Great Swiss-US business relationship, but growing challenges for Switzerland

Dear members and friends

Since his inauguration, Joe Biden went to work with great speed to change America as no President has done since President Johnson and the New Deal in the 60s. With stimulus packages that will total some 6tr US$ (on top of last year’s US$ 4tr!), he intends to overhaul the physical infrastructure, but also to massively increase social spending of all sorts (the so-called “Human Infrastructure”) and expand taxation to unseen levels. For Swiss companies, this massive stimulus programs will bring great opportunities in infrastructure, remanufacturing, green energy, and health care. But beware! With “Buy America”, “Buy American”, “Critical Supply Chains” and other programs, “America First” has been expanded and will set new rules for foreign companies who want to compete for these opportunities.

Trade between our countries has proven to be very resilient in the face of the Covid crisis. In 2020, Swiss exports to the USA have only retracted 2.5% compared with minus 3.7% to Germany and minus 6.3% to the EU. In the first 6 months of this year, exports to the USA have grown 16.1% (compared with Germany +13.3%, EU +13.6% China 0%, BRIC +4.5%) making the USA the largest export market for Swiss goods. Foreign direct investments have continued to grow, reaching new records of US$ 318bn (CH investments in USA) and US$ 235bn (US investments in CH). With Swiss companies strongly invested in the USA and highly competitive in key sectors targeted by the American stimulus packages, the potential for further growth in the bilateral trade is very positive.

In the last months, Switzerland has seen new challenges growing, especially in its relationship with its most important economic partner, the EU. Being excluded from the world’s largest research program Horizon (while Albania, Armenia, Montenegro and Faröer have been included!), was an insult for Switzerland. Issues extend to multilateral recognition agreements, education program Erasmus, Energy Agreement, date equivalency and more. Switzerland needs a plan to remain a competitive business location!

Coming back from what has hopefully been a great summer (despite the weather), we will meet a lot of challenges.

Martin Naville
CEO
132 nations agree to support U.S. proposal for GMT on corporations

At the beginning of July, Treasury Secretary Janet Yellen announced that a group of 132 nations has agreed to a global minimum tax (GMT) on corporations, part of a broader agreement to overhaul international tax rules. If widely enacted, the GMT would effectively end the practice of global corporations seeking out low-tax jurisdictions like Ireland and the British Virgin Islands to move their headquarters to, even though their customers, operations and executives are located elsewhere. Yellen’s announcement did not include the actual rate at which the GMT would be set, but the Biden administration has pushed for at least 15 percent.

U.S. adds 850,000 jobs in June, beating expectations

The Labor Department reported in early July that job growth leaped higher in June as businesses looked to keep up with a rapidly recovering U.S. economy. Nonfarm payrolls increased 850,000 for the month, compared with the Dow Jones estimate of 706,000 and better than the upwardly revised 583,000 in May. The unemployment rate, however, rose to 5.9% against the 5.6% expectation. The jobless rate increase came even though the labor force participation rate was unchanged at 61.6%. A separate figure that accounts for discouraged workers and those holding part-time jobs for economic reasons fell sharply to 9.8%, with the 0.4 percentage point decline putting the so-called real unemployment rate below 10% for the first time since March 2020. The latest numbers bring the total job recovery from March and April of 2020 amid government-ordered closures seeking out low-tax jurisdictions like Ireland and the British Virgin Islands to move their headquarters to, even though their customers, operations and executives are located elsewhere. Yellen’s announcement did not include the actual rate at which the GMT would be set, but the Biden administration has pushed for at least 15 percent.

U.S. deficit will total USD 3 trillion in fiscal 2021

The federal government will be faced with a deficit of USD 3 trillion by the end of fiscal 2021, according to a Congressional Budget Office estimate released in early June that swelled 33% from the last forecast. As a result of multiple stimulus measures aimed at combating the pandemic’s economic impact, Congress will run a budgetary shortfall this year equivalent to 13.4% of GDP, the second-largest level since 1945 and exceeded only by the 2020 spending. The Congressional Budget Office last released a deficit estimate in February, when it saw a deficit of USD 745 billion smaller than the one projected now. Under the current projections, the USD 23 trillion portion of government debt held by the public would bump to 103% by the end of the current fiscal year. The deficit in 2020 totaled USD 3.13 trillion and already is at USD 2.06 trillion through the first eight months of the fiscal year. Total government debt is now USD 28.3 trillion, of which the public holds USD 22.2 trillion.

