endeavours was attested by a modern and extremely viable Liechtenstein.

Under the Princely decree of 26<sup>th</sup> August 1984 he appointed his son Hereditary Prince Hans-Adam as his deputy in the exercise of the sovereign powers vested in him. Prince Franz-Josef II died on 13<sup>th</sup> November 1989.

**Prince Franz Josef II.**  
(† 13.11.1989)  
**and Princess Gina**  
(† 18.10.1989)







## The Princely family

### Prince Hans-Adam II

Prince Hans-Adam II was born on 14<sup>th</sup> February 1945 as the eldest son of Prince Franz Josef II von und zu Liechtenstein and Princess Gina. The name Hans-Adam is a thoughtful combination of past and present: Prince Johann (Hans) Adam I – he reigned from 1699 to 1712 – was the founder of the Principality of Liechtenstein by his purchase of the Lordship of Schellenberg (1699) and of the County of Vaduz (1712). Pope Pius XII was his godfather.

Hereditary Prince Hans-Adam grew up together with his four siblings at his parents' home at Vaduz Castle. He attended elementary school in Vaduz and was a member of the Vaduz scout troop. In 1956 Hereditary Prince Hans-Adam entered the Vienna Schottengymnasium, where his father had been a pupil before him. In 1960 he transferred to the grammar school at Zuoz, leaving in 1965 with the Swiss advanced-level diploma and the German Abitur certificate. Following this Hereditary Prince Hans-Adam worked at a London bank as a trainee. As well his native German he speaks English and French.

Prince Hans-Adam II  
and Princess Marie



---

In autumn 1965 Hereditary Prince Hans-Adam embarked on a course of study in Management and Economics at the University of St. Gallen, completing it in 1969 with the degree of Licentiate.

On 30<sup>th</sup> July 1967 Hereditary Prince Hans-Adam married Countess Marie Kinsky von Wchinitz und Tettau (born 14<sup>th</sup> April 1940 in Prague). They have four children:

- Hereditary Prince Alois, born 11<sup>th</sup> June 1968
- Prince Maximilian, born 16<sup>th</sup> May 1969
- Prince Constantin, born 15<sup>th</sup> March 1972
- Princess Tatjana, born 10<sup>th</sup> April 1973

In 1972 Prince Franz Josef II put his son in charge of reorganising the administration of the assets belonging to the princely house. In the course of this reorganisation the Prince's personal assets were put into the Prince of Liechtenstein Foundation. The Foundation's assets include the LGT Group and the Princely Art Collections, together with landholdings and financial investments in various countries.

In the 45<sup>th</sup> year of his reign in 1984 Prince Franz Josef II had in accordance with Article 13 of the Constitution installed Hereditary Prince Hans-Adam as his permanent deputy and entrusted him with the management of state business. On 13<sup>th</sup> November 1989, following the death of his father Prince Franz Josef II, Hereditary Prince Hans-Adam became sovereign as Prince Hans-Adam II. Under the Constitution Prince Hans-Adam II is the Head of State and exercises his right to governmental power in accordance with the provisions of the Constitution (Art. 7 of the Constitution).



Princess Marie is President of the Liechtenstein Red Cross.

### Princess Marie

Princess Marie was born in Prague as Countess Kinsky von Wchinitz und Tettau on 14<sup>th</sup> April 1940 as the fourth of the seven children of Count Ferdinand Carl Kinsky von Wchinitz und Tettau and Countess Henriette, born Countess von Ledebur-Wicheln.

She attended elementary school in Ering am Inn from 1946 to 1950. She then entered the boarding school of the Lioba Sisters in the Wald Convent in Württemberg for eight years, completing the full modern grammar-school course there. In 1957 she spent an extended period in England to learn English. For six terms she attended the Academy of Applied Graphics, gaining a diploma on completing her studies there. Following this she spent some time in Paris to improve her knowledge of French.

The Princess is interested first and foremost in the country's social institutions. She is President of the Liechtenstein Red Cross and President of the Association for Remedial Education. She is additionally interested in culture and the arts and also concerns herself with matters of education and upbringing.

By their attendance at a very wide range of public occasions the Prince and Princess show their commitment to Liechtenstein and their interest in political, economic, cultural and sporting developments in the Principality.

## Hereditary Prince Alois

Hereditary Prince Alois was born in Zurich on 11<sup>th</sup> June 1968 as the eldest son of Prince Hans-Adam II and Princess Marie von und zu Liechtenstein and was christened Alois Philipp Maria. The Prince was named in memory of his great-grandfather, Prince Alois von Liechtenstein, father of the then Reigning Prince Franz Josef II.

Together with his parents, brothers and sisters and grandparents Prince Alois spent his youth at Vaduz Castle. Like his father before him he attended primary school in Vaduz-Ebenholz and in 1979 entered Liechtenstein Grammar School, leaving in the spring of 1987 with the advanced-level diploma (type B, literature and history option).

Afterwards he entered the Royal Military Academy at Sandhurst (Great Britain), where he underwent officer training. After being commissioned as Second Lieutenant he served for six months with the Coldstream Guards in Hong Kong and London.

In October 1988 Hereditary Prince Alois enrolled as a student of jurisprudence at the University of Salzburg. He completed this course of study in spring 1993 with a Master's degree. From September 1993 to May 1996 he worked for a firm of auditors in London. Since then he has lived in Vaduz again and acts for various branches of the princely estate.

As the eldest son of the Reigning Prince Hereditary Prince Alois is destined under the family rules to succeed to the throne. He has therefore been prepared since his early youth for his future office as Head of State. He attends political

Hereditary Prince Alois and Hereditary Princess Sophie with their children Joseph Wenzel, Marie Caroline, Georg and Nikolaus



---

discussions and deliberations with representatives of the Government and undertakes representational duties. Together with Prince Hans-Adam II he swore the oath of allegiance to the Constitution at the Act of Homage on 15<sup>th</sup> August 1990.

On 3<sup>rd</sup> July 1993 Hereditary Prince Alois von und zu Liechtenstein married Duchess Sophie in Bayern. The Hereditary Prince and Princess have four children:

- Prince Joseph Wenzel Maximilian Maria, born on 24<sup>th</sup> May 1995
- Princess Marie Caroline Elizabeth Immaculata, born on 17<sup>th</sup> October 1996
- Prince Georg Antonius Constantin Maria, born on 20<sup>th</sup> April 1999
- Prince Nikolaus Sebastian Alexander Maria, born on 6<sup>th</sup> December 2000

The Hereditary Prince's private interests are in sport, above all tennis and skiing. He is furthermore keenly interested in politics, history, art and the natural sciences.



The Hereditary Prince and Princess at an official occasion

### **Hereditary Princess Sophie**

On 28<sup>th</sup> October 1967 Duchess Sophie in Bayern was born in Munich as the eldest of the five daughters of Duke Max and Duchess Elizabeth in Bayern. The Princess was christened Sophie Elizabeth Marie Gabrielle. She is directly descended from the last King of Bavaria: Ludwig III (1845–1921) was her great-great-grandfather.

Duchess Sophie spent her childhood with her parents and brothers and sisters in Wildbad Kreuth, where she also attended the first few years of elementary school. From 1978 to 1980 she attended the girls' school run by the Institute of English Ladies in Heiligenstatt and then transferred to the Hohenburg Girls' Intermediate Secondary Boarding School in Lenggries. In 1984 she entered the Adolf Weber Grammar School in Munich, leaving with the Abitur certificate in 1988.

Gaining of the Abitur was followed by a stay of several months in London, during which she attended classes at the Inchbald School of Interior Design. Her particular interest was in the different styles of interior design. Duchess Sophie studied History and English Studies at the Catholic University in Eichstätt.

The Hereditary Princess's private interests are in history and literature; she is an active participant in swimming, golf and tennis.

### **Prince Maximilian**

Prince Maximilian was born on 16<sup>th</sup> May 1969 in St. Gall as the second child of Prince Hans-Adam II and Princess Marie von und zu Liechtenstein. He grew up together with his brothers and sisters in Vaduz. He attended the Vaduz-Ebenholz primary school and in 1980 entered Liechtenstein Grammar School, leaving in 1988 with the advanced-level diploma. Afterwards Prince Maximilian worked for a year in various enterprises belonging to the Prince of Liechtenstein Foundation in the fields of financial institutions, forestry, agriculture and real estate.

In 1989 he embarked on a course of study at the European Business School in Frankfurt, which he successfully completed in 1993. During his studies he com-



pleted terms abroad in both London and Buenos Aires and also work experience with James D. Wolfensohn, News Corporation and Bain & Company. From October 1993 to June 1996 Prince Maximilian worked for Chase Capital Partners in New York, an international venture-capital corporation. In January 1997 Prince Maximilian resumed his academic training at the Harvard Business School in Boston, completing it in June 1998 with the degree of «Master of Business Administration». Since September 1998 Prince Maximilian has worked in Hamburg and London for Industrie-Kapital, one of Europe's leading venture-capital companies. On 29<sup>th</sup> January 2000 Prince Maximilian von und zu Liechtenstein married Angela Brown. The couple have one son, Prince Alfons Constantin Maria, born on 18<sup>th</sup> May 2001.

**Vaduz Castle: the Princely family's residence**

## **Prince Constantin**

Prince Constantin was born on 15<sup>th</sup> March 1972 in St. Gallen as the third child of Prince Hans-Adam II and Princess Marie von und zu Liechtenstein. Together with his brothers and sisters he grew up in Vaduz. He attended the Vaduz-Ebenholz primary school and entered Liechtenstein Grammar School in 1983, leaving in 1991 with the advanced-level diploma.

Following the advanced-level diploma Prince Constantin worked in various enterprises belonging to the Prince von Liechtenstein Foundation in Austria and gained initial professional experience in the fields of forestry, agriculture and real

---

estate. This was followed by a training programme of several months with various financial institutions in Vaduz, London, San Francisco and Hong Kong. From 1992 to 1997 Prince Constantin studied jurisprudence at the University of Salzburg, gaining a Master's degree. After six months' practical training with the Bertelsmann media group Prince Constantin continued his professional career in finance.

On 17<sup>th</sup> July 1999 Prince Constantin von und zu Liechtenstein married Countess Marie Kálnoky. The couple have a son, Moritz Emanuel Maria, born on 27<sup>th</sup> May 2003.

