

## **Next stage in the Swiss-US cooperation**

After many weeks of convoluted and confusing party infighting in the Swiss Parliament, the US-Swiss treaty in causa UBS was finally approved on June 17, 2010 without providing for a facultative referendum. With this final decision, the treaty, signed between the Swiss and the US government on August 19, 2009, can now be fully implemented and the issue between the two governments put aside. The risk of a potential “No” to the treaty had created a lot of uncertainty for the Swiss financial place, but also for large and small Swiss companies with business in the USA and for US companies with investments and operations in Switzerland. The great relationship of Switzerland with its second largest export market (just behind Germany) and its most important bilateral direct investment partner was at stake. The reasonable decision by the Swiss parliament takes away this “Damocles Sword” and leaves the way open for increased economic partnership in the coming years.

But first: Is it really over? The clear answer is....yes and no. The biggest, most politicized, most mediatized and most discussed issue is resolved. The domestic necessity of the US government to act against Switzerland in case of a breach of treaty is over. And the risk for Switzerland to become a “country breaching treaties to protect tax criminals” is over. The Swiss parliament’s decision will bring much needed stability into the bilateral relationship and hopefully enable a fast ratification of the new Double Taxation Treaty (DTT) in the US Senate. The Swiss parliament has already ratified this DTT. But the risk of further IRS actions against tax delinquents with Swiss bank accounts is not completely over. The ratified treaty in causa UBS is in no way a “general amnesty” for all financial institutions. If some Swiss financial institutions have broken US laws, they must count on certain IRS activities. It will be important to treat such requests with professional calm and not let it enter the domestic politics arena again.

Overall, June 17 marks the beginning of the next stage in the great Swiss-US business relationship. With the major uncertainty gone, many US companies will again relocate to Switzerland for its many great strengths and assets to international headquarters. Many of these will come from European countries fighting the Euro crisis and the ballooning government deficits. With low government debts and as the only European country (except Norway) with a surplus in 2009 (!!), Switzerland can offer great stability and perfect conditions for international companies. And for Swiss companies, the US market looks more appealing than ever. The USA needs green tech, med tech, sustainable transportation, precision engineering, infrastructure and many other things in which the Swiss company excel.

Coming out of a tight corner, the US-Swiss relationship is like a Swiss cheese: There are still more holes than cheese. Let us together fill the holes!