

1.2 Swiss-American Business Relations - A View from Washington

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Since the 19th century, Switzerland and the United States have enjoyed a close relationship, founded on the shared values of democracy, the rule of law, and respect for human rights. Approximately 460,000 Swiss nationals immigrated to the United States between 1700 and 2018. Switzerland opened its first consulates, in Washington D.C. and New York, by 1822 and then, 60 years later, opened its first legation outside Europe in Washington D.C. At the end of 2018, more than 80,000 Swiss citizens were registered in the country. Over 10% of Swiss nationals residing abroad live in the United States

Switzerland and the United States are two highly intertwined nations from a historical, societal and economic standpoint. The unique relationship between the two nations has been further shaped by close diplomatic ties. Switzerland has a long tradition of representing the United States' interests abroad. For instance, Switzerland has been entrusted to protect U.S. interests in Iran for almost 40 years already under a so-called "good offices" agreement between the two countries. Until 2015, it also held a mandate to represent U.S. interests in Cuba and vice versa. While the diplomatic relationship between Switzerland and the United States has not always been smooth, these mandates are proof of a long-standing mutual trust and a fruitful relationship, which, frankly, has never been better than today.

A recent product of the U.S.-Swiss relationship is the Swiss Humanitarian Trade Arrangement (SHTA). The SHTA is a payment mechanism to enable the delivery of humanitarian goods to Iran, which is available to international companies in the food, pharmaceutical and medical sectors. Operationalized on February 27, 2020, it was developed by Switzerland in close cooperation with the relevant authorities in the United States and Iran, as well as with selected Swiss banks and companies. Under the SHTA, the U.S. Treasury Department will provide the banks involved with the necessary assurances that financial transactions can be processed in accordance with U.S. legislation. "The Swiss Humanitarian Trade Arrangement" will help ensure that humanitarian goods continue to reach the Iranian people without diversion by the regime," said Secretary Steven Mnuchin in a statement. "We thank our Swiss counterparts for their dedicated efforts in establishing the SHTA and we look forward to our continued collaboration."

The United States is also one of Switzerland's key economic partners. In terms of trade in goods, the United States is Switzerland's second largest trading partner, and Switzerland ranks number 15 on the U.S. list. The bilateral trade in services between the two nations has increased by a factor of four over the last 15 years and within the services sector, Switzerland is now the United States' 7th largest trading partner. Seen as a whole, the United States has a trade surplus in services, while Switzerland has a surplus in goods. Switzerland's comparatively small size would make it only the 42nd largest U.S. state, and yet Switzerland is the United States' 7th largest foreign investor. With a population of only 8.6 million, cumulative Swiss direct investment amounts to over \$309 billion, rivaling or surpassing most other major European economies. Both the United States and Switzerland consistently top the rankings as two of the most innovative and competitive economies in the world and once

again this year, Switzerland is the number one foreign investor in research and development (R&D) in the United States.

Another milestone in the U.S.-Swiss bilateral relationship took place on July 17, 2019, when the U.S. Senate finally approved the 2009 protocol amending the double taxation agreement (DTA) on income tax between Switzerland and the USA. Among other provisions, it introduces the exchange of information upon request in tax matters between the two countries. There is now no more legal distinction between tax evasion and tax fraud. This is in line with the international standard, which Switzerland applies to more than 100 states and territories but did not previously apply to the United States. Furthermore, and very importantly, this paves the way for a revision of the Swiss-U.S. double taxation agreement that had been ratified in 1996. Several provisions—like the zero rate for intra-group dividend taxation—will lead to a more favorable investment climate on both sides and thereby be conducive to growth in foreign direct investment, the establishment of foreign affiliates and job creation in both countries.

Against this background, serving as the Ambassador of Switzerland to the United States of America is a humbling but hugely rewarding position. I began this journey in September 2019, presenting my credentials to President Trump on September 16. My mission is to cultivate the Swiss-U.S. relationship and to continue to build sustainable bridges between our two democracies. While the first six months of my tenure here in Washington D.C. were characterized by a fascinating array of political, economic and cultural activities, my expectation was that the primaries and the subsequent general election would be the focus of our attention in the months that followed. However, 2020 has been overshadowed thus far by the coronavirus, which has put many things into perspective. The COVID-19 crisis has affected the global community as a whole—with a high number of deaths, unprecedented unemployment figures, and many businesses struggling for their survival. The full societal and economic impact is still hard to predict and will differ by country and by region.