### **Princess Tatjana**

Princess Tatjana was born on 10<sup>th</sup> April 1973 in St. Gallen as the youngest of the four children of Prince Hans-Adam II and Princess Marie von und zu Liechtenstein. She grew up in Vaduz with her brothers Hereditary Prince Alois, Prince Maximilian and Prince Constantin. She attended the Vaduz-Ebenholz primary school and entered Liechtenstein Grammar School in 1984, leaving in 1992 with the advanced-level diploma. In 1993 Princess Tatjana embarked on a course in Management at the European Business School in Madrid, London and Paris, completing it successfully in 1998.

On 5<sup>th</sup> June 1999 Princess Tatjana married Philipp von Lattorff. They have two children: Lukas Maria, born on 13<sup>th</sup> May 2000, and Elisabeth Maria Angela Tatjana, born on 25<sup>th</sup> January 2002.

Her hobbies are reading, travel, tennis and diving. She is also a keen active participant in various alpine sports.

## Titles, orders, decorations

By virtue of his prerogatives as Head of State the Reigning Prince can confer titles, orders and decorations.

Nobiliary titles have the simple nobiliary prefix «von» and the titles «Baron» and «Count». Instances of ennoblement are however very rare.

Persons who have earned special merit in the eyes of the Princely House or the country are also honoured by conferring on them princely titles such as Princely Councillor, Princely Court Councillor, Princely Justice Councillor, Princely Commerce Councillor, Princely Education Councillor, Spiritual Councillor etc.

On 22<sup>nd</sup> July 1937 Prince Franz I founded a Prince of Liechtenstein Order of Merit and a Prince of Liechtenstein Medal of Merit. The Order of Merit embraces the following degrees:

- Grand Star of the Prince of Liechtenstein Order of Merit
- Grand Cross with Diamonds of the Prince of Liechtenstein Order of Merit
- Grand Cross of the Prince of Liechtenstein Order of Merit
- Commander's Cross with Star of the Prince of Liechtenstein Order of Merit
- Commander's Cross of the Prince of Liechtenstein Order of Merit
- Knight's Cross of the Prince of Liechtenstein Order of Merit

The Prince of Liechtenstein Medal is conferred as

- the Prince of Liechtenstein Gold Medal
- the Prince of Liechtenstein Silver Medal

Holders of the Grand Star, Grand Cross with Diamonds and Grand Cross are entitled to describe themselves as «Holder» of the same, holders of the Commander's Cross with Star as «Commander of the Prince of Liechtenstein Order of Merit with Star», holders of the Commander's Cross as «Commander» and holders of the Knight's Cross as «Knight of the Prince of Liechtenstein Order of Merit». There are no other associated privileges. The decorations remain the property of the individual on whom they were conferred, and of their heirs.



Grand Star of the Prince of Liechtenstein Order of Merit (worn on the breast);  
 Knight's Cross of the Prince of Liechtenstein Order of Merit;  
 Prince of Liechtenstein Gold Medal (from top to bottom)

---

## Parliament (the Landtag)

### History

Parliament as an institution was created by the absolutist 1818 Constitution. The two estates, the clergy and the communities, were given the right to be represented by «deputies». The clergy elected 3 clergy members to Parliament. The communities were represented by the 11 mayors and the keepers of the purse (i. e. community treasurers). Meetings of this Parliament were convened once a year by the Prince. Parliament held no rights; its function was merely to assent «gratefully» to the annual fiscal requirement.

The history of parliamentarianism in Liechtenstein starts with the 1862 Constitution. Parliament became a real representative organ of the people, now mostly the result of free elections. The number of Members was reduced to 15: 3 Members were nominated by the Prince and 12 indirectly elected by the people. In each community 2 electors were first elected for each 100 inhabitants – by the men, the only people entitled to vote. These electors in turn then elected the Members of Parliament at an electors' meeting. Parliament was given the right to play a part in legislation and the right to approve the state finances.

Parliamentary minutes  
from 1986





## Two electoral districts

The two historical regions had been abolished in the age of absolutism. Although the people clung obstinately to them, even the 1862 Constitution did not reverse the creation of a unitary state. The dispute flared up again in the so-called coinage troubles of 1877, when the people of the Unterland energetically resisted the introduction of the gold currency. In 1878 the country was therefore divided into two electoral districts: 7 Members were to be elected in the Oberland electoral district and 5 in the Unterland electoral district. In addition the Prince nominated 2 Members from the Oberland and 1 from the Unterland.

1878 saw the first Parliamentary elections in which the Members were elected separately by electoral districts. The mandate period was simultaneously shortened from 6 years to 4.

Under the new Constitution of 1921 Parliament consisted as before of 15 Members, 9 from the Oberland and 6 from the Unterland; Members of Parliament were however appointed by the people by a simple majority vote (first-past-the-post). From 1939 onwards elections were conducted by list PR (proportional representation). In 1973 choice-voting proportional representation was introduced.

Increasing the number of seats is a topic which has concerned Parliament repeatedly: since 1919 four votes in all have been held on this issue, all with negative outcome. In 1988 an increase to 25 Members (15 from the Oberland, 10 from the Unterland) was approved by the people.

## Organisation

Parliament exercises its rights at plenary sessions of Parliament. All Members are part-time parliamentarians – that is, they discharge their parliamentary duties alongside their profession. The President and Vice-President of Parliament are both elected for the current year at the opening session. The President of Parliament convenes the sessions, conducts them and represents Parliament outside. At its opening session Parliament elects three standing commissions for the current year, the Foreign Policy Commission, the Finance Commission and the Audit Commission. Where other special commissions are formed, their only function is to prepare specific business for Parliament and to formulate appropriate motions. Their term of operation ends once their job is done. Delegations to international parliamentary committees are elected for the whole electoral term.

The National Council exercises the rights of the full Parliament when Parliament is not meeting, i.e. from closure at the end of the year to re-opening. A National Council must also be elected in the event of prorogation or dissolution of Parliament. The National Council consists of the President of Parliament and four other Members.

The functions of Parliament and its procedures are governed by the Constitution and Code of Procedure. The Prince has the right to summon Parliament at the start of a year and to close it at the end of a year. Traditionally he opens Parliament with a ceremonial speech from the throne. Without this formal



Traditionally the Prince opens Parliament with a speech from the throne.



**View of the Parliamentary chamber in the Government Building in Vaduz**

convocation at the start of the year Parliament has no right of self-assembly during the year. During the year the Prince may for substantial reasons prorogue or dissolve Parliament for up to three months.

The people not only have the right to elect Parliament; with an initiative they could also force the summoning of Parliament or a plebiscite on its dissolution. The referendum right gives the electorate the means of having Parliamentary resolutions voted on by the people.

During a year Parliament assembles some eight to ten times for sittings, mostly lasting two to three days. These sittings are generally public. Parliamentary debates are recorded. A verbatim report and minutes of resolutions passed are then drawn up. For a valid resolution at least two-thirds of the Members must be present. Unanimity or a 75-percent majority at two consecutive sittings is required for amendments to the Constitution. For all other Parliamentary resolutions a simple majority suffices.

## Electoral system

Electoral and voting rights are enjoyed by all state nationals who have reached the age of 18 and are resident in the country. Women's suffrage was introduced – at the third attempt – in 1984. A constitutional amendment passed by Parliament in 1976 enabled the communities to introduce women's suffrage at community level in advance of this.

### Proportional representation: procedure

The 25 Members of Parliament are elected by the people under the proportional representation system by secret ballot by universal, equal and direct suffrage. Seats are allocated to the parties in proportion to the numbers of votes obtained (proportional representation). Since 1878 the Oberland and Unterland have each formed an electoral district. There is a historical basis to this division. The County of Vaduz (Oberland) and the Lordship of Schellenberg (Unterland) formed the Principality of Liechtenstein when they were united (1719).

The Oberland and  
Unterland electoral districts

### Electoral districts

Of the 25 Members 15 represent the Oberland and 10 the Unterland. With them Deputy Members are also elected. For every 3 seats a party wins in an electoral district it is entitled to one Deputy Member. Each party represented in Parliament is however entitled to one Deputy Member in any event, so that small parties are not excluded from the provision for Deputy Members. The Deputy Members' function is primarily to ensure that a majority is possible in Parliament if a Member is prevented from attending a parliamentary sitting. They are not eligible for election to parliamentary commissions, but can be appointed to parliamentary delegations to international organisations.

For the allocation of seats the Constitution stipulates a minimum of 8 percent of all the votes cast in the country. This provision is intended to prevent fragmentation of elector groups and ensure appropriately weighted representation of elector groups in Parliament.

### Electoral term

The electoral term is four years, with the proviso that regular elections to Parliament take place in February or March of the calendar year in which the end of the fourth year falls. Re-election is permissible. Each session of Parliament is opened at the beginning of a year by the Reigning Prince or an authorised representative. Participation in voting is traditionally very high in Liechtenstein. In the 2001 parliamentary elections it was 87 percent.

---

## The political parties

### The period since 1918

Before 1918 there were no political parties in Liechtenstein. But even in the 1914 parliamentary elections the trend towards future party formation was apparent. This was also the year in which the news monopoly of the «Liechtensteiner Volksblatt» ended, as a second newspaper, the «Oberrheinische Nachrichten» was founded. This new paper was intended to act as a mouthpiece for more liberal opinions and also to make other views effective: the «Volksblatt» was wholly oriented towards Government policy and as the country's sole newspaper had dominated public opinion since 1878.

Three years before the new Constitution (1921) came into force direct and secret suffrage was introduced, granted to the people by Prince Johann II on his own initiative. Since then the people have elected their representatives to Parliament directly. The new voting system and the announcement of elections for March 1918 made possible and promoted the development of parties.

The economic misery of the years before and during the First World War, the foreign administrators and the absence of the Reigning Prince contributed to the fact that here and there calls were even heard for the abolition of the monarchy.

As early as February 1918 Dr. Wilhelm Beck had founded the «Christian Social People's Party». Wilhelm Beck and many members of this party had become acquainted with democratic and social institutions through spending time and working in Switzerland. Members of the People's Party thus called for extension of democratic rights and increased participation in government and Parliament, as was also reflected in the slogan «Liechtenstein for the Liechtensteiners».

At the beginning of the 20<sup>th</sup> century these ideas were regarded in Liechtenstein with its predominantly conservative and agrarian society as socialist and thus «red», which from a historical perspective is comprehensible. The predominantly middle-class and conservative circles which expressly supported the monarchy flocked round the «Liechtensteiner Volksblatt».

