



PRINCIPALITY OF LIECHTENSTEIN

High-tech and financial center

A «small economic miracle» has turned Liechtenstein into an economic metropolis. High technology for world markets is being created in this EEA country, and the highly developed financial center of the fourth-smallest country in Europe is in demand worldwide. Like Switzerland, Liechtenstein endorses a liberal economic policy under the motto: transparency where necessary, privacy where possible. The secret of its success? Entrepreneurship, networks, and innovation.



LIECHTENSTEIN

Making a splash with a small stone requires the art of anticipating developments in a globalized world. A model for this is the Liechtenstein export industry, the secret strength of the business location. Many companies occupy international market niches; some are even among the world elite. The small domestic market of Liechtenstein has always forced the global brands to find export markets. The companies are in contact with the top universities and research institutes around the world. Research-intensive, innovative high technology is the main export product.

Strong global players

The structural engineering group Hilti in Schaan is the most famous global brand «made in Liechtenstein». At construction sites on all continents, over 17,000 employees are at home with their red Hilti cases. Hilti embodies innovative products and services for construction professionals. Hilti products and system solutions for construction professionals help ensure that skyscrapers are stable and that bridges connect people; modern Hilti technology also contributed significantly to the faithful reconstruction of the Frauenkirche in Dresden, which had been destroyed in 1945 during the Second World War. Each year, the

enterprise with research and development centers in Germany, Liechtenstein, and China brings fascinating innovations to market.

Like Hilti, Ivoclar Vivadent – the global brand for beautiful teeth, located in Schaan – invests huge sums in research and development. Again and again, the dental manufacturer sets new milestones in dental technology. The enterprise, one of the Big 5 worldwide, accomplished a breakthrough in 2005 with a further innovative step: Ivoclar Vivadent's revolutionary ceramics system ensures that the teeth of pop stars, film beauties, and average consumers shine like pearls made of 100% ceramic.

Fascinating innovation

The headquarters and research center of the poster child of the German industrial group ThyssenKrupp are also located in Liechtenstein: ThyssenKrupp Presta in Eschen belongs to ThyssenKrupp Automotive, one of the largest automobile suppliers in the world. Presta is the world market leader for assembled camshafts and develops steering systems for almost all significant automobile manufacturers. Its newest innovations include a valve fuel system, which helps save fuel and reduce emissions. For the Chinese market alone, the group manufactures one million



Many companies occupy international market niches

steering columns; in the middle of 2006, it opened a third location for assembled camshafts in the boom market of China – according to the motto «follow the customer».

Not only the three large enterprises of the Liechtenstein industrial location contribute to the picture of high-tech perfection, however. Though not among the Top Five worldwide, Hoval Group is certainly one of the most innovative trendsetters in Europe: Heating technology from Vaduz even keeps the Royal Family in Buckingham Palace and the Cardinals in the Vatican warm. There are also many small, highly innovative industrial supplier companies. For instance, PAV Präzisions-Apparatebau Vaduz builds motor and gear components for luxury automobile brands, Formula 1, and the fastest streetcars in the world. For the 1001-horsepower Bugatti Veyron, PAV has developed a special suction unit that surpasses everything that seemed technically

possible before. Another company influences the technical development of special measurement technology worldwide: Messtechnik AG in Triesen is one of the top-ranked suppliers in Europe of measurement devices for gear, motor, and chassis components for the automobile industry.

The will to perform

Niche players characterize the business location and make Liechtenstein into a small economic metropolis between Zurich, Vienna, and Munich. Neutrik AG in Schaan occupies quite a small niche. It produces audio jacks for musicians around the globe. No loudspeaker in the Council of Europe in Strasbourg, no Open Air in St. Gallen, no football game in Zurich, hardly a rock guitar and hardly a sound mixer would work without Neutrik jacks. More innovative than its competitors, Neutrik uses glass fibers and has developed a special technology for a new generation of guitar plugs.

