

A stable, competitive European Union

The foundations for growth and prosperity in Europe need to be constantly shored up and worked at, as **Angela Merkel remarked during a recent visit to London**

European integration shows that we have learned the lessons from bloody conflicts and a painful history. Together we have changed Europe for the better. Thanks to the peaceful revolution in Central and Eastern Europe, whose 25th anniversary we are celebrating this year, it was possible to overcome further frontiers in Europe. Current events in Ukraine demonstrate how grateful we should be for this good fortune. We stand shoulder to shoulder with the people there, and in many other countries, as they struggle to protect justice and freedom.

For me personally, as for millions of people behind the Iron Curtain, the fall of the Berlin Wall in 1989 was a moment of incredible happiness. I learned first-hand: change – change for the better – is possible. We should be guided by that maxim in this year of commemoration. Every political generation has its responsibility; as do we, the politicians of today. Standstill can quickly lead to setbacks. Or, in the words of Winston Churchill: “To improve is to change, to be perfect is to change often.” I believe we politicians should take this to heart ...

On 25 March 2007, we member states of the European Union pledged in a Berlin declaration to mark the 50th anniversary of the signing of the Rome Treaties: “Our history reminds us that we must protect this for the good of future generations. For that reason we must always renew the political shape of Europe in keeping with the times.” We have to renew it time and again in keeping with the times so that Europe can continue to fulfil its promise to ensure peace, freedom and prosperity.

I know that many believe that the European Union’s peace mission has been accomplished. They believe that in the early post-war years, it was an obvious motive for European integration. Now, many think, this promise is outdated as today a war among European Union member states is – thank goodness! – impossible.

It is true that a war among the European Union’s member states is inconceivable today. But let us not forget that the last war on the European continent took place less than a generation ago. The Western Balkans show how clear and present the danger of military conflict remains. Our soldiers and police officers are still serving there today. Without a European perspective for these countries, a future in peace would still be a long way off.

And we have to continue to stand up resolutely against extremism and inhumanity, which are still present in today’s Europe. We have to continue to condemn and fight hate, violence and terrorism of any kind – day after day.

We member states of the European Union have a duty to pass on the lessons we have learned from our history and to help foster peace and the rule of law in our neighbourhood and in the world. This includes enabling others in the world to do more themselves to ensure stability and security in their region and to settle their conflicts as peacefully as possible ...



The Europe without borders is one of the great achievements of European integration. All the member states and all their citizens benefit from it. Be that as it may, if we are to preserve this freedom of movement and ensure that it is still accepted by the citizens, then we must also have the courage to acknowledge adverse developments and try to correct them.

Fair and open trade

In our European democracies, freedom is secured by the rule of law. In business, too, a reliable legal framework is a prerequisite for enterprise and trade. That is the basis of our single market. Germany and the United Kingdom want to use the strength inherent in this single market to maintain our prosperity through fair and open trade with other regions of the world. Not least in order to ensure that we can in future continue to keep this third promise of Europe, we must always renew the political shape of Europe in keeping with the times. We must constantly remind ourselves that the world is not waiting for Europe. Economic strength and competitiveness must be continually enhanced and renewed.

For a long time we Europeans took it for granted that economic development would, on the whole, be positive. With the single market and the single currency we created an unparalleled success story that opens up new opportunities for us. However, the international financial crisis and the ensuing sovereign debt crisis in the euro area also made it clear that the foundations for growth and prosperity in Europe need to be constantly shored up and worked at ...

I am convinced that, when it comes to tackling both the international financial crisis and the European sovereign debt crisis,



LUKE MACGREGOR/REUTERS

Chancellor Angela Merkel addresses members of both UK Houses of Parliament in the Royal Gallery of the Palace of Westminster, London

it cannot simply be enough just to try to survive them somehow. We must set our sights higher. Our aim must be to come out of the crises stronger than we were at the start, because it is a matter of upholding our values and interests worldwide ...