The «Liechtensteiner Volksblatt» had previously vehemently advocated that there should be no political parties in Liechtenstein, since these only destroyed a country's unity. But before the elections even the «Volksblatt» published its own list of parliamentary candidates. The first election campaign in Liechtenstein for the 1918 general election was thus fought not between two new parties, but rather between the People's Party and the «Volksblatt» list. In the «Oberrheinische Nachrichten» the opponents were dubbed the «Toffs' Party» or the «Vaduz Saloon-Bar Regulars». The «Volksblatt» on the other hand warned the population against the threatening socialism of the People's Party. The outcome of this first direct election by secret ballot was clear-cut. The People's Party won six of the seven Oberland seats and two of the five Unterland seats. Three Members were nominated by the Reigning Prince.



At the end of 1918 restive times in both foreign and domestic policy led to the founding of a second party: on 22<sup>nd</sup> December the «Progressive Citizens' Party» (Fortschrittliche Bürgerpartei FBP) was formed; it was even joined by some supporters of the People's Party. Due to the social circumstances of that time those who banded together in the Citizens' Party were mainly the middle-class and conservative population groups, the «Blacks» as they were called as opposed to the «Reds».

The initiative for the founding of the Citizen's Party came from the editor of the Liechtensteiner Volksblatt, Prof. Dr. Eugen Nipp, and a number of Vaduz residents. The basic principles were firstly clear commitment to the monarchy and secondly support for progress in the country sufficient for the needs of the time and the welfare of the country.

In January 1919, almost simultaneously, the Christian Social People's Party and Progressive Citizens' Party published their party manifestos in their newspapers. Although the two parties were in agreement on fundamentals such as the commitment to democracy and the Catholic faith and also in the desire for progress, on particular points and formulations there were differences which emerged especially later on in the discussions over a new constitution. From the perspective of 1919 both parties' ideas and democratisation demands were seen as radical and in some cases even revolutionary. Both parties took very active part in drawing up a new constitution. They were able to incorporate many of their ideas in the Constitution of 1921.

This makes it all the more surprising that the party system and its importance were not entrenched in this Constitution. For the terms «elector group» and «party» were not used until the constitutional amendment of 18<sup>th</sup> January 1939 which introduced proportional representation. The importance of the parties is

The 1921 Parliament (two Members are missing from the picture). In 1918 the Members were for the first time directly elected by the people. They could vote for the Christian Social People's Party or the Progressive Citizens' Party.

---

also highlighted by the Proportional Representation Act of 1939, whereby a candidate can be awarded a seat in Parliament only if his name appears on a list (of elector groups participating in the election).

In the following decades there were repeatedly attempts to bring into Parliament representatives of a third or fourth party: at the end of 1933 a new grouping, the «Liechtensteiner Heimatdienst», appeared on the political stage and even published its own newspaper. Its platform «Away with the parties which have brought us nothing but trouble» appealed however only to small groups in the population, since its aims were too undemocratic and too vague. In 15 years the established parties had moreover by now become too firmly rooted in the population. The main criticism levelled at the Heimatdienst was that it represented imported ideas and intended to develop a corporate state.

In 1936 the Heimatdienst and the People's Party merged to form the «Patriotic Union» (Vaterländische Union VU). There were no major differences between the new party's platform and that of the People's Party.

Hitler's march into Austria brought Liechtenstein into immediate proximity to the German Reich. Parliament unanimously proclaimed the preservation of independence and allegiance to the Princely House; nevertheless internal party disagreement over more equitable participation in Government for the minority party VU and associated change to the electoral system seemed to split the country politically. A two-party compromise the following year brought the country the domestic peace it needed: FBP and VU agreed on a coalition government and in 1939 unanimously passed the Proportional Representation Act.

Shortly after the annexation of Austria to the German Reich a «German National Movement in Liechtenstein» (Volksdeutsche Bewegung in Liechtenstein VDBL) was also successfully established, which disseminated national-socialist

**Photograph from 1931:  
Prime Minister Dr. Josef Hoop,  
President of Parliament the  
Reverend Anton Frommelt,  
Princess Elsa, Prince Franz I  
and Cabinet Secretary  
Dr. Josef Martin with  
the Members of Parliament  
in the foreground**



ideas through its own newspaper «Der Umbruch». Since only a so-called «silent election» was held in 1939, this party had no opportunity to stand for election. This «silent election» had been brought about by a joint nomination (15 candidates only) by both parties. The candidates nominated were declared elected by Government order. In 1943 the Reigning Prince extended the electoral term of the existing Parliament indefinitely by Princely decree.

Representatives of both parties combined in 1939 to form the non-party initiative committee «Liechtenstein Patriotic Movement» or «National Movement». This committee pleaded for a collection of signatures to show the outside world that the people of Liechtenstein intended to preserve their independence. This campaign contributed in particular to steadying the relations between Switzerland and Liechtenstein.

Inter-party collaboration particularly proved its worth at this politically explosive time; the coalition remained in existence from 1939 until 1997. Both parties assisted in securing the country's existence and independence and preserving democracy.

### **The party landscape after 1945**

The «Dependent Workers' and Smallholders'» party took part in the parliamentary election of 13<sup>th</sup> February 1953, but failed clearly on the 18-percent clause. In 1961 the «Christian Social Party» (CSP) was formed; while unable to offer any radically new policies, it calculated that it would have a chance of being able to act as a true opposition party, which was lacking in the coalition system.

After the 1962 parliamentary election in which it won 10.09 percent of the votes the CSP laid claim to a residual seat in both electoral districts; it appealed to the Constitutional Court, which then set aside the 18-percent clause as unconstitutional. Since however the CSP was unable to win a seat in any electoral district, it continued also to be refused allocation of a residual seat.

The CSP continued to field candidates in parliamentary elections until 1974, but was unable to win a seat.

The two parliamentary parties FBP and VU have become people's parties open to all social groups. The once potently symbolic «Red» and «Black» are vestiges of a bygone age and no longer transferable to present-day circumstances. In matters of fundamental political principle the two major parties are united. There are nevertheless differences between the election platforms of these parties. Electoral success for a party often also depends on the extent to which it has been possible to put the published election manifesto into effect or whether it has remained on paper. After four years voters are called upon to assess the work of Members of Parliament and party and to compare it with their electoral promises.

One major difference between the parliamentary parties lies inevitably in the personalities of the candidates who, in a small country particularly, are «more accessible» to voters and can be called more personally to account, as is possible in Liechtenstein's electoral system with its proportional representation. The



**Parliament's functions and procedures are governed by the Constitution and Code of Procedure.**

work, statements and personalities of the leading candidates in particular are fully investigated by the competing parties.

It is in the interest of both large and small parties for all voters to exercise their voting right if at all possible. For it is precisely when the number of persons entitled to vote is relatively small that much depends on each individual voter, who can give 15 votes to one party or to the parties participating in the election in the Oberland electoral district and 10 in the Unterland electoral district. Every vote is therefore competed for by the major parties in the contest for a majority in Parliament, and by a small party in the endeavour to obtain the requisite 8 percent of the electors' votes.

The «Free List» (Freie Liste FL) was founded at the end of 1985. Various small political groupings banded together to field candidates jointly in the 1986 parliamentary election. As the founders saw it, many electors were waiting for an alternative to the two major parties. But the Free List (FL) narrowly failed to make it in the 1986 and 1989 parliamentary elections because of the 8-percent clause. The FL managed to gain admission to Parliament after the February 1993 election. In its party manifesto the Free List sides with the disadvantaged. It pledges itself to the environment and seeks to achieve greater co-determination in all aspects of life and consistently equal rights for men and women. It supports non-nationals and calls for equitable trade with the economically weaker countries.

In the brought-forward parliamentary election of 1989 the «Liechtenstein Non-Party List» (Überparteiliche Liste Liechtenstein ÜLL) fielded candidates for the first time. The candidates of this pressure group perceived themselves as an «inconvenient, but constructive opposition» which set out to prevent by entering Parliament any party from having an absolute majority. This pressure group found too little support among the people however and no longer stood for election in 1993. It broke up in 1999.



## The Government

### Composition, election and term of office

Under the Constitution the Government is a collegiate authority comprising the Prime Minister and four Ministers. Each member of the Government has a deputy who attends meetings of the Collegiate Government if the member is prevented from doing so. The Prime Minister and also the Ministers and their deputies are proposed by the Liechtenstein Parliament (the Landtag) and appointed by the Reigning Prince. One of the Ministers is proposed as Deputy Prime Minister by Parliament and appointed to this position by the Reigning Prince. Only Liechtensteiners who fulfil the eligibility criteria for Parliament are eligible for positions in Government. Both the Liechtenstein regions, the Oberland and the Unterland, are entitled to at least two members of the Government. Their respective deputies must come from the same region. Their term of office is four years.

The annual reporting of Parliament, Government and the Courts and the national statement of account

In political practice influence is exerted on the formation of the Government not only by the Constitution and statutory provisions, but by political decisions too. Who in the Government alone or as majority representative bears sole or principal responsibility or has a say in decisions as minority partner, is determined in Liechtenstein by the people at parliamentary elections. The decisive factors which set the framework in political practice for choosing who will constitute the Government are the parties.

Women are more strongly represented in the Government than in the other political bodies. In the current term of office (2001–2004) a Deputy Prime Minister and three Deputy Ministers are women.

In the years between 1938 and 1997 Liechtenstein had a special system of governance. Until only a few years ago only two parties were represented in Parliament: the Patriotic Union and the Progressive Citizens' Party. The party which won a majority in Parliament also provided the majority of Government members. The minority played the role of opposition in Parliament and that of minority partner in the Government. This Liechtenstein-style coalition Government came to an end in April 1997. In the electoral period 1997 to 2001 the Patriotic Union bore sole governmental responsibility and provided all Government members.

Since 2001 sole government has been provided by the Progressive Citizens' Party. The opposition parties act as a control on the Government in Parliament and in parliamentary commissions.





Government building in Vaduz

## **The Government's role in the national administration of Liechtenstein**

Under the Constitution the Government attends to the entire national administration in accordance with the provisions of the Constitution and the law. Since the scope of its tasks has become ever greater the Government is empowered to delegate tasks to other public authorities as well. Individual officials, public offices and special commissions handle the business delegated to them subject to the proviso that appeal can be made to the Government against their decisions. The tasks of the national administration are discharged today by some 50 public offices. Some 50 commissions subordinate to the Government take decisions in its stead, propose the giving of rulings or act in a purely advisory capacity.

A special position is occupied by those commissions which take decisions on behalf of the Government and are thus co-ordinate with the Government. At present these are the Land Improvements Appeals Commission, the National Land Commission, the National Tax Commission and the Administrative Affairs Appeals Commission. Appeals against decisions taken by these commissions should therefore be submitted direct to the Administrative Court.

