

Swiss-US Business Relations: Current Strengths and Challenges Ahead

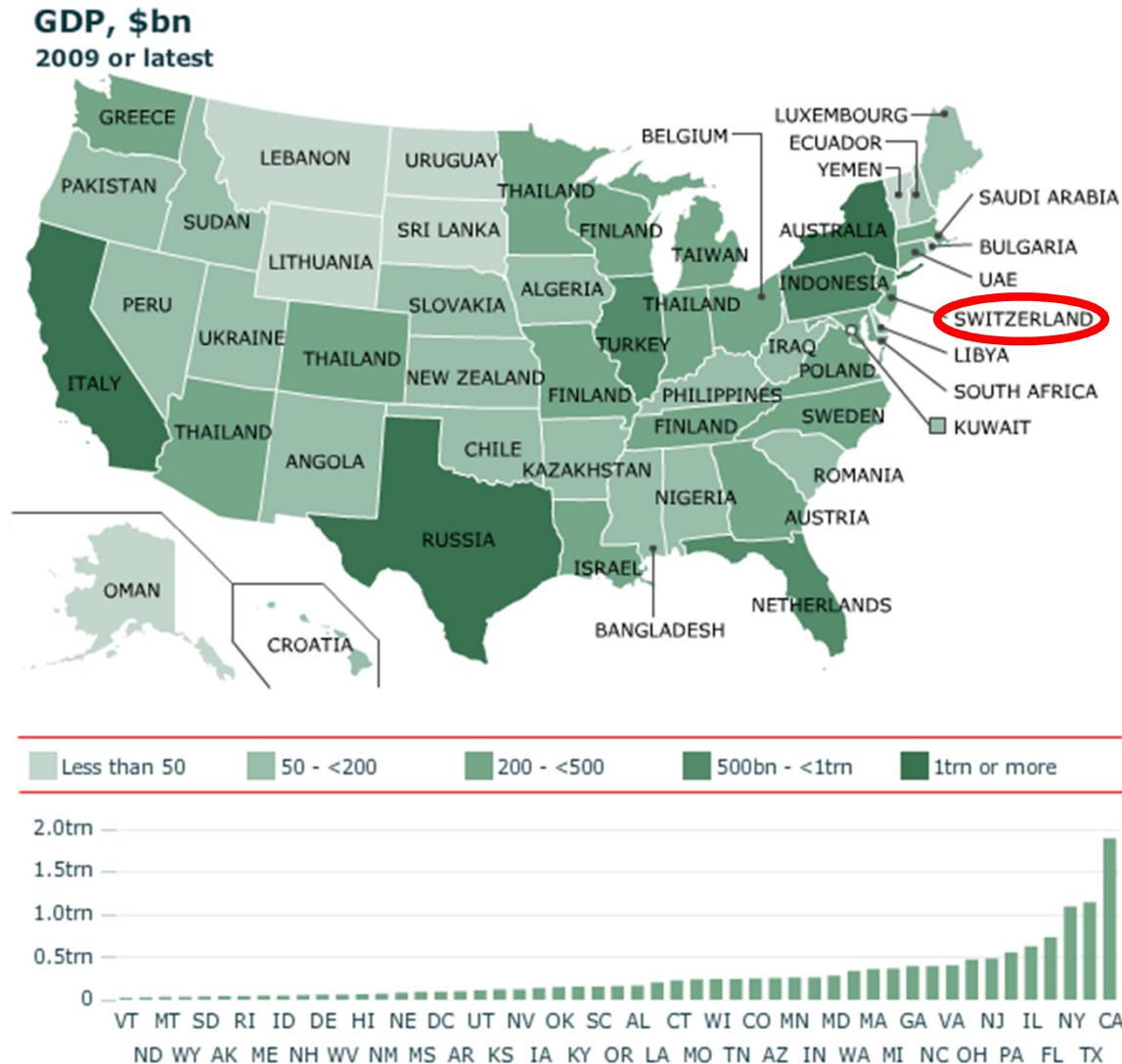
Liberales Institut
Zurich, May 3, 2016