Defending common values

The Cold War blocs no longer exist. Globalisation and digitisation determine how we live, how we do business and how we work in a way we could never have imagined ...

Today the world is home to more than seven billion people. We 500 million Europeans make up a mere seven per cent of the world's population. We have to face up to the major tasks of our age together. I am convinced that any of us acting alone would achieve less than if we all act together: less in terms of defending our common values and less in terms of the prosperity of our citizens in the global competition ...

Despite Europe's 25 per cent share of global economic output, the World Trade Organization estimates that, over the next five years, 90 per cent of growth will be generated outside Europe. So to keep the European promise of prosperity in the future, it will be vital to benefit from growth opportunities in other parts of the world. To that end, we must dismantle further barriers to trade. In particular, the planned free trade agreement between the European Union and the

United States of America can make a significant contribution to growth and employment in Europe ...

We must make even more intensive use of the European Union's clout to push our common interests, for example with regard to international climate protection. No one EU member state alone would have sufficient weight to stand fast in the international negotiations. A stable, competitive European Union can combine economic success and social responsibility in a sustainable way. To this end, the euro

states must back up monetary union with a strong economic union with a clearly defined and sustainable architecture ...

We Germans will never forget that we owe our country's prosperous development to our European partners' willingness to forgive and reconcile.

We Germans are aware of our responsibility for a bright future for the European Union. We will therefore do our utmost to ensure that the European Union can continue to keep its promise of peace, freedom and prosperity in future. Whatever we do or fail to do now to renew the European Union's political shape in keeping with the times will decide Europe's future. ■

The world is not waiting for Europe. Economic strength and competitiveness must be continually enhanced and renewed

Excerpts from Chancellor Angela Merkel's speech to the UK parliament in London, 27 February 2014

Doing business in the heart of Europe and soaking up San Marino's sights, history and culture

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More than 1,700 years of independence and freedom, amid history and legend: the special traits of the world's oldest republic, a small piece of land that clings to Mount Titano, in the heart of Europe and Italy. Over the centuries, popes, potentates and even the emperor Napoleon have shown respect for the liberty of this country, which is today a fully fledged member of the United Nations and the Council of Europe, as well as other major international organisations, in which it strives to defend human rights and peace.

It was thanks to the wisdom that inspired the ancient San Marino Commune that its people were able to tackle dangerous situations and strengthen their independence. In 1797, Napoleon offered to extend the country's land area as far as the sea, but this offer was wisely refused. In 1861, Abraham Lincoln showed his friendship for San Marino by writing to the Captains

Regent: "Though your country is small, nevertheless it is one of the most honored throughout history..."

The historical peculiarity of San Marino is revealed in its ancient institutions, which are unique in the world. The two Captains Regent, for example, appointed for the first time in 1243, are an institution still in force today. The Great and General Council is the legislative body composed of 60 parliamentarians, elected every five years by universal suffrage, and the Congress of State (government) is today composed of nine members whose mandate shall not exceed a maximum of ten consecutive years.

San Marino is also known for its tradition of great hospitality. Right of exile has never been refused, whatever the condition and ideas of the refugee. One emblematic episode is the hospitality given during the Second World War to 100,000 Italian refugees from the surrounding districts.

San Marino on the UNESCO World Heritage List

The San Marino Historic Centre and Mount Titano site became part of the UNESCO World Heritage List in 2008. It is a place of quality and well-being thanks to historical, cultural, traditional and environmental factors and a high level of security.

San Marino's full integration in the international community

The Republic of San Marino is a member of the United Nations and many UN programmes, funds and specialised agencies, as well as the Organization for Security and Co-operation in Europe (OSCE) and the Council of Europe (CoE). It has also joined the IMF, the World Bank, the CEB and INTERPOL. It takes part with its own parliamentary delegation in the Inter-Parliamentary Union, the Parliamentary Assembly of the Council of Europe and that of the OSCE. San Marino has diplomatic and consular relations with more than 100 European and extra-European countries.