A further section of the national administration has been delegated by law to public institutions and foundations. Here the Government exercises overall supervision. Such public institutions/foundations are the Liechtenstein Electric Power Authority, the Liechtenstein Natural Gas Authority and the Pensions and

Insurance Fund, together with the Liechtenstein National Library, the Liechtenstein National Museum, the Liechtenstein Music School, the Liechtenstein Museum of Fine Arts Foundation and the Public Service Pensions and Insurance Fund.

### **Government decisions**

Under the Constitution all important matters referred to the Government for attention, in particular settling of administrative disputes, are subject to deliberation and decision by the Collegiate Government. For a decision to be valid at least four members must be present and the decision supported by a majority of votes among the members present. In the event of a tie the chairman decides. Voting is compulsory.

The law determines the grounds on which a Member of the Government is disbarred from taking an official action or may be turned down. Government meetings are chaired by the Prime Minister.

In practice Government meetings take precedence over all other commitments for Government Members. Government Members always attend meetings in person unless prevented by personal reasons or attending conventions or conferences abroad.

### **The special position of the Prime Minister**

The Constitution confers special privileges and powers on the Prime Minister. He attends for example to matters delegated to him directly by the Prince and to the countersigning of Acts of Parliament and of decrees and executive orders issued by the Prince or regent. He keeps the Reigning Prince informed about government business. The Prime Minister alone takes the oath of loyal service in the presence of the Reigning Prince or regent. The other Members of the Government and civil servants are sworn in and put in mind of their duty by the Prime Minister.

The Prime Minister takes on the weightiest responsibilities. He enjoys a special position for ceremonial purposes. His special importance lies also in the fact that no law, no executive order and no decree issued by the Prince can attain legal force/validity without his signature.

### **Division of Government business**

Under the Constitution «Government business shall be dealt with partly on a collegiate basis and partly on a departmental basis». The most important function of each Member of Government is to participate at Government meetings in the governance and administration of the country. In addition each Government Member is assigned specific departmental business. This responsibility includes preparing and checking individual government transactions. At present government business is divided between 15 departments. Business is assigned by means of a department plan each time a new Government is formed. Assignment of business is accompanied simultaneously by assignment of public



**The conference table in the Prime Minister's room**

offices, commissions and advisory boards. Government Members issue directives and are the seniors of civil servants and clerical staff.

### **Code of procedure**

By executive order the Government sets itself a code of procedure. The basis for a Government decision is a departmental proposal. The Government departments and public offices are responsible for justifying proposals put to the Government. Government Members are assisted in dealing with proposals from public offices by the Government staff allocated to them.

The Cabinet Secretary assists the Prime Minister and Collegiate Government in preparing and conducting the weekly Government meetings and, when a decision has been taken, attends to the execution of Government decisions and the minuting of them.

## Prime Ministers since 1921

Josef Ospelt, Princely Councillor, Vaduz (1881–1961)  
2<sup>nd</sup> March 1922 to 27<sup>th</sup> April 1922

Prof. Gustav Schädler, Vaduz (1883–1961)  
6<sup>th</sup> June 1922 to 15<sup>th</sup> June 1928

Dr. Josef Hoop, Princely Justice Councillor , Eschen (1895–1959)  
4<sup>th</sup> August 1928 to 3<sup>rd</sup> September 1945

Dr. Alexander Frick, Princely Councillor, Schaan (1910–1991)  
3<sup>rd</sup> September 1945 to 16<sup>th</sup> July 1962

Dr. Gerard Batliner, Eschen (1928)  
16<sup>th</sup> July 1962 to 18<sup>th</sup> March 1970

Dr. Alfred Hilbe, Schaan (1928)  
18<sup>th</sup> March 1970 to 27<sup>th</sup> March 1974

Dr. Walter Kieber, Schaan (1931)  
27<sup>th</sup> March 1974 to 26<sup>th</sup> April 1978

Hans Brunhart, Balzers (1945)  
26<sup>th</sup> April 1978 to 26<sup>th</sup> May 1993

Markus Büchel, Ruggell (1959)  
26<sup>th</sup> May 1993 to 15<sup>th</sup> December 1993

Dr. Mario Frick, Balzers (1965)  
15<sup>th</sup> December 1993 to 5<sup>th</sup> April 2001

Otmar Hasler, Gamprin/Bendern (1953)  
5<sup>th</sup> April 2001–

### Acting Prime Ministers

Alfons Feger  
4<sup>th</sup> May 1922 to 1<sup>st</sup> June 1922

Felix Gubelmann  
1<sup>st</sup> June 1922 to 6<sup>th</sup> June 1922

Prince Alfred von und zu Liechtenstein  
28<sup>th</sup> June 1928 to 4<sup>th</sup> August 1928

---

# Legislation

## Sources of law

The sources of law for the Principality of Liechtenstein are the Constitution, international treaties, Acts of Parliament, financial rulings and executive orders.

The Constitution ranks highest in the hierarchy of sources of law. It is the foundation which underlies the state itself and governmental actions. The Liechtenstein Constitution was brought into effect on 5<sup>th</sup> October 1921 and has to date undergone numerous amendments. A fundamental amendment to the Constitution was brought about by the Constitutional Initiative of Reigning Prince Hans-Adam II and Hereditary Prince Alois von und zu Liechtenstein of 2<sup>nd</sup> August 2002, which was adopted by the people with a 64.3 percent majority in the plebiscite on 14<sup>th</sup>/16<sup>th</sup> March 2003. This initiative makes changes to the communities' right of self-determination, to the Reigning Prince's right to promulgate emergency decrees and to dismissal of the Government. In addition a new procedure for appointments to the judiciary and a means for the people to express lack of confidence to the Reigning Prince and take an initiative to abolish the monarchy were enshrined in the Constitution for the first time. Governmental authority rests on two pillars: the Prince and the people. All the state's legal requirements (laws and executive orders) and individual acts (decisions and statutory instruments) and also all Government actions must accord with it.

Since 1982 the European Convention on Human Rights (ECHR) has been binding on Liechtenstein and guarantees a minimum level of basic rights for the individual vis-à-vis state authorities.

Through the Customs Treaty the Principality forms a joint economic area with Switzerland. Liechtenstein has since 1995 also been a member of the European Economic Area (EEA), which enables the country to participate in the EU internal market. Through the Customs Treaty and the EEA Agreement Liechtenstein adopts a large number of legal requirements from Switzerland/the EEA.

Acts of Parliament rank second in the regulatory-system hierarchy.

The handling and passing of financial decisions is the responsibility of Parliament. It is a principle that expenditure may only be approved formally if provided for by an Act of Parliament.

The Constitution empowers the Government to issue executive orders. These give universally binding rules for putting laws into effect. They are however part neither of the laws nor of the Constitution. In addition to Government executive orders Liechtenstein also recognises princely decrees. Like Acts of Parliament these require countersignature by the Prime Minister.



The Constitution



For an adopted law to come into force it must be ratified by the Reigning Prince and countersigned by the Prime Minister.

## The stages in the legislative process

Five stages may be distinguished in the legislative process: initiative, preliminary proceedings within the administration, parliamentary proceedings, (optional) referendum and enactment.

The right of initiative denotes the right to initiate legislative proposals. In Liechtenstein this right is enjoyed by the Reigning Prince, the people, the communities, Parliament and the Government. An initiative by the people or the communities requires at least 1000 (in the case of a law) or 1500 (in the case of the Constitution) signatures from enfranchised nationals or concurring resolutions by community assemblies from at least three (in the case of a law) or four (in the case of the Constitution) communities.

In the preliminary proceedings within the administration a preliminary decision is made on the laws' contents.

Parliament too enjoys the right of initiative. Parliamentarians can bring in fully prepared legislative initiatives, provided they have been signed by at least three Members of Parliament. In practice this procedure is chosen only rarely. The indirect procedure for parliamentary initiation of the legislative process is generally adopted. The most important instrument for this is the motion, introduced in 1969, which must likewise have been signed by three Members of Parliament. If the motion receives Parliament's assent it constitutes a binding mandate to the Government to prepare a draft bill.

As well as the motion there is the request. This is an invitation to the Government to examine a measure and may be submitted by any individual Member of Parliament.

In practice the commonest procedure by far is for laws to be initiated by the Government. The initiative does not always come from the Government itself however: instead it receives suggestions from third parties such as pressure



groups or organisations, the Constitutional Court or the administration itself. The Government is also the recipient of legislative mandates from Parliament and the Prince.

The Prince holds the right of initiative in legislation and generally exercises it in the form of governmental bills addressed to Parliament.

The preliminary proceedings within the administration are of great importance in the legislative process. Before it is examined every bill must be approved by the Government. Examination by interested groups such as communities, the Liechtenstein Chamber of Industry and Commerce, the Chamber of Trade and Commerce for the Principality of Liechtenstein, the Employees' Federation, the Bar Association and the Trustees' Association and also by individuals is not a statutory obligation.

After its examination the draft bill is fully worked out and passed to Parliament in the form of a report and proposal to be processed and adopted. Parliamentary deliberation on the bill starts with an acceptance debate. If acceptance is decided on, the bill is then fully discussed in three readings.

Every law passed by Parliament and not designated urgent by it is subject to an optional referendum. A plebiscite takes place if 1000 (act, financial decision) or 1500 (Constitution, international treaty) enfranchised citizens or at least three/ four communities petition for one. If Parliament has rejected a bill submitted by the people's initiative procedure a plebiscite must likewise be held. In this case acceptance of the bill by the people takes the place of the resolution by Parliament required for the law's adoption.

For the laws adopted by Parliament (and, if need be, the people) to come into force they must be ratified by the Reigning Prince and countersigned by the Prime Minister. But they take effect in relation to the parties individually concerned only when published.

### **Judicial review of constitutionality**

The top-level judicial review of constitutionality in Liechtenstein is that performed by the Constitutional Court. Its responsibilities include safeguarding the constitutionally guaranteed rights; verifying the constitutionality of laws and international treaties and the constitutionality, legality and consistency with international treaties of decrees; ruling on jurisdictional conflicts between courts and administrative authorities; ruling on electoral appeals; ruling on ministerial complaints; and other tasks defined in detail by law on the basis of the Constitution.