Wholesale prices rose 7.3% in June from a year ago for a record surge

Wholesale prices for June rose more than expected in another sign that inflation is moving at a faster pace than markets had anticipated. The producer price index (ppi), which measures what companies get for the goods they produce, increased 1% from May and jumped 7.3% on a year-over-year basis. That marked the second month in a row in which the ppi set a record for a data series that goes back to 2010. Economists surveyed by Dow Jones had been looking for a 0.8% monthly increase. Stripping out volatile food, energy and trade prices, the core ppi increased 0.5%, in line with estimates.

Monthly child tax credit payments are a great form of government spending

The enhanced federal child tax credit program is one of the best ways the government can allot its money to spur economic growth and help the nation’s youth, according to University of Maryland economist Melissa Kearney. Parents and caretakers of nearly 90% of children in the U.S. will receive the stimulus payments, which were included in the USD 1.9 trillion Covid relief package signed into law by President Joe Biden in March. The program is a historic bid to reduce the nation’s child poverty by 50% and represents one of the largest anti-poverty measures in the U.S. since the launch of former President Lyndon B. Johnson’s war on poverty.

Jobless claims hit new pandemic low

Initial claims for unemployment insurance fell to a new pandemic-era low in mid-July, according to the Labor Department. First-time filings for benefits totaled 360,000 in line with Dow Jones estimates and the best number since March 14, 2020. Continuing claims, which run a week behind the headline number, also fell sharply, declining by 126,000 to 3.24 million. That also established a new low for a jobs market that still has some distance to go before getting back to its pre-Covid 19 self but has made significant strides. As the labor market recovers, multiple states have ended the enhanced benefits provided since early in the crisis. Federal benefits expire in September, with economists expecting a surge of new workers back into a record level of job openings. Labor force participation is down 2.7% since February 2020, and the total of workers counted as unemployed is more than 3.7 million higher.

U.S. warns companies about the risks of doing business in Hong Kong

In mid-July, the Biden administration warned businesses with operations in Hong Kong of sweeping financial and regulatory risks as China continues to restrict political and economic freedoms in the territory. The Hong Kong Business Advisory - published jointly by the departments of State, Treasury, Commerce and Homeland Security - warns U.S. firms are encountering a number of risks posed by China’s national security law in Hong Kong. The advisory states that businesses face risks associated with electronic surveillance without warrants and the surrender of data to authorities as well as restricted access to information.
Very positive outlook forecast for Swiss economy

According to the KOF Swiss Economic Institute, the outlook for the Swiss economy for the middle of 2021 can be regarded as very positive, provided that the containment of the virus continues to progress. Published in early summer, the KOF Economic Barometer for May stood at 143.2, 6.8 points higher than in the previous month. KOF explained that the sharp increase was driven by the manufacturing sector and foreign demands, with an additional positive signal from the accommodation and food services sector. Not all was positive news, though; KOF said slightly negative impulses still came from private consumption. The KOF analysis is in line with a previous prediction by the government. In March, its experts said that after a weak start to the year, Switzerland’s economy should recover rapidly from a heavy coronavirus-driven slump to grow by 3% in 2021.

EU confirms Swiss “third country” status for research projects

Switzerland has been locked out of the European Union’s flagship Horizon Europe research and innovation funding program until further notice. The State Secretariat for Education, Research and Innovation said it had been informed by the European Commission that Switzerland will be treated as a “non-associated third country” this year. Switzerland can still participate in calls for proposals under the status, albeit to a limited extent, according to a statement published in mid-July. However, funding has to be provided by the Swiss authorities and participation in individual projects, including the European Research Council, Marie Skłodowska-Curie Actions and the European Innovation Council is no longer possible. The move comes following the Swiss government’s unilateral decision in June to walk away from seven years of Swiss government’s unilateral decision in possible. The move comes following the European Innovation Council is no longer including the European Research Council, provided by the Swiss authorities and mid-July. However, funding has to be according to a statement published in der the status, albeit to a limited extent, still participate in calls for proposals un-

Pandemic affects Swiss housing market

People in Switzerland have been looking for bigger or second homes during the coronavirus pandemic, fuelling housing shortages and pushing prices up. This is despite a more modest growth in the population, which is one of the main drivers of demand, and growth within normal limits of the foreign resident population in pandemic year 2020, according to Switzerland’s Federal Office for Housing (FOH). There was a shortage of rental properties in 2020, especially in the lower price segment, but the middle and upper segments were also affected. Rental flats were in particularly short supply in the regions of Zurich, Zug, Bern and around Lake Geneva. With regard to owner-occupied housing, the FOH said the situation had hardly changed compared to 2019, with offers scarce and prices rising significantly.

