

Treaty on legal and administrative cooperation of August 19, 2009, between Switzerland and the USA

May, 2010

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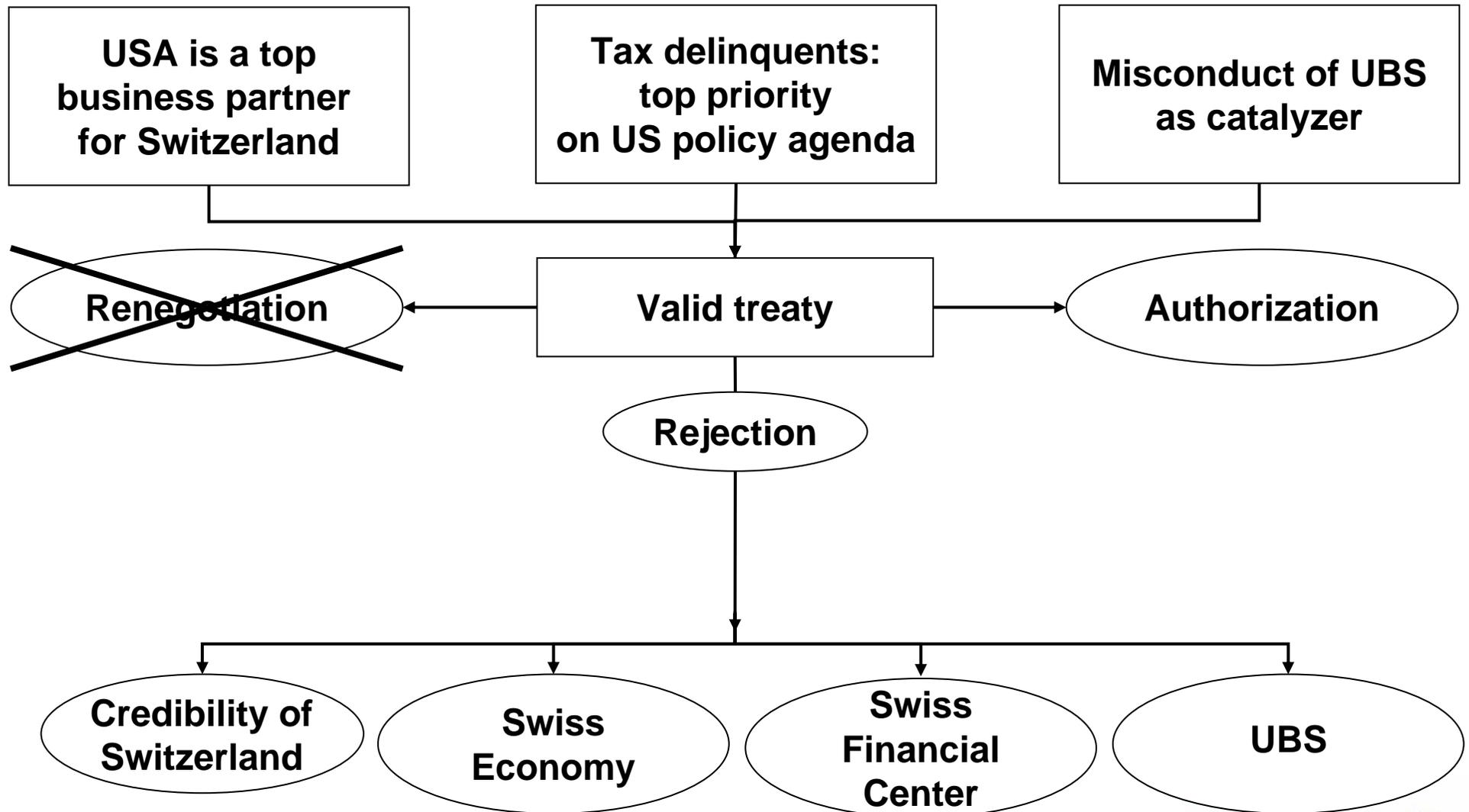


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Swiss-American Chamber of Commerce