## Taxes and duties

The following remarks give a brief overview of the taxes levied in Liechtenstein. The relevant legal basis for direct taxes (property tax, profit and gainful activity tax, company taxes, real-estate gains tax) is formed here by the Law of 30<sup>th</sup> January 1961 on National and Municipal Taxes (the Taxes Act) together with the implementing ordinances issued under it. The legal sources for taxation of income and property also include, however, the 1970 Double Taxation Agreement with the Republic of Austria and the 1995 agreement with the Swiss Confederation on sundry tax matters.

Indirect taxes which should be mentioned are coupon tax, estate duty, inheritance tax and gift tax, the legal bases for which are likewise contained in the Taxes Act of 1961. In the case of estate duty, inheritance tax and gift tax it should be noted that the Principality of Liechtenstein has concluded so-called reciprocity agreements with some Swiss cantons which provide for exemption of donations for public, non-profit and charitable purposes.

The most important indirect tax is without doubt value-added tax. On the basis of the Treaty and Agreement with the Swiss Confederation on Value-Added Tax in the Principality of Liechtenstein, the Principality of Liechtenstein has adopted into its national law the substantive provisions of Swiss value-added tax legislation and has since 1<sup>st</sup> January 1995 levied value-added tax independently.

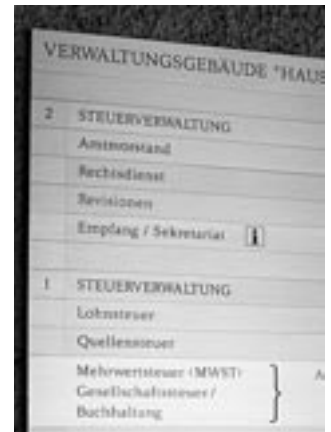
Furthermore, by virtue of the Customs Treaty of 29<sup>th</sup> March 1923 the Swiss Federal Stamp Duty Act also applies in the Principality of Liechtenstein. The Swiss federal stamp duties are taxes on legal transactions, a distinction being made between three kinds of duty: stamp duty on newly issued securities, transaction duty and duty on insurance premiums.

The principal taxes levied in the Principality of Liechtenstein on the basis of the legal sources mentioned above are the following:

### Property tax and gainful activity tax for natural persons

Payment of property tax and gainful activity tax is mandatory first and foremost for all natural persons permanently domiciled in Liechtenstein or temporarily resident in Liechtenstein to engage in gainful employment. Property tax and gainful activity tax are, however, also levied on general and limited partnerships and on corporate bodies and trust companies which are not subject to company taxes (capital tax and earnings tax and/or other special company taxes).

Liechtenstein law on property tax and gainful activity tax is governed by the principle of family taxation. This means that for property tax and gainful activity tax purposes married persons are treated as a unit and are assessed jointly. Also included in family taxation are minors living in a common household with their parents.



Property tax is levied on all movable and immovable assets. Gainful activity tax is levied on all income in the form of money or money equivalent, with the exception of earnings from assets on which the taxpayer must pay property tax. Income from gainful activity accordingly includes all periodic and non-recurring revenue such as in particular income from self-employment and other employment, capital gains, annuities, retirement pensions, daily benefits from unemployment, health and accident insurance policies and lump-sum payments. The Taxes Act provides for allowances of various kinds (resource costs, social security contributions) and also specific tax-free allowances.

Taxable assets and taxable earnings form the basis of tax assessment. The rate of tax is set every year by Parliament in fractions or as a multiple of the statutory taxable object (1 per thousand for taxable assets, 2 percent for taxable earnings) and is currently 54 percent of the statutory taxable object. On the basic state tax, i. e. on the amount of property tax and gainful activity tax calculated using the above rates, progressive surcharges of 5 to 425 percent, depending on the amount, are levied. The municipalities may levy further surcharges up to a maximum of 250 percent (200 percent in most municipalities) in addition to the tax liability thus calculated.

Taking as a basis a municipality surcharge of 200 percent, the following minimum and maximum tax rates are produced: for property tax, at least 1.62 per thousand and at most 8.505 per thousand; for gainful activity tax, at least 3.24 percent and at most 17.01 percent.

Property tax and gainful activity tax are assessed in arrears, i. e. the assessment period follows the tax period and assessment is undertaken by the particular

Tax Ordinance of 1807,  
Paper Stamp Ordinance of 1809  
and the 1852 Ordinance  
introducing new stamp marks



taxpayer's municipality of residence or domicile on the basis of a tax return which must be submitted annually.

It remains to draw attention to a special feature of Liechtenstein law relating to gainful activity tax: in the case of wage and salary earners in the Principality of Liechtenstein, the employer is obliged as a form of tax security to deduct from monthly wage and salary payments a basic amount of property tax (so-called wages tax) and hand it over to the Liechtenstein Tax Authority.

### **Company taxes for corporate bodies**

Capital tax and earnings tax are payable by enterprises operating a commercially managed business in Liechtenstein. Foreign companies maintaining a place of business in Liechtenstein are likewise liable to pay capital tax and earnings tax. The basis of assessment for capital tax is the paid-up stated, nominal, share or deposit capital together with the company reserves constituting self-generated resources. Assessment takes place at the end of each financial year (generally at 31<sup>st</sup> December). The tax rate for capital tax is 2 per thousand.

Earnings tax is levied on net earnings for the year. The taxable net earnings are produced from the total earnings, less expenditure for business purposes (including depreciation and liability reserves). The earnings tax rate is linked to the ratio of net earnings to capital and is at least 7.5 percent and at most 15 percent. By means of surcharges the tax rate thus calculated may be increased by 1 percent up to a maximum of 5 percent according to the relationship between dividend payout and taxable capital. The maximum total rate of earnings tax is thus 20 percent.

Capital tax and earnings tax are assessed in arrears, i.e. the assessment period follows the tax period and assessment is undertaken by the Liechtenstein Tax Authority on the basis of a tax return which must be submitted annually together with enclosures (balance sheet and profit and loss account). Holding companies and other companies domiciled in Liechtenstein, as well as investment undertakings (investment funds) do not pay any earnings taxes; instead, they only have to pay capital tax of 1 per thousand on paid-up capital or the assets invested in the enterprise, but not less than 1000 francs per annum. This minimum amount of tax is always payable for one year in advance. In the case of foundations, capital tax is reduced for assets, including reserves, in excess of 2 million francs to 3/4 per thousand and for assets, including reserves, in excess of 10 million francs to 1/2 per thousand. For Liechtenstein investment undertakings (investment funds) tax is likewise reduced, in this case to 0.4 per thousand for assets, including reserves, in excess of 2 million francs.

### **Real-Estate Gains Tax**

Gains made from the sale of real estate situated in Liechtenstein are not taxed under the general property tax and gainful activity tax or capital tax and earnings tax, but under a special tax (real-estate gains tax). If a gain is made on the sale of real estate situated in Liechtenstein, the seller must pay real-estate gains

---

tax on it. Transfer through foreclosure sale or compulsory purchase is treated as sale.

The amount by which the sale proceeds exceed the initial investment (acquisition price and expenditure on improvements) is deemed a real-estate gain. In the case of sale by purchase contract, the sale proceeds are produced from the purchase price, taking into account all additional outlay by the purchaser. A deduction of 1500 francs from the real-estate gain is allowed. The rate at which real-estate gains tax is payable depends essentially on the length of time the seller owned the sold real estate: the longer he has owned the real estate, the lower the rate of tax is. The minimum and maximum rates of real-estate gains tax are:

- |   |                   |
|---|-------------------|
| – where the period of ownership is over 10 years          | 3.24 % to 17.01 % |
| – where the period of ownership is between 5 and 10 years | 4.32 % to 22.68 % |
| – where the period of ownership is between 3 and 5 years  | 5.40 % to 28.35 % |
| – where the period of ownership is up to 3 years          | 6.48 % to 34.02 % |

### **Estate Duty, Inheritance Tax and Gift Tax**

Estate Duty is levied in Liechtenstein on estates of deceased persons which are liable to tax. In Liechtenstein these are deemed liable to tax if at the time of death the deceased person was permanently domiciled or was temporarily resident in Liechtenstein or if the estate includes real estate in Liechtenstein. Estate Duty is payable by the heirs. It is assessed progressively according to the total value of the bequeathed assets and amounts to 1 percent on the first 200,000 francs up to 5 percent on the residual estate in excess of 2 million francs. Where the estate passes to the spouse(s), children or parents of the deceased person, the tax rate is only half the standard rate.

Inheritance Tax is levied in Liechtenstein on the acquisition of assets in contemplation of death (*mortis causa*), where acquisition takes place on the basis of legal succession or testamentary disposition. Acquisition of assets is deemed to have taken place in Liechtenstein if it relates to real estate in Liechtenstein or, in the case of movable assets, if at the time of inheritance the deceased person was domiciled or resident in Liechtenstein. Inheritance tax on movable assets is also levied when only the recipient (heir, legatee) is domiciled in Liechtenstein and the latter cannot prove that an equivalent foreign tax is levied on the acquisition of assets. Payment of inheritance tax is the responsibility of the heir. The tax rates are different according to the family relationship between the deceased person and the recipient; there are in addition surcharges related to the amount of assets accruing. Inheritance Tax for spouses and children is for example at least 0.5 percent and at most 0.75 percent, and for unrelated persons at least 18 percent and at most 27 percent.

Gift Tax is levied on the acquisition of assets effected in Liechtenstein on the basis of transfers between living persons (*inter vivos*). As in the case of asset acquisition in contemplation of death, an asset acquisition between living

persons is deemed effected in Liechtenstein if it relates to real estate in Liechtenstein or, in the case of movable assets, if at the time of the gift the donor was domiciled or resident in Liechtenstein. Where movable assets are donated, gift tax is also levied if only the donee is domiciled in Liechtenstein and he cannot prove that he is subject to an equivalent foreign tax. Payment of gift tax is the responsibility of the donee. The tax is assessed along the same lines as inheritance tax.

## Value-Added Tax

Value-added tax is levied essentially on five kinds of commercial transaction, namely:

- a) supplying of goods effected in Liechtenstein for consideration
- b) services rendered in Liechtenstein for consideration
- c) self-supply in Liechtenstein
- d) procuring of services for consideration from businesses based outside Liechtenstein
- e) importing of goods

There is an obligation to pay value-added tax where an industrial, commercial or professional activity is practised independently in connection with the earning of income and the total annual turnover for supply of goods, services or self-supply in Liechtenstein exceeds the sum of 75,000 francs.

