

Exploring Liechtenstein: A Hidden Jewel in The Heart of Europe

"What exactly is your 'fair share' of what 'someone else' has worked for?" Thomas Sowell - American economist, economic historian, social philosopher and political commentator



Article by
Stefan Kremeth
CO-FOUNDER & CEO, INCREMENTUM AG

Liechtenstein is a principality located in the heart of Europe, distinguished by its remarkable economic prosperity. This landlocked nation bordering Switzerland to the west and Austria to the east is a notable example of a successful microstate within the European landscape.

Its unique geopolitical positioning and robust financial sector contribute to its status as a thriving economic entity. In earlier Executive Global articles, I have thoroughly explored Liechtenstein's history and highlighted the specific advantages that position it as a modern financial centre. I discussed how it effectively navigated the Great Financial Crisis of 2008 and the subsequent years in an anti-fragile manner.

However, Liechtenstein's path to prosperity was not a one-way street, and the country and its citizens faced setbacks. On January 23, 1719, Emperor Charles VI officially granted the dominions of Vaduz and Schellenberg to Prince Anton Florian of Liechtenstein, signifying the establishment of the principality. In the 19th century, many residents of Liechtenstein emigrated in search of work as the country grappled with poverty and economic isolation. The first bank was inaugurated in 1861, and the 1862 constitution established the Landtag to ensure representation. The aftermath of World War I left the population in dire straits, and towards

the war's conclusion, Liechtenstein severed its ties with Austria. In the 20th century, Wilhelm Beck advocated increased rights, leading to a new constitution in 1921. The customs treaty with Switzerland in 1923 and the adoption of the Swiss Franc significantly improved the economy.

In 1938, Prince Franz Josef II became the first ruler to reside at Vaduz Castle. Following World War II, Liechtenstein transformed from an agricultural state to a modern economy with competitive industries. It joined numerous international organisations, including the United Nations in 1990 and the European Economic Area in 1995. As the constitution outlines, its municipalities possess a conditional right to secede.

LOW ON TAX, HIGH ON FREEDOM

Today, Liechtenstein is distinguished by a substantial degree of individual freedom, *guaranteeing strong personal asset protection for its citizens*. It is also committed to fostering a robust sense of community, with a strong awareness of and respect for cultural norms and local customs. Like any healthy and liberated community, Liechtenstein intends to enhance all its members' overall quality of life. While some individuals may receive slightly less support or financial assistance from the state, this thinking still contributes to the collective well-being of society overall. In such a framework, the government serves its citizens by fulfilling essential duties while respecting their autonomy in decision-making.

Due to prudent budget management and an unemployment rate of only 1.6%, *the country enjoys the advantages of having no national debt*



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and reasonably low tax rates for its citizens and businesses. Therefore, the introductory quote by Thomas Sowell, “What exactly is your ‘fair share’ of what ‘someone else’ has worked for?” could easily be attributed to a session in the Parliament of the Principality of Liechtenstein. A Parliament comprises 25 members within a single chamber, whose President and Vice-President are elected during the opening session of each new year.

The country enjoys low crime rates, which can be

attributed in part to a strong sense of community and, in part, to stringent immigration controls. This is particularly important for such a small state, the sixth smallest in the world with only 39,330 inhabitants, as significant demographic changes could quickly threaten the nation's identity. The government ensures the provision of essential infrastructure and basic services, allowing citizens to thrive. However, it is crucial for individuals to take the initiative and strive for their own success. Short-term thinking is discouraged, and the Princely Family consistently focuses on generational well-being rather than quarterly results.

Individuals intending to reside in Liechtenstein for an extended period must apply for a residence permit. Depending on their intended duration of stay, applicants should seek either a short-term or long-term residence permit. There is a wide range of rental properties, but the prices are relatively high and reflect the high standard of living in the region. Expatriates in Liechtenstein may find that the local culture differs markedly from what they are accustomed to. The country's small size and tightly-knit communities can present challenges for expats attempting to integrate and cultivate friendships. Liechtenstein is also not (yet) a well-

known destination for digital nomads. The high cost of living and the reasonably high hurdles that may lead to a residence permit, albeit often only temporary, do not make it easy for digital nomads to settle in Liechtenstein in the short term. In addition, the language barrier, as German is the national language, can make it challenging to deal with authorities, landlords, and the local population.

However, the friendliness of the proud locals allows tourists to fully appreciate the country's *stunning natural beauty*, characterised by its lush green valleys and majestic mountains. Additionally,

Liechtenstein's low crime rate and convenient location for excursions to Switzerland and Austria, near Lake Constance and the Alps, *make it an ideal destination for families*. The banks of the Rhine are suitable for walking, jogging or cycling, and the excellent infrastructure and efficient public transport system facilitate easy navigation. The rich cultural heritage, highlighted by numerous festivals, museums, and galleries, ensures an engaging and entertaining stay and the wide range of culinary delights offers something for everyone.

THE BUSINESS LANDSCAPE

FC Balzers, a modest football club in Liechtenstein, has recently captivated social media audiences. This surge in popularity was sparked by Argentinian influencer Valen Scarsini, who aimed to elevate the club's regional profile. His mission was remarkably successful: FC Balzers now boasts 268,000 Instagram followers, surpassing the social media presence of Switzerland's FC Basel. This second-division club has transformed into an internet sensation almost overnight. Scarsini mobilised his significant following on TikTok, with 500,000 followers, and YouTube, with 340,000 subscribers, to rally support for FC Balzers, resulting in a profound impact.

The business landscape in Liechtenstein is characterised by a culture of respect, cordiality, and well-established institutions *known for their dependability*. This environment nurtures a competitive, yet fair setting for enterprises. Unlike some regions that actively encourage entrepreneurial endeavours with built-in expectations, Liechtenstein does not presume that new initiatives will arise spontaneously.

Our company, Incrementum AG, has been located in Liechtenstein for the past 12 years. My partners and I have never wavered in our decision to establish our asset management business in the Principality. The stable currency of the Swiss franc, access to a skilled talent pool from Switzerland, Austria, and Germany, the opportunity to engage with the European Union market, and the reliability of local authorities and institutions, have proven invaluable to us. Our collaboration with the University of Liechtenstein even resulted in a grant from Innosuisse, the Swiss agency dedicated to promoting innovation. **EG**

For further information, please visit:
www.incrementum.li

About Stefan M. Kremeth

Stefan's career is built on a strong foundation in finance and management. He studied at a Commercial School and the Swiss Banking School in Zurich, adding Business Administration with a strong focus on organizational theory and leadership at Durham University, earning him a doctorate from Durham University Business School with a dissertation on the Swiss Pension Fund Industry and he is holding an Executive MBA in International Asset Management from the University of Liechtenstein. Stefan began his professional career with an apprenticeship at UBS in Zurich. He later completed internships in Toronto and Madrid before joining the CEO's staff unit. In 1995, he transitioned to Investment Banking as an advisor to institutional clients. He then served as Executive Vice President at Lombard Odier & Cie in Zurich and in 2006 as Managing Director at Bank Sal. Oppenheim AG. In 2009 he joined Incrementum Advisors and, in 2013, co-founded Incrementum AG in Liechtenstein, where he is currently CEO, focusing on Private Clients. His diverse experiences highlight his impactful role in finance.