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# Navigating through waters

Traditionally both the US and EU have been Switzerland's key trading partners. In the face of recent tensions, with some claiming that relations with them and Switzerland are on the rocks, the reality is a little more complex

Written by Markus R Bodmer

## International relations

●●● Switzerland has been under increasing pressure for more tax transparency ever since the global financial and economic crisis, and the resulting (and considerable) financing needs of various countries. With the EU in particular, Switzerland has reached a turning point with the bilateral agreements, especially after the referendum to control immigration. A close look at the details reveals interesting facts.

### Swiss-American relations bear potential for extension

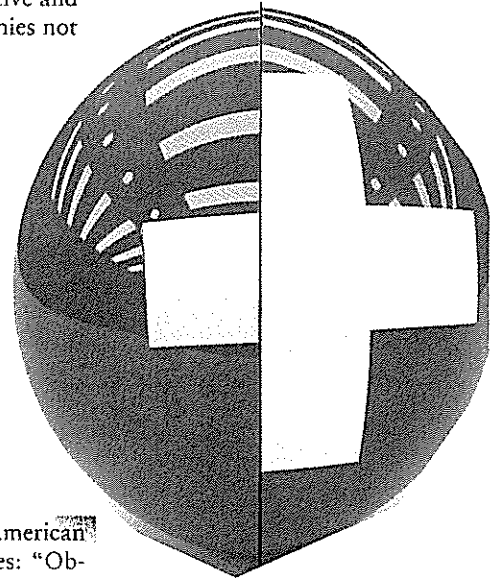
With a market share of 11.6%, the US is, after Germany, Switzerland's second most important export partner. Reciprocally Switzerland is the 16th largest export market for US goods. Many multinationals in Switzerland produce a large proportion of their goods and services for the US market, especially 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% of this in the EU and US. In view of the fact that Switzerland wants to become more independent of the EU, its trade relations with the US provide a useful counterbalance.

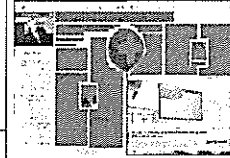
Swiss direct investments in the US in past years were propelled by important

takeovers, strengthening the global position of Swiss companies. Today Swiss companies represent the fifth largest direct investors in the US. Together with Switzerland, the US today is still listed in all relevant surveys as the most competitive and innovative economy. Swiss companies not

only gain improved access to the world's largest market but also to cutting-edge research, development and innovation. The strong flow back in dividends from the US is proof of the important profit contribution of the US to the future of Swiss companies.

Looking at the recent issues concerning Swiss banks, Martin Naville, CEO of the Swiss-American Chamber of Commerce, concludes: "Obviously the fine for Credit Suisse was painful and not free of political arbitrariness. There were talks of record fines and economic war against Swiss banks. In reality it was only the backstage of a coordinated US campaign against domestic banks. US banks were obliged to pay the highest fines, representing 85% of the total fines imposed by the US government. Swiss banks paid less than 4% of the total fines. Anyone can criticise the activities of the US Department of Justice, but knowing the facts, it is far-fetched to





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conclude them as an attack against Switzerland.”

### Fragile bilateralism with the EU needs rebuilding

Although not part of the European Union, Switzerland has a close relationship with it, and has built up a series of bilateral agreements providing Swiss companies access to the European free market. 60% of the Swiss exports go to the EU whereas Switzerland imports 70% from there. The result of the Swiss referendum on 9th February 2014 will mean a reintroduction of quotas on migrants from the EU, and will require considerable negotiations with the European institutions to find a work-

able solution. These negotiations may well have an impact on Swiss business, as many Swiss-based companies operate across the continent.

The history of bilateral relationship between the EU and Switzerland promotes simplicity; it reflects a solid and deep relationship. Over the last four years or so, that relationship has become an increasingly complex cluster of bilateral agreements. Most of the economic sectors are covered by these agreements, with the exception of much of the service sector.

We are now at a crossroads. What is needed on both sides is a solution regarding the Swiss proposal to limit EU immigration. At the same time, the EU has insisted that the general framework agreement be finished. Two of the issues are the adoption of the EU *acquis communautaire* (the accumulation of legislation and court rulings that constitutes EU law) by Switzerland, and the acceptance of certain direct supervisory powers by the European Commis-

sion; these are interpreted by many as an intrusion on Swiss sovereignty.

Concerned about developments, Ralf J Bopp, Director of the Chamber of Commerce Germany-Switzerland, points out: “In view of the weak worldwide demand (from the EU economy particularly), and the strong Swiss franc, Swiss companies are wary about what the future has in store for them. The worst would be a setback into the old regime, reintroducing technical trade barriers, non-harmonised access criteria, exclusion from international research projects, to name a few. On account of the high degree of interweaving between the Swiss and EU economies, hope remains that within the three-year term for implementing the referendum result, a solution can be found by means of negotiation with the EU.”

What is clear is that current negotiations must go beyond the simple institutional agreements that are on the table. Switzerland has made it clear that it will not be seeking EU membership. Therefore, there will need to be a balancing of interests – on the one hand continuing to participate in the evolution and growth of the free market, and on the other sacrificing economic gains over concerns of political sovereignty.



Martin Naville,  
CEO of AmCham.



Ralf J Bopp, Director of  
the Chamber D-CH.