In keeping with the nature of value-added tax as a tax on consumption to be borne by the consumer, traders liable for value-added tax are entitled to deduction of input tax. Deduction of input tax means that traders only have to pay tax on their «added value», i. e. in principle the traders can claim as input tax all value-added taxes paid by them to their suppliers and contractors. Deduction of input tax thus reduces the burden of payment to the Liechtenstein Tax Authority. Strongly export-oriented businesses can even develop a credit balance with the Liechtenstein Tax Authority, since the law exempts transactions involving a foreign partner from the tax.

The tax rate is in principle 7.6 percent for each taxable transaction. This standard tax rate is applied whenever the transaction volume is not eligible for the reduced rate of 2.4 percent. A special tax rate of 3.6 percent applies to accommodation services. Certain transactions, mainly in the non-profit, cultural, educational and religious fields, are exempt from value-added tax.

Value-added tax is a tax to be assessed by the taxpayer himself. This means that the taxpayer must himself and of his own accord account for his transactions and input taxes and hand over the amount owed in tax to the Liechtenstein Tax Authority.



---

## Stamp duties

By virtue of the Customs Treaty concluded by the Principality of Liechtenstein with the Swiss Confederation in 1923, the Swiss Federal Stamp Duty Act also applies in Liechtenstein. The Swiss federal stamp duties are taxes on legal transactions involving certain legal instruments. In this connection, a distinction is made between three kinds of duty: stamp duty on newly issued securities, transaction duty and duty on insurance premiums.

Stamp duty on newly issued securities is levied on the creation and increase, with or without valuable consideration, of the nominal value of Liechtenstein equities (including shares, participation certificates in limited-liability companies and co-operatives). Contributions made by partners/shareholders to a partnership/company without corresponding counter-consideration are treated as equivalent to the creation of equities. The rate of duty, allowing for a general duty-free amount of 250,000 francs, is 1 percent of the sum accruing to the partnership/company as counter-consideration for the equities, but not less than the nominal value/the contribution paid to the partnership/company. The partnership/company issuing the equities is responsible for paying the duty.

Stamp duty on turnover is levied on the transfer for a consideration of title to certain legal instruments (e. g. bonds, shares, certificates of beneficial interest, units in investment funds), where one party or broker is a Liechtenstein dealer in securities. The duty is calculated on the basis of consideration and is 1.5 per thousand for instruments issued by a Liechtenstein national and 3 per thousand for instruments issued by a foreigner. The Liechtenstein dealer in securities is responsible for paying the duty.

Stamp duty on insurance premiums generally applies to all premium payments for insurance policies forming part of the domestic portfolio of an insurer subject to supervision. Also subject to the duty are premium payments for insurance policies taken out by a Liechtenstein policyholder with a foreign insurer not subject to supervision. A wide-ranging list of exceptions means that essentially only premium payments for third-party liability and comprehensive insurance policies and also for certain property insurance policies are subject to the duty, although premium payments for personal insurance are exempted. The duty is calculated on the basis of the cash premium and is 5 percent. Responsibility for paying the duty lies with the Liechtenstein insurer or the policyholder who has taken out the policy with a foreign insurer.

## The communities

The Principality of Liechtenstein is a union of two regions with eleven communities. It is intended to enable the people residing within its borders to live with one another in freedom and peace. The Vaduz region (Oberland) comprises the communities of Vaduz, Balzers, Planken, Schaan, Triesen and Triesenberg, the Schellenberg region (Unterland) those of Eschen, Gamprin, Mauren, Ruggell and Schellenberg. Vaduz is the capital and the seat of the national authorities (Art. 1 of the Constitution).

The communities' sphere of independent action is defined in the Constitution and the individual communities have the right to leave the union (Art. 4, Paragraph 2 of the Constitution). The electors of each community elect a community council and a mayor, who acts on a full- or part-time basis depending on the community's size. One sixth of a community's electors can petition the mayor for an initiative or referendum on community matters.

The communities secure the funds needed to enable them to discharge their manifold responsibilities mainly from tax revenue. As well as their own tax revenue the communities are allocated fixed quotas from national taxes, the financially weak communities being specially provided for in the revenue-sharing arrangements. The communities also receive subsidies from the state for structural- and civil-engineering projects and for specific purchases.

In order to be better able to cope with certain tasks, in the water-supply and sewage-disposal fields for example, communities have combined to form special-purpose consortia. In the form of a foundation the communities run two social psychiatric care-homes, two old people's homes and the Old Age Contact and Advice Centre.



---

The mayors' conference provides mayors with a framework for regular discussion and co-ordination on inter-community matters.

A community's supreme body is the community meeting. It is made up by the enfranchised citizens resident in the community, citizens from other Liechtenstein communities who have settled locally and those who have been granted the freedom of the community and are resident in it. All who hold electoral and voting rights in national affairs are also entitled to vote in community affairs.

In local bylaws the communities determine the rights and obligations of residents, the organisation of public authorities and the procedure for dealings with those authorities. Since 1998 all communities have had local bylaws tailored to their circumstances.

## **Vaduz**

Vaduz (455 m a.s.l.) is the capital of the Principality of Liechtenstein and the seat of Government and Parliament. Vaduz Castle, the locality's most striking landmark, is the residence of the Reigning Prince von und zu Liechtenstein. The former country village known mainly for its excellent wine has become a town with internationally acknowledged industrial and commercial businesses, banks and diverse service enterprises and many retail outlets. Vaduz is the home of, among others, the Liechtenstein Museum of Fine Arts, the National Museum, Liechtenstein Grammar School, the Music School, the Liechtenstein University of Applied Sciences, the Postage Stamp Museum, the Museum of Skiing, the

**View of Vaduz, capital of the  
Principality of Liechtenstein**





National Library, an outdoor swimming-pool, the Rheinpark stadium and various other sports facilities.

In the 12<sup>th</sup> century Vaduz is mentioned in documents as «Faduzes» or «De faduze». Settlement of the locality probably began as early as the 5<sup>th</sup> century, i.e. well before the Castle was built, the oldest structural parts of which date from the 12<sup>th</sup> century. Since the 14<sup>th</sup> century Vaduz has been spelled as we spell it today. The original centre of Vaduz was the Mitteldorf. Many houses in the Mittel- and Oberdorf enjoy protected status as part of the cultural heritage. Visible from afar is the Red House, a mediaeval stepped-gable building.

## Balzers

Balzers (472 m a. s. l.), Liechtenstein's southernmost community, comprises the villages of Balzers and Mäls. Distinctive features in the locality's visual aspect are Gutenberg Castle and the Prince Johannes Jubilee Church. The Rhine and St. Luziensteig form the frontier with Switzerland.

Balzers was first mentioned in writing in the 9<sup>th</sup> century. The name is of Latin origin and means «manor house, palace». Balzers was a staging-post on the Lindau-Milan post-road. In 1817 Liechtenstein's first letter-collection point was set up here and in 1839 elevated to become the country's first post-office. Since the 2<sup>nd</sup> World War the community of Balzers has experienced a major structural change in which first and foremost industry, trade and services have undergone considerable development. Balzers has an indoor swimming-pool and various sports facilities.

The parish church and Gutenberg Castle give Balzers its distinctive look.



---

## Planken

In a sunny and delightful position high above the Rhine valley lies the Walser community of Planken (786 m a.s.l.). The locality's name is derived from the very widespread Romance term «planca» or «plaunca» for hillside meadows and pastures. The community territory on a mountain terrace is surrounded by forest, the function of which is today primarily protective.

The timber industry, which used to be the most important industry for the population, is today no longer significant. The majority of employed persons resident in Planken work in one of the business enterprises in the valley. Planken is a starting-point for numerous lovely walks and rambles.

## Schaan

Schaan (450 m a.s.l.) is one of the country's oldest settlements. It developed from the Roman village nucleus of St. Peter and the Alemannic village nucleus of St. Laurence. The first written mention of Schaan is in the imperial land register (*circa* 850). As the community with the largest population Schaan is today the country's industrial and business centre. In the Theater am Kirchplatz (TaK) Schaan possesses the region's major cultural venue. In the sports facilities on the Rhine and at Dux and in the Resch Leisure Centre Schaan offers varied provision for hobbies, sport and recreation. Every year at the Shrovetide carnival Schaan is the main centre for carnival events.

On the left the village street in Planken and on the right Schaan's town hall



## Triesen

The village of Triesen (512 m a. s. l.), built on an old debris slope, is first mentioned in documents in 1155. Triesen is one of the country's oldest self-contained settlements and has been inhabited by several noble families. The von Triesen family, «De Trisuns», who appear in 1273 in the person of the knight Ulrich, can probably be considered the oldest and most important locally resident noble family. The oldest part is the Oberdorf: there are remains of a Roman villa here and it was here that the Roman road passed through. The country's oldest chapel, that of St. Mamertus, also stands in this part of the village. Triesen has a well-developed and diversified business structure.

## Triesenberg

Covering an area of 30 km<sup>2</sup> Triesenberg (884 to 2000 m a. s. l.) is the Principality's largest and at the same time also highest-altitude community. From Triesenberg there is a marvellous view over the Rhine valley.

Between 1280 and 1300 the village was settled by Walser alpine farmers. The inhabitants still speak today a Walser dialect markedly different from the dialect of the valley dwellers. The Walsers' first place of settlement and religious centre in Triesenberg was the Masescha district, situated 1250 m a. s. l. There stands the chapel of St. Theodul (first documentary mention 1465). The history of the Walser is documented in the Local Heritage Museum. As in the valley communities, in Triesenberg too agriculture has declined markedly in the last few

On the left an old part of Triesen and on the right Triesenberg parish church



decades. Besides industry and trade summer and winter tourism also play an important part commercially.

Triesenberg and its hamlets Gaflei, Silum, Steg and Malbun are starting-points for walks and mountain tours. In Steg there is a cross-country skiing centre and a sledge run. Malbun at 1600 m a.s.l. is a skiers' and snowboarders' paradise and with its varied leisure programme attracts many visitors from both near and far in both summer and winter.

## Eschen

The community of Eschen (453 m a.s.l.) comprises the districts of Eschen and Nendeln. At 1033 hectares it is the Liechtenstein Unterland's largest community. Historic buildings in Eschen are the Benefice Building and the chapel of the Holy Cross at Rofenberg (formerly a place of execution and meeting-place). Nearby is the Eschnerberg History Trail (flint finds dating from approx. 5000 BC). Eschen includes the prehistoric settlement sites of Malanser and Schneller (Neolithic period). Eschen is first mentioned in the Carolingian land register of about 850 as «Essane» (probably from the Celtic esca = situated by the water). In Nendeln the foundations of a Roman villa have been excavated.

