

Very strong development of the economic relationship between Switzerland and the USA

Summary of the presentations and remarks at the press talk regarding the bilateral economic relationship and the presentation of the Yearbook 2006/07 of the Swiss-American Chamber of Commerce in Zurich. The presentation was given by James. J. Schiro, Chairman of the Swiss-American Chamber of Commerce and CEO Zurich Financial Services Group and by Martin Naville, CEO of the Swiss-American Chamber of Commerce, with additional remarks by Ambassador Urs Ziswiler, Swiss Ambassador of Switzerland in Washington, and by Carol Urban, Chargé d'Affaires a.i. of the US Embassy in Bern

In the last year, the economic relationship between Switzerland and the USA showed a very strong growth and reached new record levels.

From a Swiss perspective: Swiss exports to the USA grew by 14% to reach a record level of CHF 16.1 bn. The USA constitute the second largest export market with 10.7%, behind Germany (20%), but ahead of France(8.5%), Italy (8.2%) and the UK (5.1%). Export to China follows at a distance with 2.1%. In its trade with the USA, Switzerland enjoys a record surplus of CHF 9.6 bn, which constitutes 120% of the total Swiss trade surplus of CHF 7.8 bn. Foreign direct investments (FDI) of Swiss companies in the USA remains high with approx. 34% of all FDI, compared to 5.4% to Germany. With an astonishing increase of 25%, US companies are by far the most important foreign investors in Switzerland with over 40%, compared with Holland at 22% and Germany at 8%.

From a US perspective: Exports of US goods to Switzerland saw a real boom, increasing over 16% to US\$ 10.7 bn (making it the 17th largest export market). This is the highest growth of all European countries and 4th worldwide (behind United Arab Emirates, India and China)! The US export to Switzerland are 4x the export to Austria and larger than export to Saudi Arabia and Russia combined. Import from Switzerland has also grown with 11%, making Switzerland the 25th largest importer, signaling some additional potential. In terms of FDI, Switzerland has lost its 6th place to Canada, but still ranks as the impressive 7th largest foreign direct investor in the USA. But it is a bit troubling that the last two years resulted in a net divestment. Additional data will be needed in the coming months to decide whether this is the start of a negative trend or a short term exception. In terms of US FDI abroad, Switzerland still holds its amazing 4th place of all FDI recipients, ahead of Germany and Japan.

The large US FDI in Switzerland can easily be tracked to the many US companies implementing serious European operations in Switzerland. In 2005, 41 new investments and 19 important expansions were done by US companies in Switzerland, adding several thousands high-quality jobs to the Swiss economy. These new implementations include companies such as IBM, Stryker, O-I (formerly Owens Illinois), Cisco, VeriSign, Eaton and many more. These companies join an impressive list of European headquarters already established in Switzerland. A recent study by the Chamber ("Foreign Companies – The Forgotten Sector") highlights the important value these 650 US companies bring to the Swiss economy: 68'000 high-quality jobs, approx. 5% of GDP and an overproportional contribution to growth.

These very favorable economic numbers underscore the great importance the US economy plays for the well-being of the Swiss economy, a role of same or at least comparable importance to the economy of the European Union.

In economic policy, the last 12 months brought a disappointment with the failed discussions regarding a potential free trade agreement between the two countries. But the relationship was nonetheless strengthened through the foundation of two new platforms: The Swiss-American Trade and Investment Cooperation Forum ("Forum") and the Memorandum of Understanding ("MoU") for the Enhanced Political Framework. These platforms are great opportunities to improve the relationship on a large series of topics of mutual interest. With the necessary commitment from both sides, these platforms will create significant mutual benefits.

There are clouds on the horizon: Swiss investment in the USA has slowed down considerably in the last years, and there are many hurdles for new investments. And with the failure of the WTO Doha Round, Switzerland risks to be relegated to a secondary role, as the USA increases the number of bilateral agreements with other countries and intensifies its dialog with the European Union. Additionally, Switzerland risks to experience growing discrimination compared with countries that have completed free trade agreements with the US.

Potential for further progress is in place with the Forum and the MoU. These platforms need to be developed and could potentially be of great value for the future bilateral relationship between Switzerland and the USA. But these platforms will also require a lot of commitment and effort to thrive, a requirement that demands a high priority in the economic policy setting of both countries, but especially of Switzerland.

The Swiss-American Chamber of Commerce urgently calls on all stakeholders to clearly and vocally recognize the trade and investment with the USA as a topic of key importance and to fully implement the decision of the Federal Council of May 2005 (balanced focus between the EU and the USA). The Chamber further calls for a vigorous engagement in the discussion and negotiation processes enabled by the Forum and the MoU, and to further

support all partnerships and joint ventures in science, technology, education, politics, culture and other.

Information on the Swiss-American Chamber of Commerce:

- Increasing membership (2005: over 2500 members)
- Approx. 150 senior and top managers promoting the relevant issues through their commitment to various boards and chapters
- A very prominent Board comprised of the top business leaders of the Swiss multi-nationals and the European operations of US companies
- Sound finances with no increase in membership fees in 14 years

Further information:

Martin Naville, CEO, Swiss-American Chamber of Commerce, Zürich
Tel: +41 43 443 72 01, martin.naville@amcham.ch

Remarks from Ambassador Urs Ziswiler, Swiss Ambassador to the USA, Washington:

A series of bilateral agreements between Switzerland and the U.S. were signed during the past month. The main task is now to put these agreements into practice.

For business, the Trade and Investment Cooperation Forum and the Joint Economic Commission serve as platforms to strengthen the economic ties and to unite the two partners in a flexible and focused way. The Memorandum of Understanding will help us to coordinate all issues of our bilateral relations.

The project Swiss Roots was launched a few months ago with the help and support of Presence Switzerland. The program's centrepiece, www.swissroots.org, is a state-of-the-art website serving as a gateway and assisting the 1 Million Americans of Swiss descent in tracing their ancestral roots. It helps those with an affinity for Switzerland to discover and communicate with the Swiss. Throughout the U.S., Swiss Roots events showcase the best in Swiss innovation, culture, history, education, and business.

A follow-up program is in planning with the aim of implementing an extensive exchange and outreach program to promote Switzerland as a leading location for education, research and cutting-edge innovation. The business community will be an important partner in this endeavor.

Remarks from Carol Urban, Chargé d’Affaires a.i., US Embassy, Bern:

The bilateral relationship between the United States and Switzerland has grown even stronger in the past year, as evidenced by the signing of Memorandums of Understanding establishing the Trade and Investment Cooperation Forum and the Swiss – U.S. Enhanced Political Framework, to give but two examples. The coming months should bring our two countries even closer as our governments work together to add substance to these two agreements.

Of course, given the current state of the Doha round of trade talks, we have great incentive to move forward quickly on the Trade and Investment Forum. We need to have a productive first year with the Forum to show our business communities that increased Swiss - U.S. cooperation can result in greater trade, higher employment, more investment and stronger economic growth.

The Swiss – U.S. Enhanced Political Framework complements progress on the economic front. The Framework emphasizes our shared interests and calls for regular discussions between our governments to explore opportunities for further cooperation in areas of mutual interest.

Both of these agreements can help Switzerland and the U.S. to build an even stronger, more satisfying and effective relationship.