The complex of problems at a glance

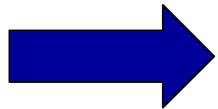


USA is a most important business partner for Switzerland

- **USA is the world's largest economy (25%), the following 4 (Japan, China, Germany and UK) add up to another 25%.**
- **USA is No. 2 in terms of export with a 10% share (Germany: 20%; France and Italy: 8.5%; China: 3%)**
- **USA export remained relatively robust in the crisis (minus 9%; EU: minus 15%; Germany: minus 16%)**
- **USA is the key market for all large and small Swiss companies, accounting for 25-50% of turnover; high profit margins.**
- **US companies in Switzerland generate 5% of the GDP (same dimension as Private Banking), providing about 120'000 jobs**
- **Substantial contribution to Swiss Knowledge Economy (Google, IBM, Microsoft, Amgen, Disney etc.)**
- **Switzerland and USA No.1 and No.2 in the WEF World Competitiveness Index**

Tax Delinquents: #1 Issue in USA

- **Popularity of Obama Administration is low, in spite of health care success**
- **Few visible successes in major policy issues (environment, jobs, Middle East, Guantanamo, health care?)**
- **Electoral defeat in Virginia, New Jersey and – above all – Massachusetts**
- **Mid-term elections on November 2 will be crucial for the Obama Presidency**
- **Most important success story: Fight against tax offenders and against Wall Street**