On the left the hamlet  
Steg and on the right  
Eschen parish church

A variety of industrial, commercial and service enterprises are today located in Eschen and in Nendeln. There are also an indoor swimming-pool and various sports facilities.



## Gamprin/Bendern

The community of Gamprin (472 m a. s. l.), which also includes the old settlement of Bendern, is situated on the southernmost spurs of the Eschnerberg. The name Gamprin is of Roman origin (Camporin *circa* 1150) and derived from «campus Rheni». The church hill at Bendern at the southern hillside of the Eschnerberg, already settled in earlier times, was recognised by the Romans (15 BC to approx. 500 AD) as an important point for controlling the valley by virtue of its position.

Bendern attained special importance in the Middle Ages in church affairs. On the church hill at Bendern the men of the Liechtenstein Unterland first swore allegiance to the Prince of Liechtenstein on 16<sup>th</sup> March 1699. The agriculture which had prevailed earlier was followed by rapid industrialisation. The former parish stable on Bendern hill, comprehensively renovated in 1998, today houses the Liechtenstein Institute. On the road leading to Oberbendern is the Grotto of St. Mary of Lourdes, the only one of its kind in Liechtenstein.

## Mauren

The first documentary mention of Mauren (472 m a. s. l.) is in 1178 in the spelling «Muron». The municipality comprises the districts of Mauren and Schaanwald. In the early 19<sup>th</sup> century the building of new houses in the main village

On the left the former place of homage on the church hill at Bendern and on the right the community of Mauren



---

was prohibited by the mayor (in 1850 the quota was still set at 111 households). A new settlement thus arose at Schaanwald. In Mauren is the memorial to Peter Kaiser (1793–1864), the Liechtenstein educationalist and historiographer. The growing of turnips (autumn turnips) was at one time especially popular in Mauren. The sobriquet «Murer Räba<sup>1</sup>» survives to this day. Especially worthy of mention are the «Birka» protected bird sanctuary, the «Weiherring» leisure park and the Eschen-Mauren sports ground. The community of Mauren-Schaanwald is home to many industrial and commercial businesses.

<sup>1</sup> «Mauren turnip» (Tr.).

## Ruggell

Ruggell (433 m a. s. l.) is Liechtenstein's northernmost and lowest-lying community and is the only village to lie not on a hillside but on the open valley floor. The locality's name is derived from the Latin «runcare» (= to clear, thin out). In 1874 Ruggell was elevated to parish status, having previously been part of the parish of Bendern. A number of prehistoric finds and also some from Roman times have been made on the territory of Ruggell. The fertile land had been wrested from the marsh and the Rhine. In addition to employment in industrial and commercial enterprises agriculture still plays an important part. The Ruggell marsh provides a home for many creatures and plants and is a protected conservation area. Formerly peat («Tuarba») was also cut there.

Parish church at Ruggell (left)  
and the «Biedermann House»  
at Schellenberg (right)



## Schellenberg

Schellenberg (626 m a. s. l.) is in area terms Liechtenstein's smallest locality. The widely dispersed settlement with its three districts Vorderer, Mittlerer and Hinterer Schellenberg lies on the ridge of the Eschnerberg. The historical Ridge Trail deserves mention. It shows the interested walker images of the significant pre-historic settlement areas. Archaeological finds attest continuity of settlement from the Late Stone Age (approx. 3000 BC) until the La Tene period (400 AD). Schellenberg takes its name from that of the knights of Schellenberg from Bavaria. They held the Lordship of Schellenberg in the 13<sup>th</sup> century with the castles New and Old Schellenberg. In 1699 the Princes of Liechtenstein purchased the Lordship. Prince Franz Josef II of Liechtenstein gave the castle ruins to the Liechtenstein Historical Association in 1956.

The Schellenberg community is also the home of the oldest timber dwelling-house in Liechtenstein. Erected in 1518 as a simple interlocking timber structure, the so-called Biedermann House stands today in the centre of the community as a record of late mediaeval building, open for viewing.

---

## Foreign policy

### General

In foreign policy the Principality of Liechtenstein faces fundamentally the same responsibilities as other sovereign states. These are first and foremost the safeguarding of the country's independence and security, the regulating of its international relations, dealings with other states and with international organisations, the safeguarding of its own national interests, the protection of its nationals abroad and active involvement with the international community of states, including human-rights policy, co-operation in development projects and international humanitarian aid.

The Constitution requires collaboration between the Reigning Prince and the Government in foreign-policy matters and makes all major international treaties contingent on assent by Parliament. Every parliamentary resolution relating to assent to an international treaty is subject to an optional referendum, whereby Liechtenstein voters too are assured a wide-ranging say in foreign-policy matters.

The foreign ministry in Liechtenstein, called «Ressort Äusseres», is headed by a member of the Government. Foreign-policy matters are handled by a small staff of civil servants in the Office of Foreign Affairs and by Liechtenstein's diplomatic missions abroad – embassies in Bern, Brussels, Berlin, the Vatican, Washing-

The boundary stone on  
the road from St. Luziensteig  
to Balzers





ton and Vienna; permanent representatives at the Council of Europe in Strasbourg, the United Nations in New York, the United Nations and other organisations (WTO, EFTA) in Geneva, the European Union in Brussels and the Organisation for Security and Co-operation in Europe in Vienna. In addition, under an agreement concluded in 1919 Switzerland represents Liechtenstein interests in countries where it has foreign missions while Liechtenstein itself is not represented. In these cases Switzerland acts on the basis of general or particular mandates which it may accept or refuse, while Liechtenstein remains free to enter into relations with foreign states directly or to establish additional diplomatic missions of its own. On the other hand numerous outside states have established diplomatic relations with Liechtenstein through non-resident ambassadors. With these flexible arrangements Liechtenstein can discharge its foreign-policy responsibilities even with only modest organisational resources of its own.



**On 23<sup>rd</sup> November 1978**  
Liechtenstein is admitted to  
the Council of Europe as  
its 21<sup>st</sup> member country.

Liechtenstein's geographical position on a major European north-south communications route, the small size of its state territory and the changing fortunes of its neighbour countries have strongly influenced its foreign-policy position in the course of history. Neutral throughout both World Wars, today Liechtenstein, surrounded by two neutral neighbours, follows a foreign policy consistent with the idea of neutrality in which responsible persons feel obliged to take a clear stand, first and foremost in commitment to human rights and international solidarity. Liechtenstein belongs to no political or military alliance, possesses no armed forces and has not known military service since 1868.

When it was still a member of the German Confederation, but especially after the dissolution of the latter in 1866, the Principality of Liechtenstein leaned strongly both politically and especially economically on Austria, with which it had concluded a Customs and Taxation Treaty in 1852. As a result of the radical political and economic changes at the end of the First World War it turned towards Switzerland, with which there have since then been very close ties.

Among bilateral relations the link with Switzerland occupies a special position. It rests primarily on the Customs Treaty of 1923 and on the introduction of the Swiss franc as legal currency in Liechtenstein. A unitary customs and monetary area thus came about between Liechtenstein and Switzerland. In 1981 a Currency Agreement came into effect between the two states. A Postal Agreement already concluded in 1921 and amended in 1978 was terminated by mutual consent in 1999 because of the general liberalisation which had taken place. A number of special agreements in various fields of common interest have durably strengthened and developed mutual relations

Liechtenstein likewise maintains extensive relations with its neighbour Austria. Various bilateral agreements are in force in fields such as double taxation,

legal assistance and the educational and welfare systems. Liechtenstein has concluded various bilateral agreements with a number of other states too. Bilateral relations are to be further strengthened with the USA and Germany in particular.

The past few decades have seen marked expansion and growth in multilateral interstate relations. In recent times Liechtenstein's foreign policy has given these special priority and has managed to enhance its foreign-policy position significantly. For example, only a few decades ago Liechtenstein did not yet belong to any international organisation and was signatory to only a dozen or so multilateral agreements. Today it is a member of a large number of international organisations and agencies. It is for example a member of the United Nations Organisation (UNO), the Council of Europe, the European Free Trade Association (EFTA), the European Economic Area (EEA), the World Trade Organisation (WTO), the Organisation for Security and Co-operation in Europe (OSCE) and important UN agencies and special organisations (Statute of the International Court of Justice, Universal Postal Union, International Telecommunications Union, International Atomic Energy Agency, World Intellectual Property Organisation). It is also a contracting party to the International Agreement on Refugees and the Geneva Convention of 1947 and to the 1977 Protocols for the Protection of War Victims.

**On 18<sup>th</sup> September 1990  
Liechtenstein becomes the  
160<sup>th</sup> member of the UNO**

The multilateral agreements to which the country has acceded concern questions of law, industry and commerce, culture, education, protection of the environment, health, transport, protection of industrial property rights, copyright, telecommunications, combatting terrorism etc. One of the criteria for partici-

pation in such agreements is that it gives Liechtenstein foreign policy the means of effecting collaboration with other states on the basis of multilateral agreements and dispensing, in view of its limited scope, with the need to enter into numerous bilateral agreements with other states.

On 1<sup>st</sup> May 1995 Liechtenstein acceded to the Agreement on the European Economic Area (EEA) and thus became incorporated on the EFTA side, along with Iceland and Norway, in the European Economic Area to which on the European Union side the EU itself and its Member States belong and in which to a very large extent the rules of the EU internal market apply between contracting parties.

Multilateral foreign-policy activities also include attendance at and active participation in major international conferences on matters such as international contract law, humanitarian international law, subjects relevant to financial centres, the fight against terrorism and international crime, diplomatic and consular relations, cultural co-operation, telecommunications,



education, the safeguarding of intellectual property, drug issues, environmental protection and transport.

Involvement in its own right in international organisations and agencies allows even a small country like Liechtenstein to safeguard its interests in specific areas of international life and to demonstrate its willingness to collaborate and act in concert. Since the events of 11<sup>th</sup> September 2001 this also applies in particular to fighting terrorism.

## Bilateral relations with Switzerland

Since 1852 Liechtenstein had been party to a customs treaty with the Austro-Hungarian Empire; the collapse of the Danube monarchy in 1918 left this treaty virtually pointless and it was cancelled by Liechtenstein in 1919. Shortly after cancellation of the customs treaty with Austria the Swiss Confederation, at the request of the Liechtenstein Government, undertook in October 1919 the safeguarding of the interests of Liechtenstein nationals abroad through its embassies and consulates. At this time Liechtenstein maintained missions of its own only in Bern and Vienna. The latter was soon closed again.