The Principality of Liechtenstein is a highly industrialized country. And highly diversified. In 2004, the industrial members of the Liechtenstein Chamber of Commerce and Industry exported goods in the amount of 5.1 billion francs. The most important export destinations are the United States, Germany, and Switzerland, followed by

France, Italy, Hong Kong, Taiwan, Austria, Japan, and Spain. About 45% of exports went to the European Economic Area, about 24% to Asia/Pacific, and 17% to the Americas. Industry and trade generate 40% of the gross domestic product (GDP). The success of the small country, which has almost as many jobs (about 30,000) as inhabitants, is founded on quality, service, and people with the will to perform.

Advantage in competition

An evolved entrepreneurship built up the industry of Liechtenstein after the Second World War. Even just 80 years ago, the country was still poor, and the local people lived off agriculture. The factors contributing to Liechtenstein's «small economic miracle»: Since 1924, the Principality has been closely linked to Switzerland via an economic and customs treaty, and the Swiss franc is the national currency. Low taxes, a liberal economic policy, and cooperative social partners have made the prosperous small country into a strong business location.

And as always, Liechtenstein offers something extra that really counts. This small country benefits from the advantages of two economic areas. As a member of the European Economic Area (EEA), the Principality has followed the path alongside Europe since

1995 – and through the Customs Treaty, also alongside Switzerland. Reigning Prince Hans-Adam II led the country into the United Nations in 1990, and Liechtenstein has negotiated the liberalization of world trade as a member of the World Trade Organization (WTO) since 1995. Along with the EEA and the WTO, the European Free Trade Association (EFTA) is the third leg of Liechtenstein's foreign economic policy. The EFTA countries – Switzerland, Norway, Iceland and Liechtenstein – have built up a strong trade network since 1991, including the large free-trade zone Europe-Mediterranean, South Korea, the Southern African Customs Union, and Singapore.

Modern financial center

The Liechtenstein banking, insurance, and investment fund center plays its trumps only quietly. After all, it is one of the most attractive in Europe, and the service sector keeps growing and growing. With the most modern instruments, financial experts expand their skills and develop innovative financial products and services. At the same time, reliability and fairness vouch for responsibility. The financial center fulfills the highest standards against money laundering and financing of terrorism; nevertheless, Liechtenstein is committed to the protection of privacy and therefore of

bank client secrecy. After reforms to protect the financial center from abuse, Liechtenstein's legislation is now among the best in the world.

A savings tax agreement with the EU has been in force since July 2005, which protects banking secrecy as in Switzerland. A modern, politically independent Financial Market Authority (FMA) supervises the financial center, so that the small state lives up to the standards applicable in Germany and Austria. The FMA does not only supervise, however; it also innovates. With the new Asset Management Act, it has made the small country a pioneer in Europe and created a new, internationally recognized category of financial intermediaries. The share of the financial services sector as part of Liechtenstein's gross domestic product is 30%.

Global presence

At the end of 2005, 15 banks in Liechtenstein managed client assets in the amount of approximately 127 billion francs. For a long time now, they have not simply waited for clients from abroad, but instead they actively seek out new boom markets – in Eastern Europe and the Arab world. From Abu Dhabi, the Liechtensteinische Landesbank participates in the booming private banking market of the Persian Gulf. LGT Bank in Liechtenstein has

established a representative office in the Kingdom of Bahrain. The private bank of the Princely House of Liechtenstein is thereby complementing the established locations of Singapore, Hong Kong, and Tokyo in the Far East. The VP Bank Group has also identified great potential in Russia and is present in Moscow.

Confidence is growing internationally, from which the Liechtenstein insurance center benefits especially; in 2005, 31 Liechtenstein insurance companies administered 10.5 billions of francs of capital. In the interstices of large markets, there is room for the principle of tailored services: For instance, the life insurer CapitalLeben targets the league of the super-rich with private wealth management, PrismaLife targets average consumers with «assembly line» policies, and Uniqa is also specialized in art insurance and instrument insurance. Alongside 17 life insurers, there are ten high-quality captives, with which large international groups increasingly cover their own risks.

