

## 1.2 Swiss-American Business Relations - A View from Washington

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### The Roots of the Swiss-American Relationship

Switzerland and the United States have strong relations dating back to the founding of the U.S. “Let us be united as two Sister Republics,” Swiss scholar Johann Rodolph Valltravers wrote to the U.S. Founding Father Benjamin Franklin in 1778. Seventy years later, when the modern Swiss Confederation was established, it was strongly influenced by the Constitution of the United States. The bicameral system—with one chamber representing the cantons and the other representing the people—was adopted, among other things. On the other hand, after the American Civil War, several states implemented instruments of Swiss direct democracy such as the referendum. Our shared history has deepened the relations between our countries, and to this day about half a million Swiss have immigrated to the U.S. Some of them became famous and played a part in the history of both our countries. We could mention Albert Einstein, the famous Nobel laureate who developed the special theory of relativity when he worked for the Federal Office for Intellectual Property in Bern, or Emil Frey, who volunteered in the American Civil War and later became the first Swiss Minister (Ambassador) to the United States and eventually President of the Swiss Confederation.

Even though the term “Sister Republics” may have lost relevance since the time when Switzerland and the United States were the only republics far and wide, the bilateral relationship between the countries continues to be based on shared values, trust, and mutual appreciation. As an illustration of that, Switzerland served as protecting power for the United States in Cuba from 1961 to July 2015, when diplomatic relations between the two countries were reestablished. Today, Switzerland still represents U.S. interests in Iran and is committed to that mandate as long as its services are needed.

### Switzerland Has the World’s Most Competitive Economy

Last year, I said that one of my objectives as Ambassador of Switzerland to the United States is to present a more contemporary and accurate image of Switzerland in the U.S. Even though Switzerland enjoys a good reputation, it has much more to offer than Heidi, beautiful mountains, high-quality watches, cheese, and chocolate. I especially want to mention Switzerland’s strong economy, with one of the highest GDPs per capita and one of the lowest unemployment rates worldwide. My country managed the recent financial crisis comparatively well, even though its export industry has been dramatically challenged by the strong Swiss franc, which is often used by investors around the world in times of economic uncertainty for reasons of stability. Swiss firms successfully adapted to this difficult environment and took measures to become even more efficient and productive. Therefore it comes as no surprise that according to the Global Competitiveness Report published annually by the World Economic Forum, Switzerland has the most competitive economy in the world, followed by Singapore, the United States, and Germany.

There are various reasons why the Swiss economy has become as strong as it is today. One very important factor is political

stability, providing certainty to companies and investors. Secondly, Switzerland hosts world-class research centers and universities and has an excellent dual educational system, creating a large pool of highly skilled talent. That attracts and promotes innovative companies in all kinds of industries. Besides well-established companies and world leaders in sectors such as pharmaceuticals, financial services, and watchmaking, there is a flourishing startup scene with creative minds willing to develop and leverage new businesses. Moreover, Switzerland has a very flexible labor market, helping companies to quickly adapt to their business cycles and needs. All in all, Switzerland has an open and business-friendly environment, which is impressively reflected by its strong bilateral business relations with the United States.

### Our Economic Ties Are Much Stronger Than Many People Think

The economic ties between our two countries are strong and constantly growing, yet often underrated. Therefore, it is worth highlighting that we continue to be important partners when it comes to bilateral trade and investment.

Bilateral trade in goods between Switzerland and the U.S. amounts to USD 50 billion a year. Switzerland exports goods worth around USD 29 billion to the U.S., which makes it the country’s second most important export market worldwide after Germany. In 2015, while Swiss exports to Asia stagnated and to the European Union even decreased, exports to the U.S. continued their growth trajectory. Swiss exports to the U.S. have more than tripled over the last twenty years. Switzerland’s most important export products with regard to the U.S. are pharmaceutical products, vitamins and diagnostics (40.1%), and precision instruments, watches and jewelry (21.9%).

In 2015, U.S. exports to Switzerland increased as well, while those from the European Union decreased. An import volume of about USD 20 billion makes the U.S. Switzerland’s fourth most important supplier country. The U.S. exports more products to Switzerland than to Scandinavia, the Baltic States, and Austria combined. The most important export products from the U.S. to Switzerland are precious metals, precious and jewelry stones (41.5%), and pharmaceutical products, vitamins and diagnostics (19.5%).

Looking at foreign direct investment (FDI), Switzerland has an even more impressive economic footprint in the U.S. For instance, at USD 224 billion of cumulative direct investment, it is the 7th largest foreign investor in the United States, making it by far the most important destination for Swiss FDI. In other words, the U.S. absorbs about one fifth of total Swiss investment abroad, which is more than in Germany, France, Italy, and the United Kingdom combined. More than 500 Swiss firms with about 3,500 branches doing business all over the U.S. create almost half a million jobs. Additionally, some 1.8 million jobs are created indirectly by those companies. The highest number of jobs created by Swiss affiliates can be found in California, Texas, New York, and New Jersey. The numbers showing the strong presence of Swiss companies in the U.S. are in line with the Transatlantic Economy Report 2016, which provides the latest numbers on the economic

ties between the U.S. and Europe: Swiss companies and their U.S. affiliates belong to the top three European employers in various states, for example, New York, California, New Jersey, Maine, Wyoming, and Delaware.