As early as 10<sup>th</sup> November 1920 an agreement was signed with Switzerland on the provision of postal, telegraph and telephone services; this agreement was superseded by a new agreement on 9<sup>th</sup> January 1978, but terminated in 1999 because of the globalisation and liberalisation which had come about in the postal and telecommunications field too. Liechtenstein issues its own postage stamps.

The Customs Treaty with Switzerland of 29<sup>th</sup> March 1923 laid the foundations for a new era in Liechtenstein's economic development, which owes its success in substantial measure to ever closer collaboration with Switzerland. Under the terms of the Customs Treaty all Swiss customs legislation and other federal legislation applies in Liechtenstein where the customs union requires its application. Excepted from these terms however are all provisions in Swiss federal law by which an obligation to pay contributions is established for the Confederation. Furthermore, the Customs Treaty renders all commercial and customs treaties entered into by Switzerland with third-party states applicable to Liechtenstein. Switzerland is at the same time empowered to represent Liechtenstein in such negotiations and to conclude these treaties with legal effect for Liechtenstein too. In 1990 and 1995 the Treaty was amended to take account of present-day needs in such a way that on the one hand Liechtenstein can itself become a contracting state to international agreements and a member of international organisations in the field covered by the Customs Treaty, provided that Switzerland is likewise a signatory to these agreements/a member of these organisations, and can on the other hand accede to such agreements and organisations even if Switzerland does not accede to them. In each such case Liechtenstein and Switzerland conclude a special agreement, as



---

was necessary for example in 1994 to prepare for Liechtenstein's accession to membership of the European Economic Area.

In 1980 a Currency Treaty was concluded between Liechtenstein and Switzerland, under which Liechtenstein – which has used the Swiss franc as its legal currency since 1921 – was incorporated in the Swiss monetary area subject to fundamental preservation of its monetary sovereignty. Swiss provisions governing financial, credit and monetary policy in accordance with the National Bank Act are therefore also applicable in Liechtenstein. Under the 1978 Patent Protection Act the two states form a joint territory for the purpose of protecting invention patents.

On 9<sup>th</sup> May 2003 the President of the Swiss Confederation Pascal Couchepin visits Liechtenstein and is received and greeted at Vaduz Castle by Prince Hans-Adam II and Princess Marie among others.

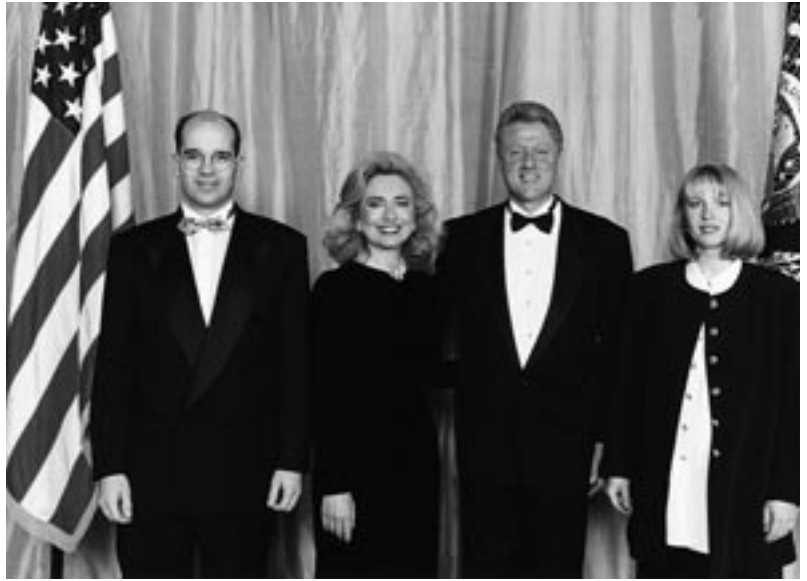


In addition to its effect as an international agreement the Customs Treaty also has significance as a symbol of the especially close relations between Liechtenstein and Switzerland. It laid the foundation for a harmonisation of laws which extends far beyond its purview and also for harmonisation in the field of economic and social-welfare law. This close interlacing finds expression today in a wide range of agreements and arrangements, especially in the fields of social security, vocational training, indirect taxation and cross-border collaboration between police forces.

### **Liechtenstein and the EEA**

Liechtenstein has been part of the European Economic Area since 1<sup>st</sup> May 1995. At present the EEA embraces 18 states, namely the three EFTA states Iceland, Liechtenstein and Norway together with the currently 15 EU states.

Following the negative result of the Swiss EEA referendum a solution was found for Liechtenstein whereby both close partnership with Switzerland (customs union) and EEA membership are possible. In order to belong simultaneously to two economic areas the concept of so-called «parallel marketability» was devised. This means that on Liechtenstein territory goods conforming to EEA law and goods conforming to customs-treaty law may be marketed. For this purpose a special market-supervision and control system had to be introduced in Liechtenstein.



The EEA has as its object the creation of a pan-European free market based on the so-called four freedoms (free movement of goods, services, capital and persons) and on EU competition law. Not covered by the EEA Agreement are direct and indirect taxes. The Agreement goes beyond purely economic collaboration however, in that under the so-called flanking and horizontal policies areas such as research and development, education, consumer protection, environment and social policy are covered. The EEA Agreement is further characterised by a legal system binding on all which ensures the enforcement of common rules and regulations and enables the EFTA/EEA states to exert influence on future EEA legal provisions.

In October 1995 Liechtenstein takes part in the ceremonies in New York marking the 50-year anniversary of the UNO. On the occasion of this visit Prime Minister Dr. Mario Frick visits the American President Bill Clinton.

With the help of its partners Liechtenstein has created for itself a functioning «EEA and Customs Treaty» integration model appropriate to Liechtenstein's needs. There are in the EEA Agreement special arrangements (transitional periods for implementing laws, in some cases paired with a re-examination of Liechtenstein's position) and a special arrangement for the free movement of persons, a sensitive area for Liechtenstein. This arrangement respects the country's national identity and guarantees that, in view of the fact that resident foreigners represent some 34 percent of the overall population, unrestricted immigration does not take place.

Through its membership of the EEA Liechtenstein has discrimination-free access to the European market on equal competitive terms. In the financial-services sector the locational advantages such as low taxes, maintenance of confidentiality, specific company codes of practice and the high quality of services are unaffected. Above and beyond this new business sectors such as telecommunications, investment funds and insurance have opened up.

---

## Membership of international organisations and agencies

### UNO family

- International Court of Justice at The Hague (ICJ)  
Acceded: 29<sup>th</sup> March 1950
- Universal Postal Union (UPU)  
Acceded: 13<sup>th</sup> April 1962
- International Telecommunications Union (ITU)  
Acceded: 25<sup>th</sup> July 1963
- United Nations Conference on Trade and Development (UNCTAD)  
Acceded: 30<sup>th</sup> December 1964
- International Atomic Energy Agency (IAEA)  
Acceded: 11<sup>th</sup> November 1968
- World Intellectual Property Organisation (WIPO)  
Acceded: 17<sup>th</sup> February 1972

The German Federal President Johannes Rau is in Liechtenstein on 27<sup>th</sup> August 2002 and is received and greeted at Vaduz Castle by Prince Hans-Adam II and Princess Marie among others.



- United Nations Organisation (UNO)  
Acceded: 18<sup>th</sup> September 1990
- United Nations Economic Commission for Europe (ECE)  
Acceded: 18<sup>th</sup> September 1990, consultative status since 3<sup>rd</sup> April 1976

*European sector*

- European Conference of Postal and Telecommunications Administrations (ECPT)  
Acceded: 13<sup>th</sup> September 1963
- Organisation for Security and Co-operation in Europe (OSCE)  
Member state of the former CSCE from 1<sup>st</sup> August 1975
- Council of Europe Development Bank  
Acceded: 1<sup>st</sup> January 1976
- Council of Europe  
Acceded: 23<sup>rd</sup> November 1978
- European Patent Organisation (EPO)  
Acceded: 1<sup>st</sup> April 1980
- European Telecommunications Satellite Organisation (EUTELSAT)  
Acceded: 4<sup>th</sup> February 1987
- European Free Trade Association (EFTA)  
Acceded: 1<sup>st</sup> September 1991, previously special status from 3<sup>rd</sup> May 1960
- European Bank for Reconstruction and Development (EBRD)  
Acceded: 28<sup>th</sup> March 1991
- Agreement on the European Economic Area (EEA)  
Acceded: 1<sup>st</sup> May 1995
- European Conference of Ministers of Transport (ECMT)  
Acceded: 2000

*Other international organisations and institutions*

- International Criminal Police Organisation (INTERPOL)  
Acceded: 1960
- International Telecommunications Satellite Organisation (INTELSAT)  
Acceded: 20<sup>th</sup> August 1971
- World Conservation Union (IUCN)  
Acceded: 1<sup>st</sup> January 1982
- World Trade Organisation (WTO)  
Acceded: 1<sup>st</sup> September 1995
- International Olympic Committee  
Acceded: 29<sup>th</sup> July 1935  
and others

---

Published by the Press and Information Office, Vaduz

**Texts**

Government Secretariat  
Government Legal Services  
Office of Foreign Affairs  
Press and Information Office  
Tax Authority

**English translation**

Hilty Übersetzungen, Schaan

**Literature**

Paul Vogt: Brücken zur Vergangenheit, Vaduz 1990  
Franz Josef II: Regierender Fürst von und zu Liechtenstein (German/French/English), Press and Information Office (publ.), Vaduz 1978  
Naturally Liechtenstein, Press and Information Office (publ.), Vaduz 1999  
Der Landtag, Parliament Secretariat (publ.), Vaduz 1998

**Design, editor and production manager**

edition sele, Elisabeth Sele, Mauren

**Layout and digital production**

Claudia Wachter AG, Advertising Agency, Schaan

**Photographs and graphics**

Adverta AG, Vaduz  
Anthony Buckley and Constantine Ltd., London  
Close up, Triesen  
Xaver Jehle, Schaan  
Eddy Risch, Schaan  
Klaus Schädler, Triesenberg  
Walter Wachter, Schaan  
Collections of the Prince of Liechtenstein, Vaduz Castle  
Liechtenstein National Archives, Vaduz  
Archives of the Liechtenstein Red Cross, Vaduz  
Archives of the Press and Information Office, Vaduz

**Printing**

Hilty Letterset and Offset Printers, Schaan

© Press and Information Office, Vaduz 2000  
2<sup>nd</sup> revised edition 2003  
Printed in Liechtenstein  
Contents: Last revised August 2003