**It is not about UBS or Switzerland;
it is a matter of political survival**

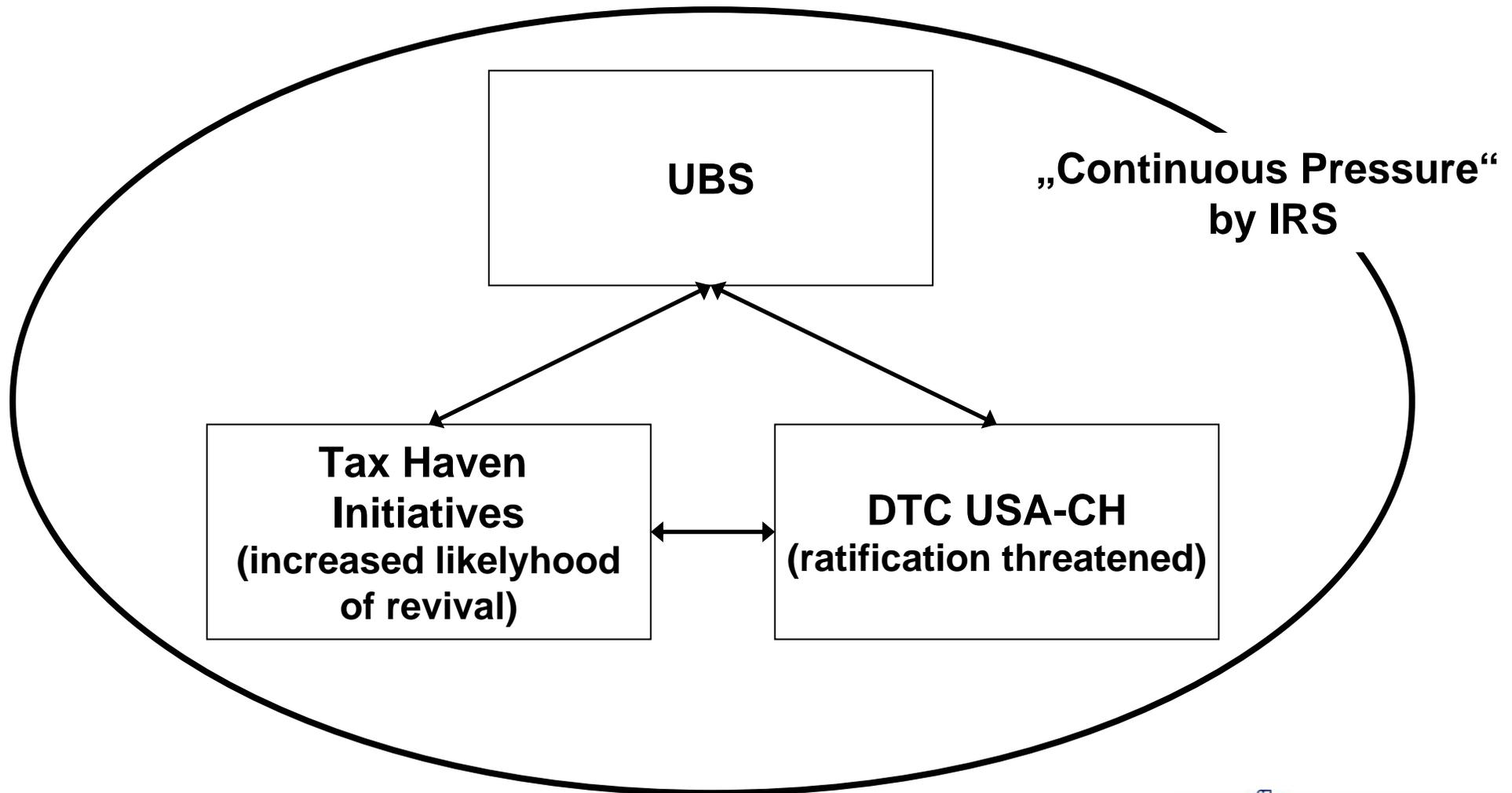
UBS misconducts as catalyzer

- **There are no excuses**
- **Directed US domestic efforts on UBS, the largest wealth manager and the Swiss financial place.**
- **Abundance of data from voluntary disclosure program, which are now used by IRS to put US tax payers under pressure.**
- **Swiss financial place under overproportional scrutiny**

Treaty is valid and binding

- **The treaty 2009 is a binding contract under international law.**
- **„The Federal Council and Switzerland are committed according to international law“
(Prof. Reich, University of Zurich, Feb. 23, 2010)**
- **„Is a Swiss deal a deal?“
(Editorial, New York Times, January 31, 2010)**

Rejection leads to NY Times Headline: „Swiss reject Treaty in order to Protect Tax Criminals“



Risks for all parties involved

- **Switzerland is breaking a binding treaty; damage of credibility
Switzerland seen by the whole world protecting tax criminals**
- **Swiss companies confronted with strategic questions as far as the US are concerned (DTT? Tax Haven? Public contracts?);
larger corporations potentially find solutions, medium sized companies in deep troubles**
- **US companies in Switzerland get under pressure; big strategic question marks; hardly any new relocations to Switzerland**
- **Swiss Financial Center in IRS' focus, with implications on Swiss relationship with Germany, Italy, France, UK; OECD; G-20**
- **UBS would back to square one; resulting in great uncertainty for clients, investors and business partners**

Politically, a dangerous business

- **Issues between Parliament and Federal Council**
- **Too much noise between the parties (GPK/PUK; Minder)**
- **Negative feelings towards UBS and banks in general**
- **Populistic stances regarding election 2011**
- **Fear to be branded as „Protector of UBS“**
- **Lack of knowledge regarding Agreement and decision of Federal Administrative Court**
- **Lack of knowledge regarding importance of USA-Swiss business relationship**
- **Lack of knowledge regarding political priorities in USA**