Innovative fund market with leeway

Since it began in 1996, the development of the Liechtenstein fund center has experienced rapid growth. In 2005, 26 fund providers with 172 funds ad-

ministered a fund volume of about 21 billion francs. Within the European fund market, the fund center may be a needle in a haystack, but special funds play an important role among the «excellent» internationally. The fund center is innovative; the new Investment Undertakings Act provides great leeway to the fund market and uniquely short turnover periods for approving a fund compared with the rest of Europe. Since fund companies must still comply with international information and transparency requirements, the path is cleared for products with higher risks, such as hedge funds.

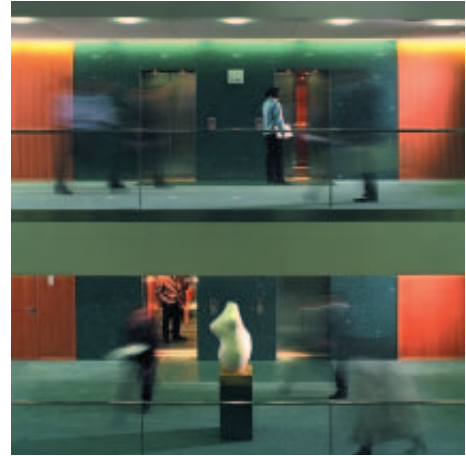
The cornerstone of Liechtenstein's development into a successful business location was laid in 1926 with the Law on Persons and Companies. The goal of the law was to attract foreign capital and international clients to the country through a broad selection of company forms, thereby opening up new sources of income. Laws governing the strong group of professional trustees then developed in the second half of the 20th century. Each of the approximately 150 trustee groups must fulfill strict requirements. Not only banks and finance companies, but also lawyers and trustees, and even exchange offices and the Postal Service as well as investment and insurance undertakings guarantee the highest level of due diligence in financial transactions.

University of Applied Sciences as a hub

The globalization of the world economy has led to closer links among the international financial markets. The new technologies of communication are making the world smaller and Liechtenstein's reach greater. But only a country with highly educated people can be prosperous – and vice-versa. In this way, the Liechtenstein University of Applied Sciences serves as a hub between the business and the academic worlds in the fields of business sciences and architecture.

Courses of study at the campus of the University of Applied Sciences fulfill the most up-to-date international standards. With the Institute of Financial Services, the University of Applied Sciences is making a name for itself throughout German-speaking Europe in banking and financial management.







The Liechtenstein University,
in a former cotton spinning mill

The Institute of Business Information Systems forms the core of the active knowledge network in the field of business information systems. The competence areas of Enterprise Resource Planning, Financial Information Systems, and Systems Development systematically complement each other in teaching and research.

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In over 45 years, the small School of Architecture at the Liechtenstein University of Applied Sciences has made an international name for itself. The transfer of knowledge and know-how is facilitated through project work in the areas of land use, settlement, and location development and the construction of housing, offices, and industrial facilities. The internationally oriented course of study in Architecture reaches the level of an academic university and is EU-notified, which enables graduates to gain free access to their profession throughout Europe.

The Institute of Entrepreneurship at the University of Applied Sciences plays a special role in the German-speaking landscape of higher education. In Vaduz, entrepreneurship not only relates to start-up companies, as is often the case elsewhere, but also to enterprises in all their growth and crisis phases. The applied research of the Institute starts from the modern perspective that employees are actually co-entrepreneurs. Entrepreneurial thinking and acting is spreading throughout the «Entrepreneur Valley» of the three corners region of Eastern Switzerland, Western Austria, and Liechtenstein, enabling it to make a splash in many elite groups of the globalized world.