Martin Naville
CEO
Swiss-American Chamber of Commerce



Swiss-American Chamber of Commerce

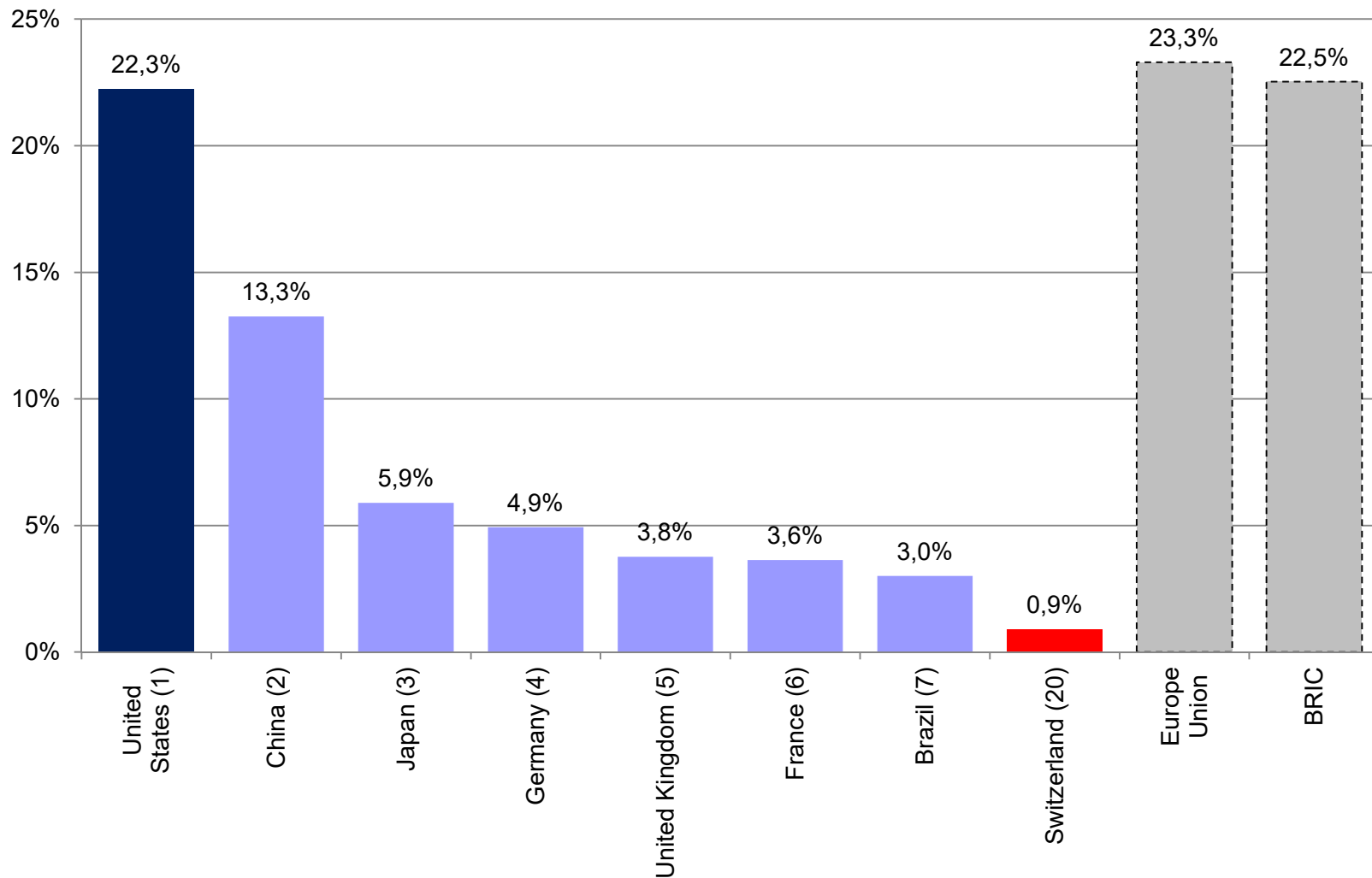
USA: It's a whole world!