IRS wants more client data from Swiss banks

The United States has extended its requests for Swiss banks to disclose full details of client accounts held by US citizens. Switzerland’s Federal Tax Administration published in late June a list of 40 banks, fiduciary firms and insurance companies. It is the fourth update of so-called group administrative requests by the Internal Revenue Service (IRS) since last December under the so-called Foreign Account Tax Compliance Act (FATCA). The American clients concerned then had 20 days to submit their opinion on the intended transmission of their data to the IRS, before Swiss authorities issue a final decree.

IMF praises Switzerland for weathering Covid-19 crisis

The International Monetary Fund (IMF) says Switzerland has managed to cope well with the coronavirus pandemic from a financial perspective. In its latest country report, issued in late June, the IMF applauded Swiss Covid support measures and monetary policy. According to the IMF, the economic impact of the pandemic was reduced thanks to strong pre-pandemic fiscal, financial sector and household buffers, robust exports, low dependency on contact-facing sectors, a capable health system, and targeted containment.

Investment projects boom in Switzerland

Foreign direct investment in Switzerland increased last year despite the Covid-19 pandemic. The number of investment projects rose by 25% to 91, the highest level since 2011, thus bucking the general trend of decline across Europe. This put Switzerland 14th among European countries (up from 17th in 2019), according to a study published in June by consultants EY. US companies remained in second place. On the other hand, interest from British investors appears to have fallen. Across Europe, the number of investment projects by foreign investors fell by 13% in 2020.

Lausanne to host new global body to promote women in sport

The city of Lausanne has been chosen to set up an international observatory for the promotion of gender equality in sport. Switzerland’s foreign ministry has given canton Vaud, Lausanne municipality and the University of Lausanne responsibility for launching this International Observatory for Women, Sport, Physical Education and Physical Activity. Lausanne already hosts the International Olympic Committee and the Court of Arbitration for Sport.

Swiss banks boost capital bases despite coronavirus crisis

According to the 2021 financial stability report issued by the Swiss National Bank (SNB), UBS and Credit Suisse now have regulatory capital ratios in line with pre-pandemic levels and fully comply with the legal transparency requirements of the “too big to fail” regulation. Both banks are well positioned to meet the challenges of the current environment and support the economy. Domestic commercial banks also weathered well last year’s economic challenges, their profitability even increased slightly compared to 2019.

The New Equation is a community of solvers coming together.

We’ve all been told what one plus one adds up to. But if you bring together the right combinations of people and technology in unexpected ways then it can be something greater.

At PwC, it all adds up to The New Equation.

Learn more at pwc.ch/TheNewEquation
Annual General Meeting 2021

Martin Naville (Swiss Amcham), Silvio Napoli (Schindler Holding / Chairman Swiss Amcham), Thomas J. Jordan (Swiss National Bank) Ralph Hamers (UBS)

Johanna Friedl-Naderer (Biogen International), Kristine Braden (Citigroup), Robin Errico (Ernst & Young)

Thomas J. Jordan (Swiss National Bank)

Dieter Weisskopf (Lindt & Sprüngli), Sandor Galambos (U.S. Embassy)

Sabrina Soussan (dormakaba Group) Barbara Frei-Spreiter (Schneider Electric (Schweiz))

André Kudelski (Kudelski), Martin Naville (Swiss Amcham)

Adrian Mueller (HP Schweiz), Thomas J. Jordan (Swiss National Bank), Silvio Napoli (Schindler Holding / Chairman Swiss Amcham)

Matt Boyse, (U.S. Department of State, Washington), Silvio Napoli (Schindler Holding / Chairman, Swiss Amcham)

Jacques Pitteloud (Embassy of Switzerland, Washington)

Let there be change
Chamber Events

Martin Naville (Swiss Amcham), Silvio Napoli (Schindler Holding / Chairman Swiss Amcham), Chris Johnson (Nestlé), Jacques Pitteloud (Embassy of Switzerland, Washington)

Matt Boyse (U.S. Department of State, Washington)

Johanna Friedl-Naderer (Biogen International), Adrian Mueller (HP Schweiz), Dieter Vranckx, (Swiss International Air Lines)

Sandra Boehm Uglow (PwC), Chris Johnson (Nestlé)

Covid-conform setup with hybrid participation - Gottlieb Duttweiler Institute, Ruschlikon