According to the Embassy of Switzerland's recent mapping of the activities of Swiss companies in the U.S., Swiss firms are doing business in all fifty states, with an exceptionally strong presence in terms of number of affiliates in California, New York, Illinois, Texas, and Florida. It is not surprising that they are active in a huge variety of business sectors ranging from precision instruments and machinery to the food industry, financial services, mining, and many more. Moreover, there are regional differences between Swiss affiliates in the U.S. For instance, most of the Swiss branches in the financial sector are located in California, Florida, New York, and Texas, while California and New Jersey are primarily chosen by pharmaceutical companies.

As a Swiss who is proud of his country's high-quality products and services, I always like to point out that the above-mentioned numbers are even more impressive when considering the quality aspect. With an average salary of USD 100,000, employees of Swiss affiliates in the U.S. earn more than employees of any other country's affiliates on average. Moreover, no other country invests as much in research and development per workplace in the U.S. as Switzerland. Whereas such investments are a driver for economic growth in the U.S., they are also important to Switzerland in terms of knowledge transfer and geographical diversification.

On the other hand, the U.S. has invested more than USD 150 bn in Switzerland, making it one of the most important foreign direct investors. In other words, U.S. affiliates invest more in Switzerland than in Japan and Korea combined, employing almost 100,000 people. Some 250 U.S. companies have headquarters in Switzerland and a large number of American firms choose Switzerland as an important hub for innovation. For instance, Google's largest research and development center outside America is located in Zurich, where it employs more than 1,500 people. Another example is the U.S. biotechnology firm Biogen, which announced last year it will invest USD 1 bn in Switzerland, creating 400 jobs.

As demonstrated by all these facts and figures about the bilateral business relations between our countries, we not only share a common belief in entrepreneurship, innovation and a free market, but also have closely interlinked economies. As noted above, it is my strong intention to inform stakeholders from both the public and private sectors about this to increase awareness and eventually support Swiss firms doing business in the U.S. and vice versa.

### **Partnerships in Science, Research, Technology, and Education**

Successful companies need qualified and well-trained employees. Especially in a knowledge-based society like Switzerland, where only very few natural resources are available, highly skilled workers and bright brains driving innovation are indispensable to economic prosperity.

As the worldwide leader in science and research and a host to top-notch tech hubs, the U.S. is an important source of innovation for Swiss firms as well. On the other hand, Switzerland offers not only world-class universities such as the two Swiss Federal Institutes of Technology, but also well-established and innovative industry hubs (for example, pharmaceuticals in Basel) and a fast-growing startup scene, among others. Therefore, I am convinced that our two countries can strongly benefit from each other in this area, and I am committed to further strengthening our partnership.

As a consequence, the U.S. is a top-priority partner in higher education and science, with high mobility of students, lecturers

and researchers between the two countries. The Swiss National Science Foundation plays a very important role in this area: it supports Swiss researchers going to the U.S. in the course of their training and careers, but also international research projects. Furthermore, the Embassy of Switzerland funds students and Ph.D. candidates from North America who apply to be accepted into a competitive program to have a research stay in Switzerland via the ThinkSwiss research scholarship program. The Swiss Government Excellent Scholarships/Fulbright Exchange Program provides yet another opportunity to foster exchange between our countries in various scientific disciplines.

### **Vocational Education and Training: Toward Stronger Cooperation**

Last but not least, I would like to touch upon a topic I have been interested in for a long time: vocational education and training. Swiss firms have been pioneers in this area for many years and promoting it in the U.S. is important to both Swiss and American companies. For a while now, apprenticeships have been on the political agenda of the White House, Congress, state and local governments, and businesses throughout the country. There is widespread bipartisan interest among government officials as well as entrepreneurs and workforce experts in learning about the Swiss vocational education and training model.

That great interest is the reason why Switzerland and the U.S. Departments of Labor, Commerce and Education signed a Joint Declaration of Intent last summer. By doing so, our countries agreed to further strengthen and formalize our cooperation in vocational education and training. Since we initiated the partnership, more and more Swiss companies have established apprenticeship programs at their American branches; not only in advanced manufacturing, but also in IT, the insurance sector, and other areas. Inspired by their success back home in Switzerland, they transfer and adapt the system to the U.S. environment, work together with local community colleges, students and families, and encourage business partners to offer similar programs.

At the Embassy of Switzerland in Washington, D.C., and the Swiss representations across the U.S., we encourage international dialogue and promote awareness of Swiss vocational education and training. We liaise with the U.S. government as well as other stakeholders, and we are committed to sharing Switzerland's expertise in this area. Our embassy's goal is to connect stakeholders who wish to actively participate in the apprenticeship discussion and to support Swiss companies doing business in the United States.

### **From "Sister Republics" to Strong Partners**

Coming back to Valltravers's words to Benjamin Franklin almost two and a half centuries ago, "Let us be united as two Sister Republics. Let us jointly maintain the Rights of Humanity, legal Liberty, Toleration, and Property secured to honest Industry! Let us enjoy the well-earned Blessings of Peace, encourage Arts and Sciences," it strikes me that the values he touched upon are still very contemporary and continue to define the relationship between our two countries today.

Over time, those shared values have made it possible for the relationship between the United States and Switzerland to evolve from two "Sister Republics" to strong partners with a broad spectrum of cooperation and strong economic ties based on common interests, trust, and mutual appreciation. As Ambassador of Switzerland to the United States, it is an honor for me to serve my country and to contribute to making Swiss-U.S. relations even stronger.