Source: IMF, US Census Bureau (The Economist)

US Economy: The largest for now and for some time

GDP 2014
in % of
world
economy
(est.)



Key strengths are looming

- **Economy has massively restructured**
- **Record cash levels at companies and banks**
- **Flexibility and mobility still much better than other economies**
- **Entrepreneurship still world class**
- **Energy revolution and remanufacturing**



Who is the innovation locomotive?

- Google
- Twitter
- Skype
- Yahoo
- Apple
- Microsoft
- Amazon
- eBay
- Facebook
- LinkedIn
- Uber
- AirBnB
-

Where are similar firms from China, Russia, India, Europe?



We are both World Champions!

«The World Competitive-
ness Scoreboard», IMD,
May 2015



«The Global Innovation Index»,
Insead, WIPO, Cornell,
July 2015

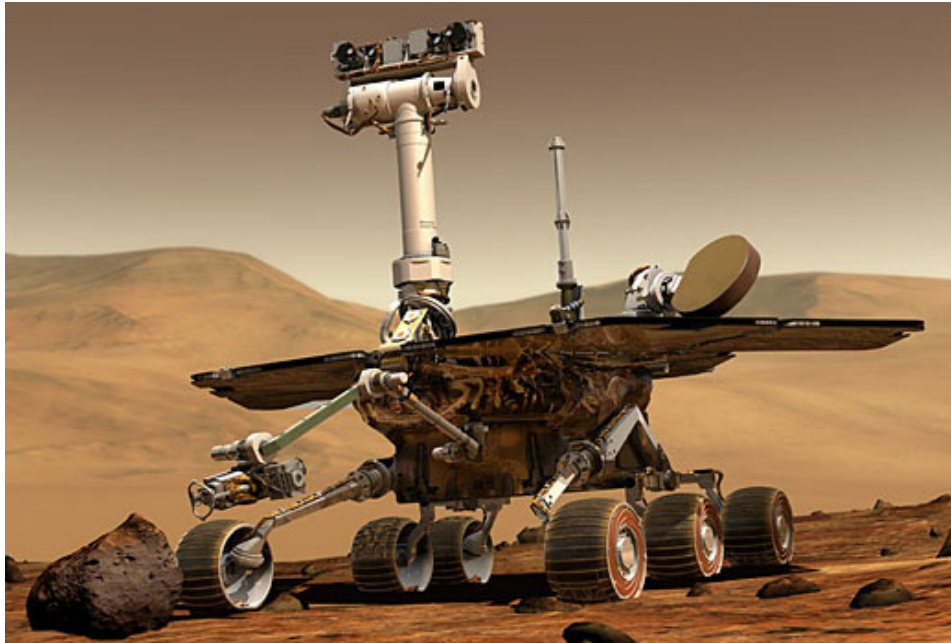


«The Global Competitive-
ness Report», WEF,
Sept. 2015

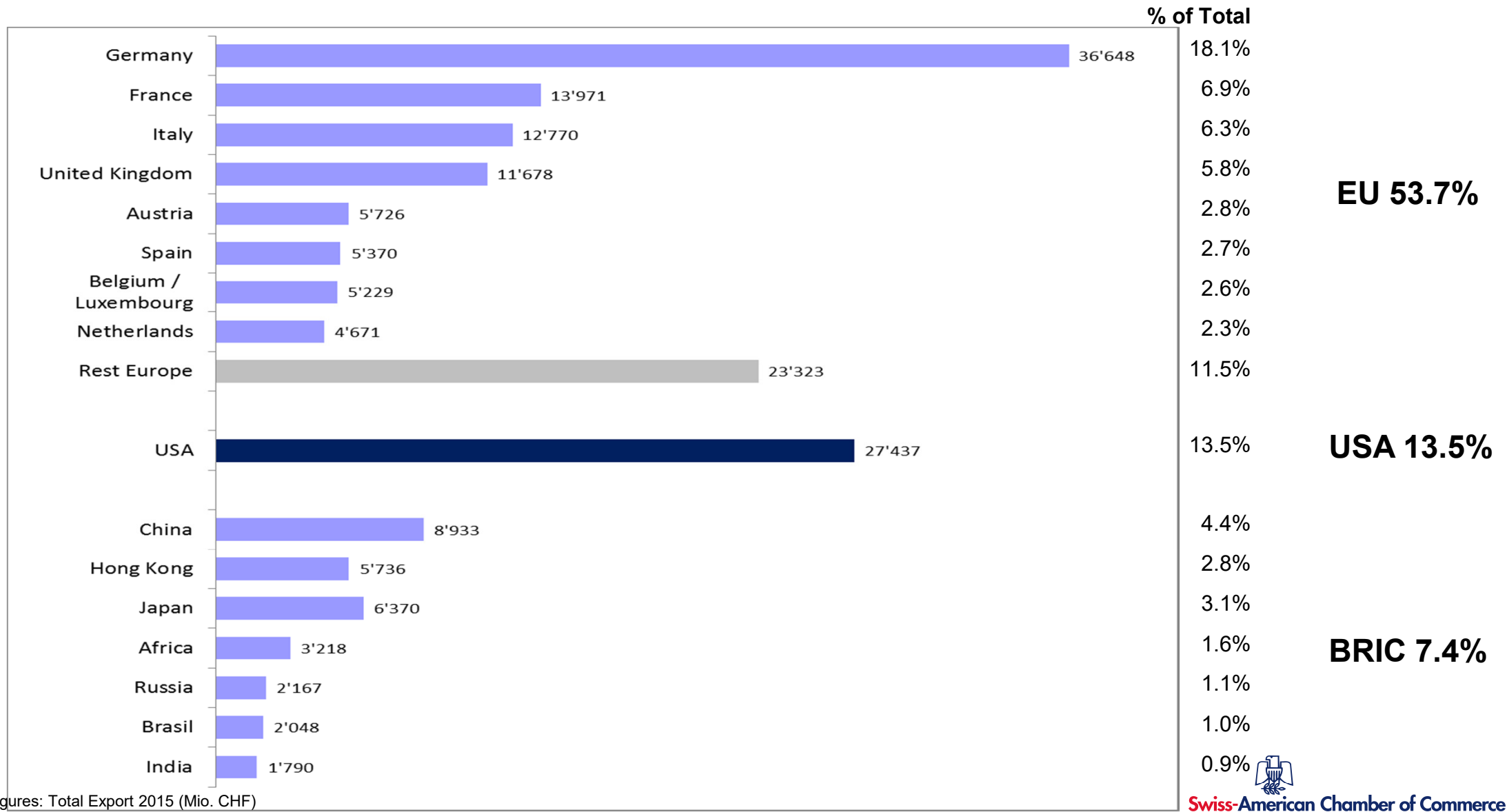


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Swiss or American?