Andreas Staubli (PwC), Piergiorgio Pradelli (EFG International), Patrice E. Humbel (Vontobel Swiss Wealth Advisors)

Pictures: [MS] Markus Senn

Sponsors Annual General Meeting 2021

Learn more: go.imd.org/challenge
The Chamber & You

New Members
BBC Bircher Smart Access BBC Bircher AG, Beringen
Manufacturing of systems for automatic doors and gates
Design Your Caps USA LLC, Sunny Isles Beach, FL
B 2 B customized caps
Engel & Völkers, Healdsburg, CA
Global real estate sales
Hyperscience Europe Ltd., Altrincham, Cheshire, WA14 2DT
The Hyperscience platform enables organizations and government agencies to automate data-centric, mission-critical processes
Luqel (Schweiz) AG, Zug
Hydrosystems revolutionizing tap water drinking
Matica Corp, Piedmont, SC
Sales of software, hardware, and consumables for printing of digital identification and financial cards
Palantir Technologies Switzerland GmbH, Zurich
Technology, software
S.P. Hinduja Banque Privée SA, Geneva
Private banking
Salesforce.com, Zurich
CRM software provider
Schurter Holding AG, Lucerne
Innovator, manufacturer and distributor of fuses, connectors, circuit breakers, input systems and EMC products
Ulysse Nardin Inc
Luxury watch distribution USA/Canada/Caribbean

Credit Suisse
Credit Suisse Group announced the appointment of David Wildermuth as Chief Risk Officer and a member of the Executive Board of Credit Suisse Group as of February 1, 2022, the latest. Wildermuth joins Credit Suisse from Goldman Sachs. He will be based in Zurich and will report directly to Group Chief Executive Officer Thomas Gottstein. Joachim Oechslin will continue to serve as ad interim Chief Risk Officer until David Wildermuth joins and will then reassume a senior role as Strategic Advisor to the Group CEO.

Floriana Scarlato has decided to leave Credit Suisse to pursue a new challenge outside the bank. She is stepping down from her role as Head of Compliance Swiss Universal Bank (SUB), as a member of the Management Committee of SUB and from the Executive Board of Credit Suisse (Switzerland) with immediate effect.

Credit Suisse announced the appointment of Janice Hu as CEO of China with immediate effect. Janice Hu has an outstanding professional track-record, with over 25 years of experience in the financial markets in China. During her 20-year tenure at Credit Suisse, she has held various senior roles across CS’ China franchise.

DKSH
DKSH has completed the acquisition of Hahn Healthcare, a leading healthcare professional engagement company in Australia. Hahn Healthcare is the fourth acquisition DKSH has successfully closed in 2021. With this latest acquisition, DKSH continues its strategy to offer wide market coverage across Asia Pacific and its focus on value-added services and sales force outsourcing.

In mid-April, DKSH announced the appointment of Ivo Wallach as Chief Financial Officer as of July 1, 2021, succeeding Bernhard Schmitt who retires from his position. Since November 2019, he had been Vice President Group Controlling, successfully leading and managing DKSH’s Group Controlling activities. Ivo continues to be based in Singapore.

Julius Baer
Bank Julius Baer has appointed Rahul Malhotra as new Head Global India and Developed Markets based in Singapore starting September 1, 2021. He will succeed Thorsten Linke to lead the onshore and offshore teams to serve Julius Baer’s clients from the Indian diaspora in addition to covering Japan and the Asia team based in Switzerland.

The Julius Baer Group is acquiring 83% of Kuoni Mueller & Partner (KMP), a leading integrated real estate service provider based in Zurich. Dominik Weber, currently the majority owner and CEO of KMP, will assume the new position as Head Real Estate Advisory at Julius Baer. Price details of the transaction with KMP were not disclosed.

Landis + Gyr
In late June, the Annual General Meeting of Landis + Gyr (without physical presence of shareholders) approved all proposals put forward by the Board of Directors. The seven members of the Board of Directors standing for re-election as well as Laureen Tolson as new member were appointed for a one-year term of office. Andreas Umbach was re-elected as the Company’s Chairman.

Lonza
The Lonza Annual General Meeting in May (without physical presence of shareholders)
elected all Board members standing for re-election (Albert M. Baehny, Werner Bauer, Dorothée Deuring, Angelica Kohlmann, Christoph Mäder, Barbara Richmond, Jürgen Steinemann and Olivier Verscheure) for a further one-year term of office. The AGM re-elected Albert M. Baehny as Chairman of the Board of Directors for a term in office of one year.

