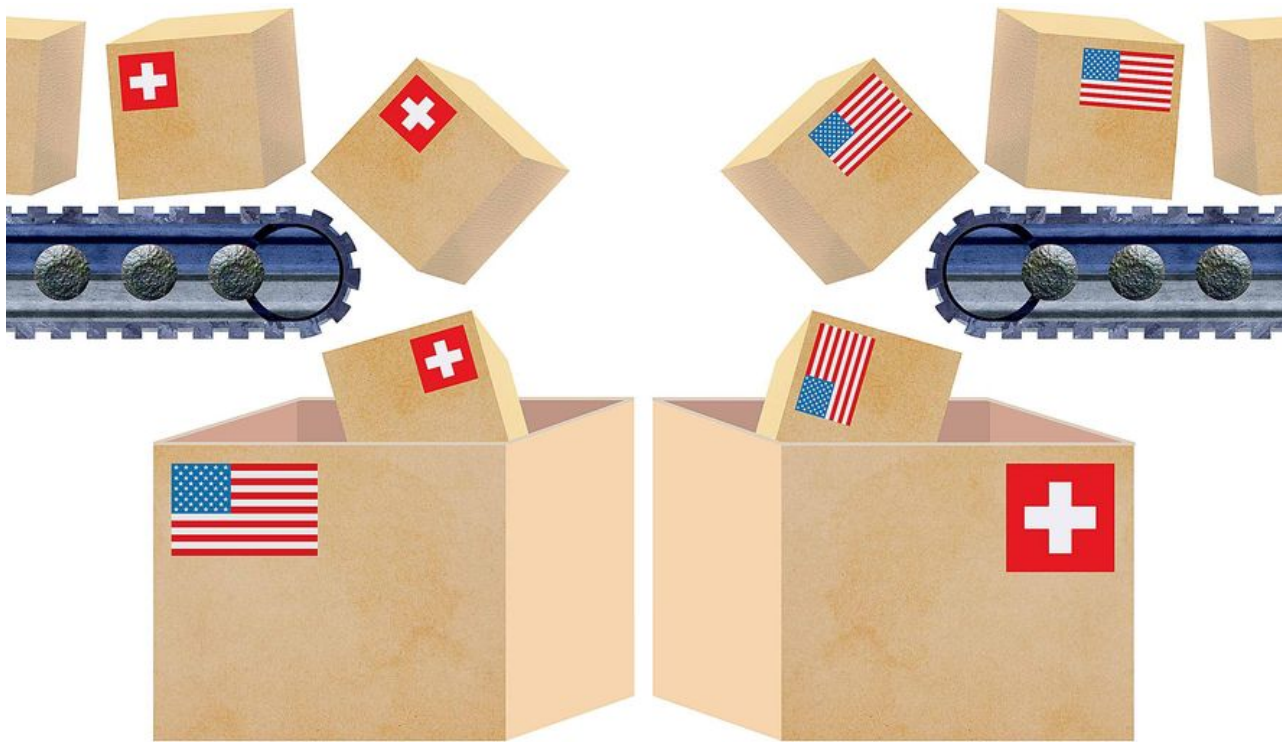


# Building new free trade alliances



*U.S.-Swiss Trade Illustration by Greg Groesch/The Washington Times more >*

By Kent Lassman and Patricia Schramm -- Tuesday, November 6, 2018

## **ANALYSIS/OPINION:**

Since the start of the Trump administration, trade has been front and center. The United States has begun raising tariffs and other trade barriers against both allies and economic competitors. In turn, America has been on the receiving end of retaliatory actions from a raft of trade partners.

That pattern of raising barriers came to an abrupt end when the White House announced a new North American trade agreement with Mexico and Canada last month. With this agreement in place, the United States has new opportunities to forge more dynamic free trade alliances. The administration announced in mid-October it would pursue three separate trade agreements with Japan, the European

Union and the United Kingdom. Given the economic benefits of lowering trade barriers, making those deals should be a priority for any “America First” trade policy, but the White House shouldn’t stop the forward momentum on important deals with our allies.

Switzerland is already America’s largest European trading partner outside of the EU. In a recent speech to the American Swiss Foundation, Treasury Secretary Steven Mnuchin stressed: “Our nations [the U.S. and Switzerland] share a commitment to democracy, free enterprise and entrepreneurship.” The two countries share high labor and environmental standards — issues that have been a stumbling block in other trade negotiations. Both nations have highly educated workforces, high wages and strong enforcement mechanisms for environmental and workplace safety. And crucially, the path to a trade agreement with Switzerland is much shorter than with the EU, whose 28 member-states each have to ratify any deal.

Direct Swiss investment in the United States tops \$334 billion. Affiliates of Swiss companies support almost 500,000 American jobs that pay high average wages of more than \$100,000. Technologically driven manufacturing, pharmaceuticals and financial services are leading industries in both countries, making streamlined negotiations toward mutual regulatory recognition entirely possible.

The main pitfall we must avoid is pressure to ratchet up counterproductive regulatory requirements. Fortunately, Switzerland is already unencumbered by the EU’s heavy-handed regulations. Even so, international trade agreements too often include that fundamental, if often overlooked, structural defect. For example, when comparing standards for workplace safety on the floor of a manufacturing plant, we should not simply adopt the more stringent set of rules irrespective of actual safety outcomes. Instead, we should recognize one another’s rules so long as they produce sufficiently similar worker safety outcomes.

Such agreements would have the added benefit of serving as a much-needed check on regulators at home. If every regulation is assessed based on mutually-agreed standards intended to promote both trade and domestic commerce, regulators will have to think twice before rushing to impose costly, unneeded new regulations.

Mutual recognition agreements are ideal for partners like the Swiss and Americans. Historically, the two nations share bedrock principles for a rule of law predating the American republic. James Madison studied the Swiss cantons and referenced them repeatedly in the Federalist Papers. And the famous Swiss neutrality — born of necessity by a small, federated, land-locked nation with decentralized political power — also bolsters its longtime commercial strength. In fact, Switzerland today is the fourth-freest economy, as measured by the Heritage Foundation’s 2018 Index of Economic Freedom. The United States is further down the ranking, number 18.

In April, the U.S. Trade Representative declared: "The United States remains committed to working with likeminded countries to promote fair market competition around the world." President Trump has an unprecedented opportunity to build his economic legacy by forging international cooperation. Putting a mutual recognition agreement with Switzerland on a fast-track with Japan, the UK and the EU would be a step toward a lasting economic legacy of continued growth and investment.

• *Kent Lassman is the president and CEO of the Competitive Enterprise Institute in Washington. Patricia Schramm is the president of the American Swiss Foundation in New York.*

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