

A Strong Lobby for U.S.-Swiss Relations

For many decades the U.S. has been one of Switzerland's key trading partners. In the face of recent media reports claiming that U.S.-Swiss relations are on the rocks, the Swiss-American Chamber of Commerce (AMCHAM) under CEO Martin Naville plays a significant role in keeping things in perspective.

Interview: **Regine Wieder**

[Why is the United States such an important ally for Switzerland's economy – and vice versa?](#)

Martin Naville: With a market share of 10 percent the U.S. is, after Germany, Switzerland's second most important export partner. Last year, our exports to the U.S. increased by another 2.6 percent, which is a particularly positive result given the weak economy and the strong Swiss franc. Conversely, U.S. exports to Switzerland amount to 0.8 percent of U.S. overall exports, which is disproportionately high, considering Switzerland's geographical size. This makes Switzerland the 16th largest export market for U.S. goods. Further, at approximately 40 percent the U.S. is the biggest direct investments market for Swiss firms, while at over 45 percent U.S. firms are the most important direct investors in Switzerland. Many multinationals in Switzerland produce a large proportion of their goods and services for the U.S. market, especially in the insurance, pharmaceutical, food, and precision instruments sectors. Of course, the banking and finance industry also used to be very successful in the States. Currently, both countries are trying to rebuild their relationship and put it on more solid ground. It can be said that Switzerland earns every other franc abroad, 75 percent of this in the E.U. and the U.S. In view of the fact that Switzerland wants to become more independent of the E.U., its trade relations with the U.S. provide a useful counterbalance and are therefore extremely important.

[What do our two countries have in common, and what are our differences?](#)

Martin Naville: Both nations are federal systems with a clear separation between legislative and executive branches. The citizens of both the U.S. and Switzerland enjoy

direct democratic rights; in 36 U.S. states voters have the right to propose new legislation. In addition, both countries have an effective and reliable legal system. Just like the Swiss, the Americans value personal freedom and the rights of the individual. But despite all these similarities, there are also considerable differences, for example in business practices, in the recognition and enforcement of legal decisions, and in policy and social issues. Additionally, even if they have an excellent command of English, Swiss people are often surprised that they don't understand what Americans really mean.

[The Swiss-American Chamber of Commerce \(AMCHAM\) promotes and facilitates better business relations between the U.S. and Switzerland. What are its main activities?](#)

Martin Naville: The Swiss-American Chamber of Commerce has two major functions: First, it addresses all problems impeding the free movement of goods, services, individuals, and investments between Switzerland and the U.S. Second, it supports business activities of multinational corporations in Switzerland (Swiss and foreign companies, large and small). At present, AMCHAM seeks to address the problems that have arisen between Switzerland and both the U.S. and the E.U. in the wake of the UBS affair regarding banking secrecy and tax compliance. Another key issue is FATCA (the Foreign Account Tax Compliance Act), a new piece of U.S. legislation to ensure that U.S. citizens pay taxes on any income they have generated overseas. The U.S. government wants to use FATCA to force all foreign financial institutions to disclose information to the Inland Revenue Service (IRS) about accounts held by U.S. citizens.



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We are also looking into the controversy with the E.U. concerning tax advantages granted to some foreign corporations in Switzerland. The E.U. takes issue with the fact that some Swiss cantons offer very low corporate tax rates to foreign holding companies, lower, in fact, than to Swiss companies. This entices foreign companies to move their headquarters to Switzerland (or to appear to do so), which enables them to transfer to Switzerland tax-

able income generated in other countries. Finally, we are also lobbying for an extension of the Visa Waiver Program (VWP) with the U.S. In an effort to increase national security, the U.S. requires all VWP countries to sign two security agreements. Of the 36 program countries, 30 have signed the agreements, with five of them negotiations are still ongoing, and Switzerland has only just started talks with the U.S. regarding this issue. If no serious progress

is made by the end of June 2012, Swiss citizens may again need a visa to enter the United States from 1 January 2013. In order to achieve these various objectives, AMCHAM's work consists of raising awareness among important stakeholders, bringing them closer together on certain topics, and conducting effective lobbying on specific issues.

[What are some of the achievements the Swiss-American Chamber of Commerce is proud of?](#)

Martin Naville: We are successful when the AMCHAM can make an active contribution to a healthy development of our bilateral business relationship. Actually, this relationship is healthy and thriving, in spite of recent tax compliance issues. We have also been successful in injecting a much-needed fact base into the political discussion with some key "facts and figures". And, finally, we feel gratified by the large number of top personalities from the business sector ready to support the AMCHAM and help in our efforts.

