

LI-Statement EEA Council 24th of May 2023 – Orientation Debate: Building long-term competitiveness in the Internal Market, in the face of global challenges

Dear Vice-President, dear Ministers, dear Managing Director,

Europe needs to transition into a greener, more digital future. In a globalized world, we can only do this with the right partners.

At the same time, the Russian war against Ukraine, China's increasing economic assertiveness and less dramatically the U.S. Inflation Reduction Act illustrate that Europe needs to increase its resilience and autonomy.

How this is best achieved is not only a matter of facts but also philosophy. What do we need more of – of what less? As a representative of a state with a liberal economic order and in light of increasing protectionism and state aid, I would say: Less is more.

I believe that competitiveness for a smartly digitized and decarbonizing economy hinges on the following aspects:

What skills and infrastructure do we provide?

How good is our research and development?

How fast and inclusive our Internet?

How much legal certainty do we ensure and how good is our vocational training?

These are areas where Europe should gather its strength, and this is where we should look closely if we want to increase our productivity.

Liechtenstein welcomes the EU's industrial policy measures in principle – with the caveat that the EEA/EFTA-States are not disadvantaged or considered third countries.

The same applies to the Green Deal Industrial Plan, even though here we sense a certain risk of a global subsidy race.

We would prefer to concentrate our efforts on simplifying regulation, shortening approval procedures, reducing administrative burdens and creating targeted incentives. This is, for example, provided for in the Net Zero Industry Act, and we hope will be implemented in practice.

What we need more of, is the Single Market. Here, the opposite logic applies: More is indeed more!

The EU has powerful levers it could use more in its competition with China and the U.S.:

We have a Single Market that is larger than the U.S. market, but often less attractive for companies because of the continued strong market fragmentation. In many areas, national rules still dominate, such as in the field of biotechnology. Also, the digital Single Market is far from complete.

We also need to find lasting solutions for the high energy costs in Europe if we want to compete with the U.S. that engages in fracking or China and India which open up coal power stations at record speed.

A study of the Boston Consulting Group notes that by 2030 green steel could be 35% more expensive in Europe than in the US. The production of many building materials is even expected to be 100% more costly by then.

While the goals of the green and digital transition are about nothing less than a livable future and our European values need to be preserved at all costs, Europe needs to also be street smart when competing with third countries which profit from lower or no ambitions at all in this respect.

One concrete example that keeps Liechtenstein enterprise leaders awake at night is the scope of the EU Directive on corporate sustainability due diligence.

It seems doubtful that the current proposal will further the intended goal of a level playing field:

Various unclear formulations and undefined legal terms result in legal uncertainty for companies and make a uniform implementation in the EEA Member States difficult. The additional bureaucratic burden and high liability risks may well result in less business, declining sales and ultimately job losses - both in Europe and abroad.

Especially in view of the current geopolitical challenges, it is important that bureaucratization does not gain the upper hand in the EEA. Many examples can be found in the area of labor law, which allows too little flexibility for today's real working world.

This issue is closely related to yet another big challenge: The shortage of labor and skilled workers.

The European Year of Skills 2023 with its focus on reskilling, upskilling and harnessing the right skills couldn't be more timely.

Liechtenstein is also affected. Contrary to original assumptions, technological development and digitalization are creating more jobs in Liechtenstein than are being lost. Climate change and the energy transition are also increasing the need for qualified personnel.

We are convinced, the problem can only be solved together with the business community. Accordingly, my Government set up a working group in which the

private sector is well represented. The focus will be on measures for more flexible working models and working hours and for continuous education and training.

As I said at the outset, a promising response to the profound challenges to Europe's competitiveness is not only a matter of facts but also philosophy.

Such philosophy diverges between EEA Member States. It is tied to culture, mentality and history.

However, special times need special measures and the most important ingredient of Europe's success is its cohesion and political unity. This was impressively illustrated by the united European response to the Ukraine war.

It is the most precious asset we have – it should be the philosophy of all philosophies – which we must preserve at all costs if Europe is to emerge strong from the current crises.

The EEA/EFTA States are also keenly aware of their responsibility in this respect as a core obligation of their EEA membership.