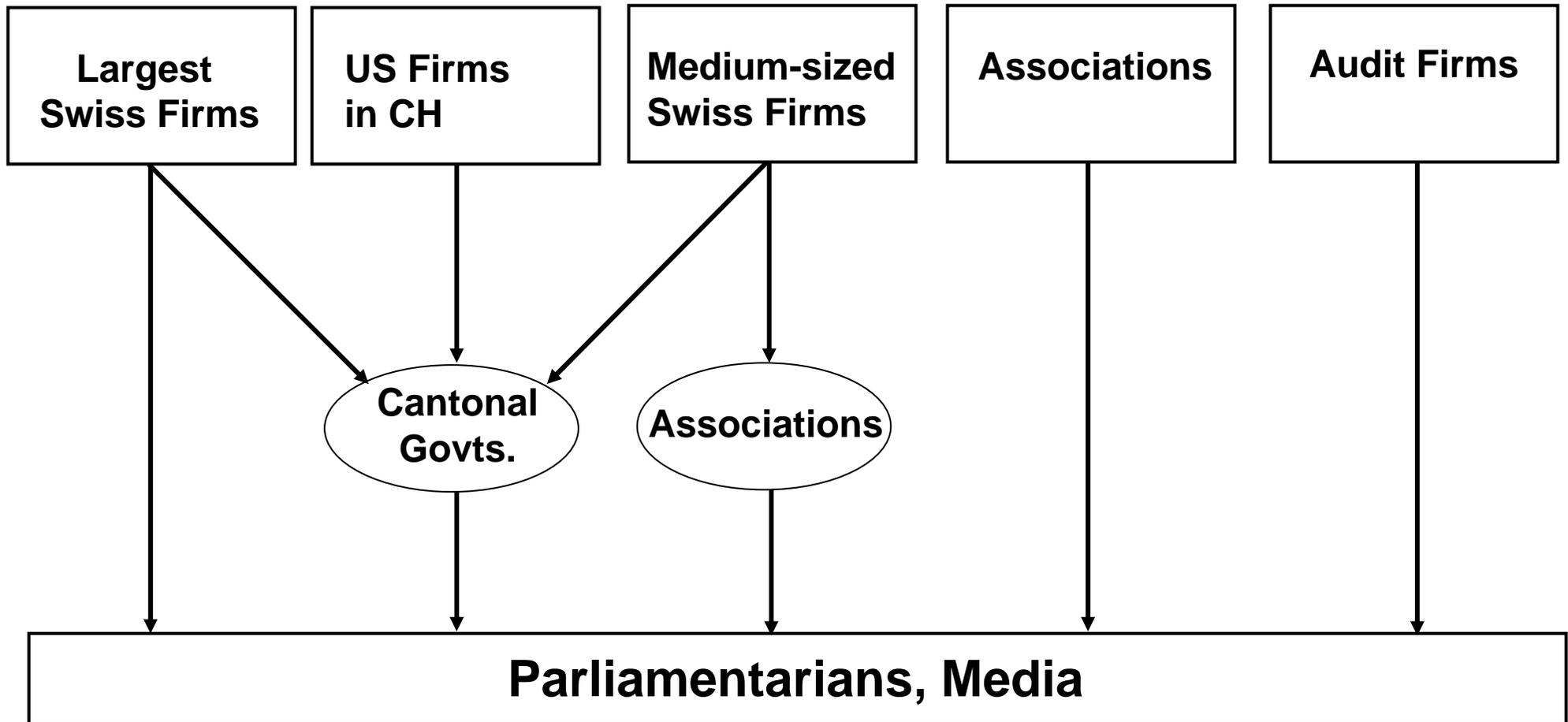
Summary

- **US Tax Express Train heads on full speed for the mid-term elections in November 2010**
- **Switzerland stands on the tracks**

Ratification of Agreement is crucial

- **Switzerland needs to get off the tracks by authorizing the treaty according to article 25 DTC and to the recommendation of the president of the Federal Administrative Court**
- **With the major legacy issue out of the way, a solid strategy can be discussed and implemented for the Swiss-US relationship and the Swiss financial place**
- **Search for cause and accusations can follow later**

„Real“ Economy in the center of the information campaign



Main messages to convey

- **The Agreement is legal, valid and binding**
- **Credibility of Switzerland as a treaty partner is key for Swiss businesses**
- **Risks to the real economy are real (to be underlined by specific facts)**
- **Expectations that the parliamentarians put aside party politics in this case and ratify the Agreement**

Assumed Time Line

- **April 15: Federal Council sent „Botschaft“ to Parliament**
- **May 21 (WAK-N) and May 27 (APK-S) deliberate and make recommendation to the Chambers**
- **June 1 (NR) and June 7 (SR): Decision in both Chambers**

Consequence for action plan:

- **Information campaign until mid-May focussed on members of the relevant commissions**
- **Depending on recommendations, larger campaign involving all parliamentarians**