USA: Key Export Market for Switzerland



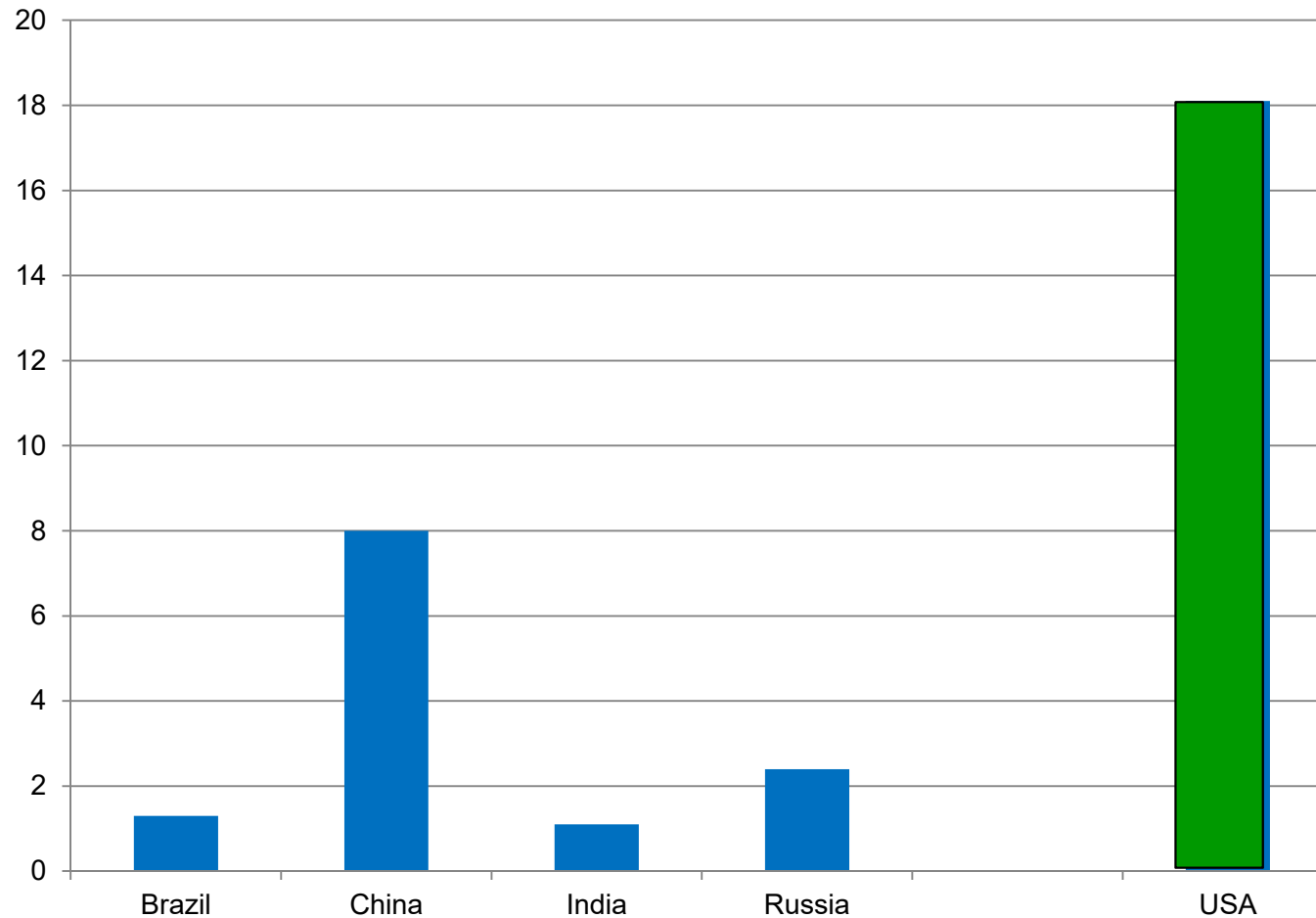
USA: The new «Export Locomotive»

Country	CH Exports 2011-2015
Germany	-8.3%
Italy	-17.9%
France	-2.8%
EU	-3.0%
USA	+37.7%