With the European Union, San Marino has a special Customs Union Agreement and a Monetary Agreement, and by the end of this year the republic will start official negotiations for an Association Agreement.

On 3 October 2013, the double taxation agreement (DTA) with Italy entered into force.

The economic system

San Marino is based on a diversified economy, with a developed industrial sector, banking and financial services, trade, tourism and handicrafts. The government is promoting internationalisation of the economic system by adopting specific regulations favourable to attract foreign investments. Since San Marino is a small country, it presents the advantage of being flexible and fast in the decision-making process. It offers conditions for developing successful projects, including reduced bureaucracy and direct negotiation with institutions for providing solutions tailored to investors' needs. The level of education is very high and English is widely spoken. These elements allow companies to find most of the skills they require. However, access to the external labour market is always possible in case of missing professional profiles.

Taxes, facilities and the financial system

San Marino offers competitive low tax rates and a new law on direct taxation came into force in January 2014. It has a modern structure with a low taxation both for natural and legal persons (the corporate tax rate is 17 per cent). Furthermore, a reform of indirect taxation is being studied in order to draft a law in line with EU directives.

San Marino is a good place for developing innovative projects that can benefit from the new Science and Technology Park and from legislation able to support strategic initiatives. Moreover, the establishment of fruitful collaborations with the local university is possible thanks to its openness to the real economy.

San Marino has an internationally oriented financial system, which provides a wide range of financial services to satisfy the needs of all types of client.

The financial system is composed of around 30 financial institutions, including seven banks specialised in full-scope banking services to private and corporate customers, as well as in private banking and family office solutions. Nowadays, financial intermediaries in San Marino can offer the best services meeting the





best international standards in one of the most secure and advanced economies in the world. There are two institutions responsible for promoting, sustaining and controlling the financial system: the Central Bank is mainly involved in fostering and safeguarding financial stability, while the Financial Intelligence Agency is responsible for analysing suspicious transactions. The current Anti Money Laundering and Countering Financing of Terrorism (AML/CFT) regime is fully in compliance with Financial Action Task Force (FATF) recommendations and the relevant directives and regulations of the EU. Moreover, the current Monetary Agreement with the EU, signed on 27 March 2012 and in force since September 2012, ensures the implementation of all relevant EU directives and regulations in banking and the financial sector listed in the Annex to the Agreement, in accordance with the deadlines therein specified. San Marino boasts a modern and competitive legislation on insurance, investment funds and trusts.

Tax information exchange

Since 2008, San Marino has been deeply committed to a process of greater transparency and, since April 2009, it

has signed a significant number of Tax Information Exchange Agreements (TIEAs) and DTAs, according to the new standards of the Organisation for Economic Co-operation and Development (OECD), with several countries and jurisdictions. As a consequence, on 23 September 2009 San Marino was placed on the OECD white list. San Marino has in place more than 41 Agreements, meeting the latest OECD standards, 24 of which are with OECD or EU countries. Furthermore, San Marino is an active member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. In 2013, San Marino signed the OECD-CoE Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The Central Liaison Office is in charge of exchanging tax information.

Welcoming tourists from around the world

San Marino will take part in the Milan Expo 2015 Bio-Mediterranean cluster, with its own exhibition space: 'San Marino, small enough to be big'.

Every year, almost two million tourists from all over the world come to San Marino, visiting in particular the Historical Centre with its museums, churches, buildings

and roads, all made of the beautiful and precious stone of San Marino. The landscape on the Adriatic coast and inland views offer the most beautiful and emotional experiences. Tourists can find accommodation facilities, shopping opportunities, and a rich culinary offer based on excellent local agricultural products. In addition to that, many events are held all year round, particularly during the summer season and at Christmas time. Two prestigious international events are also organised in San Marino: Renata Tebaldi International Voice Competition and International Piano Competition.



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