[What can Switzerland learn from the U.S. and vice versa?](#)

Martin Naville: It is difficult to make such comparisons because the two countries are so different. In general, Switzerland is a good role model for how a federal state with a division of legislative and executive responsibilities can manage public funds and reduce debt. Switzerland has some great ideas with regard to health care, sustainability, education, and public transportation, which the U.S. could profit from. On the other hand, the U.S. can serve as an example regarding efficient deployment of resources and the speed of certain processes. In addition, Switzerland could do with some of that American business mindset; Americans are much more ready to abandon traditional ways of thinking. They are more flexible and prepared to move forward, and they are also much more ready to accept mistakes and to take risks. Swiss business and political leaders should learn to overcome their fear of failure and seize the opportunities that present themselves, as this could have a very positive effect on the Swiss economy.

[In Switzerland, U.S.-Swiss relations are perceived as having been damaged by the taxation issue. How do the Americans see this?](#)

Martin Naville: The U.S. used to be a tax haven themselves for a long time, so they can't really point the finger at former Swiss practices, and they don't. At the moment, the U.S. is merely interested in getting hold of their tax evaders – on a global scale. Many Swiss believe that the U.S. wants to harm Switzerland as a financial center. However, as long as Switzerland doesn't actively protect U.S. tax evaders who are hiding from the law, there is no problem.

[How does the exchange rate problem affect trade between Switzerland and the U.S.? What are your views on the decision by the Swiss National Bank to set a 1.20 floor on the EUR/CHF exchange rate?](#)

Martin Naville: The strong Swiss franc has of course had a negative effect on exports. In such a situation, natural hedging is the best policy, i.e. an attempt to generate costs and turnover in the same currency wherever possible, in order to reduce the risk of exchange losses. Companies with seat in Switzerland are thus generating more costs in the dollar zone and fewer in Switzerland; this results in more purchases and more jobs in the States, to the detriment of the Swiss economy. The speed with which the Swiss franc has risen compared with other currencies was a problem. Adjustments like natural hedging lagged behind. The SNB measure of setting a floor of CHF 1.20 on the euro last September, and thus to weaken the Swiss franc, was a valuable move, since it allows businesses the security to make plans and gives the economy time to make adjustments.

[What makes Switzerland so attractive for U.S. corporations?](#)

Martin Naville: Switzerland is an ideal business location with excellent conditions: Above all, there is Switzerland's political stability. There are no impromptu reelections or sudden parliamentary reshuffles. Thus, companies can plan ahead in developing their business activities. Next, there are the typically Swiss traits such as high quality,

precision, and reliability. There is a well-developed infrastructure and a generally high work ethic. Another key factor is the Swiss education system; we have several excellent universities in Switzerland. In fact, two of our technical universities, the Federal Institute of Technology (ETH) in Zurich and the École Polytechnique Fédérale de Lausanne (EPFL), are ranked among the best in the world. Corporations like Google and the new Nanotechnology Center in Rüschlikon near Zurich would not be here if it wasn't for the ETH. I'd also like to mention the "dual system" of combining academic education and vocational training at secondary level, enabling students to obtain a vocational maturity certificate and thus gain admission to a university of applied sciences, which is an extraordinary career opportunity. Finally, there is Switzerland's international environment. Many major successful Swiss companies, such as Swisscom, Swiss Re, Credit Suisse, or Swiss International Air Lines, are run by foreign CEOs. Other factors that weigh heavily in Switzerland's favor include its climate of personal safety, a high standard of living, and relatively low personal tax rates.

What are some of the drawbacks?

Martin Naville: Drawbacks include high costs and fiscal insecurities, e.g., as a result of current discussion with the U.S. and the E.U. concerning taxation issues, as well as the overvalued Swiss franc.

Are the positive and negative aspects of Switzerland perceived as such in other countries, or is the image abroad a different one?

Martin Naville: Switzerland overestimates its own significance in the global context. Outside Europe, it barely registers in people's minds, except perhaps in clichés. In particular the Swiss political system is hardly understood abroad. More information about Switzerland should be made available to other countries. Countries like South Korea or Israel spend hundreds of millions every year for international lobbying activities. However, a similar strategy might not work in Switzerland due to its federalist structures; it might also clash with Swiss mentality.

In your opinion, how should Switzerland currently position itself in terms of foreign economic policy?

Martin Naville: It is important for Switzerland to find its place vis-à-vis the U.S., the E.U., and the rest of the world, for it is the only OECD country which isn't part of a larger conglomerate. In the long term, Switzerland must succeed in entering the South-American and Asian markets. In particular, it will be essential to finalize a free-trade agreement with China and Japan in the not-too-distant future.

Martin Naville

Martin Naville has been the CEO of the Swiss-American Chamber of Commerce since 2004. Prior to this, he spent 16 years with The Boston Consulting Group in Munich, Zurich, and New York, since 1995 as a Partner and Director. He holds a Master of Law from the University of Zurich. He is Chairman of the Board of the Zurich Zoo and a member of the Board of Directors of Lombard International, the leading Luxembourg life insurance company, and of online trading company Swissquote.