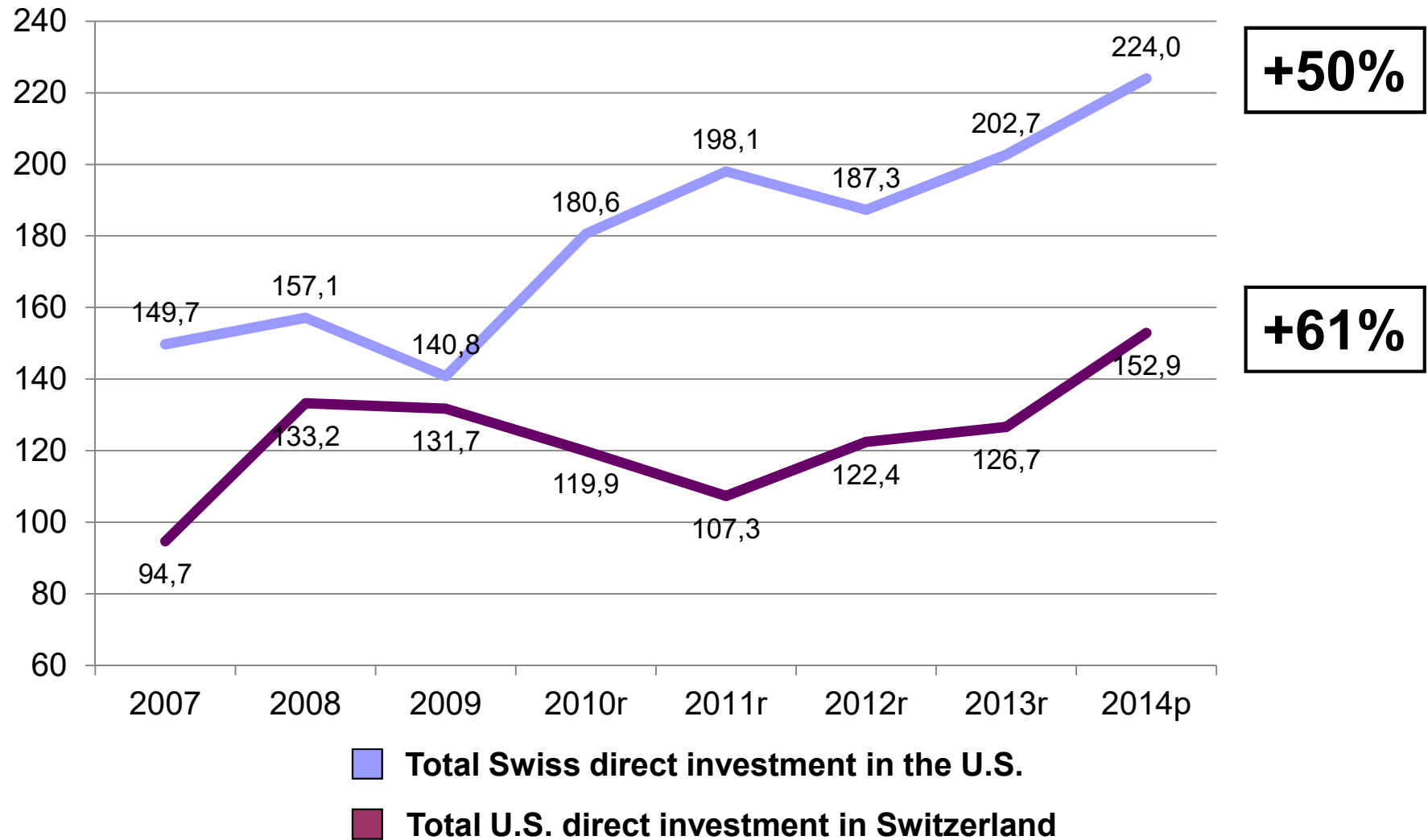
Total Export: +2.7%

Growth of Swiss exports since 1995

In CHF bn



Impressive growth in FDI



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Switzerland – USA: Great opportunities!

Business relations with growth potential

- Infrastructure
- Clean Tech, Green Tech, Sustainability,
- Energy efficiency
- Transportation
- Precision Engineering
- And furthermore: everything else!



The Challenges



«It is economic warfare against Swiss banks!»