The overall declining economic output due to this crisis may also have an impact on Swiss-U.S. trade relations. In the short term, bilateral trade which grew strongly in the past decades, is poised to decline. Nevertheless, as seen in previous crises, individuals, companies and governments have to also seek the opportunities within this challenging situation. Companies, for example, are being forced to find digital solutions and online distribution channels for their products and services. These innovations might be ad hoc solutions, but they could also change the disrupted industries for the better in the long run. As Switzerland and the United States are among the most innovative nations, there is a lot of potential in our cooperation to lead the way out of this crisis into a more digitalized economy.

The disruption of the world economy by the coronavirus equally affects all international trade. Many countries have introduced export restrictions on medical goods and personal protective equipment in order to respond to this crisis on a national level. However, these actions endanger the supply of those products globally and put other nations at risk. This kind of short-term

thinking could also set off a domino effect and hinder one's own nation from receiving necessary goods from other countries. Export restrictions and the breaking up of transnational supply chains is a dangerous game in which every player stands to lose. It is a life-costing disruption in a moment of crisis when the acceleration of global output and increases in efficiency of production is of utmost importance. The biggest mistake would be to assume that regionalism and the nationalization of supply chains are the solutions to possible future crises. The United States and Switzerland, must lead by example and serve as role models in promoting the free flow of goods and services in these challenging times. A global crisis requires a global response. Communication, cooperation and reciprocal support between nations allow for the most effective response.

Let me now turn to another important aspect of the Swiss-U.S. relationship: an increasing number of Swiss companies have established or expanded U.S.-based apprenticeship programs and are actively contributing to workforce development. Many Swiss universities work in close collaboration with universities in the United States. Switzerland has among the highest numbers of scientific publications per million inhabitants and 84% of all jointly written publications in Switzerland are the result of international cooperation. There is stronger collaboration between Swiss and U.S. scientists than with any other country, including Swiss collaborations at home. Swiss research institutions take pride in their international engagement, with English often serving as the commonly used language. In order to also strengthen these soft bonds—so to say—the Embassy of Switzerland offers 25 to 30 U.S. and Canadian students the ThinkSwiss research scholarship and subsidizes three to four Swiss summer schools to provide U.S. and Canadian students with travel grants. This program fosters exchange between Swiss, U.S., and Canadian universities and research institutions, thereby promoting the innovation on which our partnership is so well based.

On the whole, these continue to be excellent conditions under which I started my tenure in Washington, D.C. Of course I do not intend to sit back, relax and enjoy this success story. There is still untapped potential for further strengthening our ties, especially in these challenging times. Continuing to expand the economic relationship between our two countries will lead to even more promising opportunities. Currently, a closer collaboration between the Swiss pharmaceutical industry and the U.S. government is of paramount importance. We can build on the active political dialogue that took place in 2019 between Switzerland and the United States, including the first bilateral visit of a president of the Swiss Confederation to the White House, which occurred in May of that year. In exploratory talks, both governments have also recognized the potential benefits of concluding a free trade agreement. Such an agreement would promote additional Swiss investment, job creation and workforce development in the United States. It would also open up opportunities for the United States in the high-quality, high-value Swiss market. A free trade agreement would deepen our bilateral trade ties and strengthen innovation and global competitiveness for both countries.

My first year in this position has been anything but ordinary. Cultivating Swiss-U.S. relations and building sustainable bridges is now more important than ever. In order to lift both our countries out of this impending recession with its unforeseeable impacts, we must not allow protectionism and de-globalization to return. Our joint innovative power, our insistence on high quality as well as both countries' pioneering and entrepreneurial spirit can lead us to a full recovery and beyond.

On a personal note, being an amateur ornithologist and a dear friend of nature, I would like to emphasize that it is also a high priority for me to cultivate the biodiversity in the residence's garden in the coming years. Only 30 species out of the more than 400 in the DMV region have so far found their way near my home. By helping to create the necessary biotope in and around the Embassy grounds with the help of the Audubon Society, I hope that a wider variety of the local bird species will soon be visiting my house.