

Andorran Policy Measures to Enhance Foreign Direct Investment

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Abstract

The Principality of Andorra, in recent decades, and more intensively in recent years, has chosen to launch a process of international homologation and external openness that has had as its basic tool the liberalization of foreign investment and the will to participate in the European single market. Andorra has been on the national and international lists of tax havens for decades due to the application of banking secrecy and the lack of exchange of information on tax matters with other countries. On May 2009, the OECD decided to remove Andorra from the list of non-cooperative tax havens in light of its commitments regarding transparency and effective exchange of information. This paper reviews Andorra's recent experience with economic and political reforms and outlines major policy measures that have been implemented to achieve a legal framework following international standards while ensuring a level playing field. It also examines the changes in Foreign Direct Investment based on successful structural and institutional reforms in Andorra. The paper concludes by identifying some of the critical policy challenges in the years ahead.

Keywords: banking secrecy, homologation, openness, tax heaven, transparency