Since January 2008, banks have paid more than \$ 200bn fines in the USA

- >75% paid by US banks
- < 5% paid by Swiss banks

Fine against Credit Suisse is not a record fine

- Bank of America: \$ 16.7 bn in 2014, \$ 9.5 bn in 2013, total of US\$91 bn
- JP Chase: \$ 13.5 bn in 2013
- BNP Pariba: \$ 8.9 bn in 2014

It is a campaign against banks, but not against Switzerland or Swiss banks. Resolution well under way with pragmatic solutions.

Pro memoria: Swiss companies have repatriated approx. CHF 100bn from the USA since the start of the financial crisis

Developments in USA

Most Relevant to Switzerland

- **Increasing regulation and implied protectionism**
- **New rules for Pharma, Insurance Companies and Banks**
- **Increased security arrangements**
- **Changes in corporate tax system; amnesty for foreign income?**
- **Search for additional tax revenue: increased scrutiny of tax havens: Corporate taxes!**
- **US program to resolve legacy of tax evasion**
- **Enforcement of exchange of information by IRS: FATCA!!**

Many axes of extra-territoriality

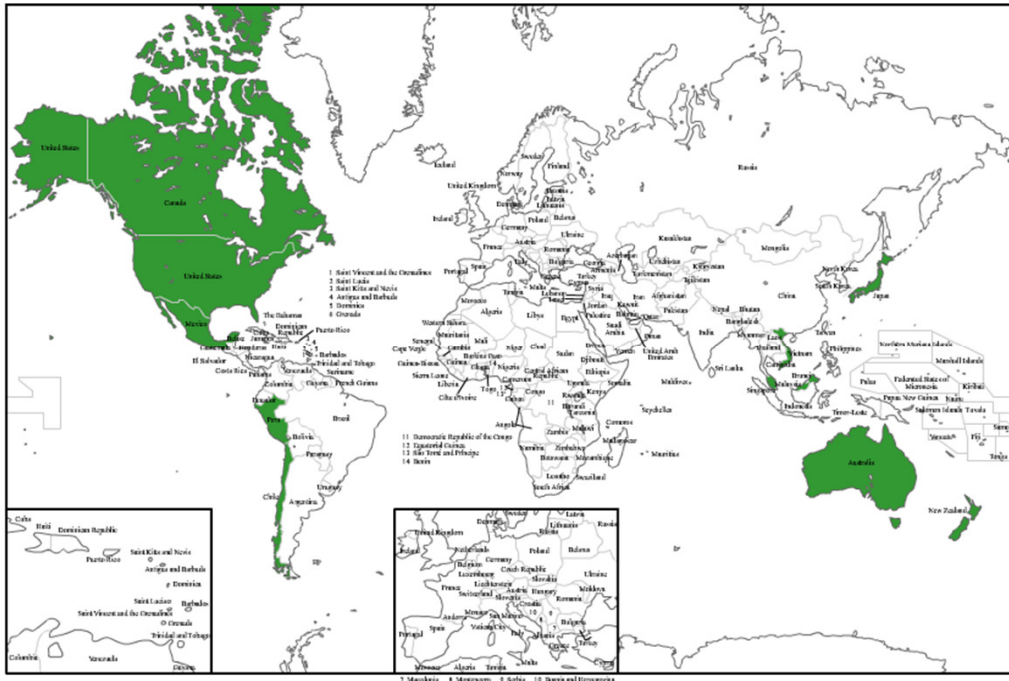
- FCPA
- Aiding and abetting tax fraud
- RICO
- Violation of embargos
- Violation of SEC rules

