



Swiss-American Chamber of Commerce

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US Chapter Report Q1, 2021

Dear members of the local US Chapters,

A Chinese saying, normally hurled at enemies, says “May you live in interesting times”. Well interesting times it is! In all sectors of Swiss Amcham’s involvement, we have seen some exciting news, for good and for bad.

USA viewed from Switzerland

The “Storm on Congress” on January 6 was a calamity and culminated in the totally unacceptable behavior of President Donald Trump. But in the end, we were very happy to see an orderly passage of power. What role Donald Trump will play in the future and what it means for the Republican party is of great interest here in Switzerland.

The list of priorities (see below) for President Joe Biden is massive. The fight against the C19 pandemic will most certainly be one of the most pressing issues for the weeks and months to come. With an ultra-long list of priorities waiting for Biden, he will most certainly have to focus on the domestic ones first. Additional pressure is to be expected within the Democratic party from the progressive wing, which will put a strain on the party as such. Environment will certainly be front and center.

On the Covid package that just passed Congress, many things are certainly important and justified. But the question of “When is too much too much?” needs to be asked. After the US\$ 2.2tr last March and the US\$ 900bn in December, the current US\$ 1.9tr brings the tally to US\$ 5tr in 12 months, or approx.25% of the US GDP. With the announced reconstruction package of US\$ 2-3tr expected in fall, it brings us to US\$7-8tr, or 35-40% of US GDP. What will the effect be in the markets, on interest rates? Nobody knows, but the proverb “There is no free lunch” is most probably still valid.

Which priorities will really be first priority?

- Wirtschaft
- Pandemie
- New Green Deal
- Gesundheitswesen
- Infrastruktur
- Fiskalmassnahmen gegen Unternehmen und Wohlhabende
- Polizeigewalt und Rassismus
- China
- UK
- EU
- Russland
- Iran
- Mittlerer Osten
- NATO
- Multilateralismus (v.a. WHO und WTO)
- Freihandel (CPTPP, TTIP 2.0, UK, RCEP, Schweiz)
- OECD/ Digital SalesTaxes
- Pariser Abkommen
- Afrika und andere Entwicklungsländer
- Nordkorea

On the positive side, we saw Joe Biden nominating a number of highly professional personalities for important administration positions: Gina Raimondo as Secretary of Commerce, Janet Yellen as Secretary of Treasury and Katherine Tai as U.S. trade representative. Overall, the Cabinet is very experienced, and relatively pragmatic. Most nominated personalities held prior jobs in similar areas in the Obama administration.

In Switzerland, we wonder what the President Biden new rules in trade (Buy America 2.0 et al) will mean for Swiss companies. And we also wonder what the fiscal changes announced for the fall will mean for the competitiveness of the USA. But overall, for Swiss companies the near future looks bright. The USA economy is forecasted to rebound fast, and Swiss companies are strongly invested (Swiss companies are the 6th largest direct investor in the USA!) and very experienced in the US markets. Over the last 28 years, we saw 12 years of Republican administration and 16 years of democratic administration. And in all these years, the Swiss-US relationship grew on average 10% per year, to the benefit of both countries. We dare extrapolate this past period!

Swiss-US business

Swiss exports to the USA have developed surprisingly well. Exports to the USA in 2020 saw a reduction of just 2.5%, a smaller loss than exports to Germany (-3.7%), but US exports narrowly missed passing exports to Germany, remaining #2 market by the tiniest of margins (17.5% of total exports to the USA, 17.9% to Germany). Not bad when you think that 15 years ago, 9% went to the USA vs 27% to Germany. Today, Switzerland exports more to the US than to France, Italy, UK and Austria combined, and twice as much than to Brazil, Russia, India and China combined.

The outlook for CH exports to the US is positive; details see Martin's article "US market – Switzerland's export Locomotive:

(https://www.amcham.ch/news/downloads/210106_Swiss_Export_Journal_US_market_January2021.pdf)

Another paper by Martin sheds some light on Switzerland being labeled a currency manipulator by the USA: (https://www.amcham.ch/news/downloads/201217_US_Treasury_labels_Switzerland_a_currency_manipulator.pdf). With regards to potential risks / challenges under the new administration, pharma pricing, corporate taxes, and the relationship with the administration in DC need to be closely monitored.

While the chances for a CH-US free trade agreement are minute for the time being, there is still hope for renegotiation of the US-Swiss double taxation treaty (incl. 0% withholding tax on dividends). This, however, will take some time.

In terms of Global trade, some turbulences are to be expected, e.g. the newly imposed import duties on French handbags, cosmetics and soaps (USD 1.3 billion, suspended for now) as reaction to the digital sales tax imposed unilaterally by France. Further import duties on EU goods have been announced as a reaction to the Airbus-Boeing WTO dispute; they might primarily target airplane parts and alcoholic beverages from France and Germany (suspended for 4 months). The EU's and Angela Merkel strong support for the North Stream 2 pipeline, long resisted by the US, did not go down very well, especially just days after the Inauguration.

The trade issues between China and the USA will continue under Biden. China has just further escalated the battle with a new law that will sanction foreign companies which implement US sanctions. Between a rock and a hard place! In addition, China has published sanctions against 28 former members of the Trump Administration. These are certainly not promising signs of a wish by the Chinese Communist Party to return to a friendlier relationship with the USA.

International travel (also for business reasons) is still very complicated with the rules for NIE (National Interest Exemption) tightened just last week, making entry to the USA for normal business endeavors nearly impossible.

US Ambassador Edward T. McMullen has left Switzerland. Please find his farewell-video under this link:

<https://www.youtube.com/watch?v=5UTVm1jTkl&feature=youtu.be>

Until a new Ambassador arrives in Berne (not expected to happen before the summer), Chargée d’Affaires Eva Weigold Schultz will be in charge of the Embassy in Berne. We will host Ms. Weigold Schultz in a “ScreenIn” on March 23 (see <https://www.amcham.ch/events/>)

In Switzerland, the outcome of the vote on the Corporate Responsibility Initiative was a close call. For details, please see Martin’s article “Corporate Responsibility Initiative: A true Swiss nail-biter!”

https://www.amcham.ch/news/downloads/201130_Corporate_Responsibility_Initiative.pdf

For the months to come, a whopping 250 political actions with crucial impact on business are currently pending in parliament.

As far as international political pressure is concerned, the OECD fiscal initiative (pillar I & II) might pose a threat for Switzerland, and so will unilateral Digital Sales Taxes.

Switzerland and the EU

Switzerland’s relationship with the EU is still very much under pressure. The outstanding issues on the framework agreement see no solution yet. Switzerland’s new Chief negotiator, Livia Leu, is facing a tough task. While Switzerland wants to renegotiate the agreement, the EU refuses to renegotiate and insists on mere “clarifications”. The results of the now finalized Brexit-negotiations have spurred left and right Swiss politicians to insist on “hard-ball negotiations” with the EU, although Switzerland’s situation can hardly be compared with the UK’s. For Switzerland, the following issues are at stake: data equivalency, multilateral recognition agreements, the research program Horizon, the education program Erasmus, Energy Agreement, Health Agreement. For more information, please read Martin’s article “EU challenges looming in the coming months” https://www.amcham.ch/news/downloads/201002_EU_Challenges.pdf

In a nutshell: Switzerland is facing tough times ahead – with insecurities looming on all fronts. But let’s stay positive: There are some strong signs that – after having defeated the pandemic – we will again have “Roaring 20’s” like 100 years ago!

With kind regards

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