Nestlé
The EU Code of Conduct for Responsible Business and Marketing Practices sets out actions that food producers, food service, retailers and others can take to make healthy and sustainable food choices easier. Nestlé is contributing with a wide-ranging set of commitments to reduce the environmental footprint of products while contributing to healthy and nutritious diets. Achieving many of these goals will require a full supply chain approach, working closely with farmers and other companies to make a positive impact on communities and the environment.

Novartis
Novartis appointed Rob Kowalski, Global Head Regulatory Affairs and US Head of Drug Development as Chief People & Organization Officer. He will report to Vas Narasimhan, CEO of Novartis and become a member of the Executive Committee of Novartis, effective September 1. His predecessor Steven Baert has stepped down from the Executive Committee of Novartis after 15 years with the company and almost eight years in position.

Swiss International Air Lines
Martin Apsel-von zur Gathen has been appointed as Head of Operations Planning & Steering, effective August 1. He succeeds Marcus Schnabel, who took up a new position as Head of Flight/Ground Operations & Security for the Lufthansa Group. At an Extraordinary General Meeting on July 15, Remco Steenbergen, Chief Financial Officer of the Lufthansa Group, was elected to the SWISS Board of Directors. He succeeds Detlef Kayser, who has relinquished his SWISS Board duties.

Dominique Fehlmann, Head of Legal, Corporate Affairs & Compliance has taken on the additional function of Head of Business Development & Executive Office with effect from June 15. In her new duties she succeeds Christian Sigg, who has assumed his new position as Head of Revenue Steering.

As per July 1, Stefan Vasich has been appointed as new Head of Marketing. Formerly the company’s Head of Sponsoring & Events, Social Media and Tourism Partnerships, he will now be responsible for the airline’s marketing communication in Switzerland and for implementing all marketing actions within the overall framework of the Lufthansa Group’s global marketing strategy.

Vontobel
Maria-Antonella Bino, the former Deputy Attorney General of Switzerland, has taken over the post of General Counsel of Vontobel on June 1, with global responsibility for the Legal & Compliance function. She has also become a member of the Executive Committee of Vontobel Holding and of Bank Vontobel.

Joining Vontobel from Lazard Asset Management, Henry F. Detering has been appointed Chief Marketing Officer and new Head of Global Marketing & Analytics.

Zurich Insurance Group
Zurich Insurance Group has appointed Frank Verkerk to the new role of Group Chief Platform Officer. He is joining Zurich from ABN Amero, where he was Chief Digital Officer and responsible for digital transformation.
Chamber Events Plan

Geneva
Nov 18, Thursday 11:45 am - 2:00 pm
The Future of Geneva
In Cooperation with AIC American International Club of Geneva
Mar 21, 2022, 11:30 am - 2:00 pm
Børge Brende, President, World Economic Forum

Lugano
Sept. 7, Tuesday, 7:15 pm - 10:00 pm
Ticino Annual Dinner. Guest of Honor: Monika Ribar, Chairwoman of the Board, Swiss Federal Railways SBB

Zurich
Sept 8, Wednesday, 5:00 pm - 7:00 pm
Composition of Executive Boards of Swiss Companies in USA
Sept 28, Tuesday, 5:30 pm - 7:00 pm
The future of Swiss Companies in the USA - Report by Accenture and Swiss Amcham
Sept 30, Thursday, 5:30 pm - 7:00 pm
Digital Competitiveness Report 2021 Joint event with IMD
Oct 28, Thursday, 5:30 pm - 7:00 pm
HR Personnel Forum, UBS Compensation Survey Outlook 2022 and Panel Discussion

Nov 23, Tuesday, 5:30 pm - 7:00 pm
Herbert J. Scheidt, Chairman, Swiss Bankers Association
Feb 3, 2022, 5:30 pm - 7:00 pm
Michel M. Liès, Chairman, Zurich Insurance Group
Mar 16, 2022, 5:30 pm - 7:00 pm
Peter Voser, Chairman, ABB Ltd.
Aug 30, 2022, 11:30 am - 2:00 pm
Dr. Thomas Wellauer, Chairman of the Board, SIX

Past Screen-In Events
1. A new U.S. Administration - What is in store for the USA-China relationship? In cooperation with The Conference Board
2. The Future of Work: Built on Trust or Bricks?
4. World Competitiveness Report 2021, joint event with IMD

See www.amcham.ch for more event details