Ground rule: «Non-discrimination» between US and foreign companies

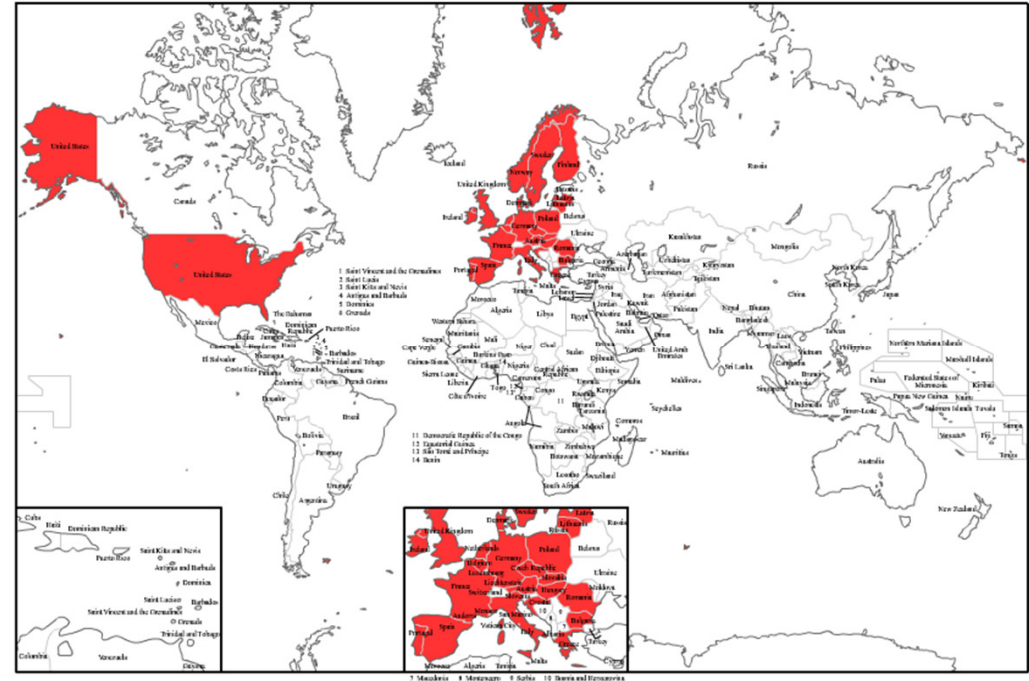


USA is at the center of the largest reorganization of trade (in development)

TPP



TTIP



AUSTRALIA, BRUNEI, CHILE, CANADA, JAPAN, MALAYSIA, MEXICO, NEUSEELAND, PERU, SINGAPUR, USA, VIETNAM;
MAYBE SOUTH KOREA AND TAIWAN



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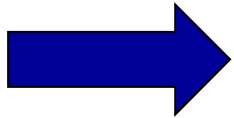
Tough issues are still unsolved

- **Agriculture (e.g. food safety, GMO)**
- **Public procurement (US states!)**
- **Data protection (Safe Harbour, Privacy Shield)**
- **Geodata**
- **ISDS**
- **Cultural exceptions for media and audio-visual products**



EU-USA Freetrade: Amcham's Scenario

- There will be a treaty on the table
- There will be a docking clause
- Switzerland will have to accept a non-negotiated treaty with a broad liberalization of agriculture
- Ratification in Swiss Parliament and through a referendum will be difficult (agriculture!)



There is a realistic scenario of a Trans-Atlantic Free Trade Zone – without Switzerland



What is at risk?

- 12.4% of Swiss exports to the USA
- 54.7% of Swiss exports to the EU
- Favorite location for US multinationals' headquarter functions
- Foreign investments in Switzerland
- Swiss investments in USA at pari passu to EU companies?
- Suppliers to MNCs moving to EU/USA, mostly SMEs (Content rules!)
- Chance to be a part in the development of a much larger free trade zone (Turkey? Mexico? Canada? Others?)



What can be done?

- **Switzerland (EFTA) has three (theoretical) options:**
 - **Co-sign**
 - **Separate Free Trade Agreement with USA**
 - **Sector-specific treaties with USA**
- **At the moment, only two things can be done**
 - **Closely follow TTIP negotiations (US-EFTA trade dialog)**
 - **Proactively address most important hurdles (agriculture?)**
- **TTIP is not the end, but the start of a 20 years odyssey**
 - **You can get in at the start or play catch-up for a long time!**



Switzerland-USA: Closer than you thought



Thank you!

