

1.2 Swiss-American Business Relations - A View from Washington

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The Swiss-American Relationship

Switzerland and the United States enjoy good and close relations for a long time. Shared values, strong economies and the common belief in entrepreneurship, innovation, and a free market have made it possible for more than two centuries.

The Swiss Economy

Switzerland has a stable and strong economy. According to the World Bank, we have the second largest GDP per capita in the world. The landscape of Swiss firms is highly diversified; over 99 percent of Swiss firms are either small or medium-sized enterprises (SMEs) with fewer than 250 employees. Unemployment is low and wages are high. Innovation and competition are key factors that have driven our economy and have led to growth and development. Recent challenges such as the financial crisis were managed comparatively well, even though our currency came under pressure and export-oriented companies were challenged by the strong Swiss Franc, which experienced a high demand during economic uncertainty for reasons of stability. Nevertheless Swiss companies successfully adapted to the new environment and were able to maintain their position in the market by becoming more efficient and productive. Considering this example of Swiss competitiveness, it comes as no surprise that Switzerland was ranked the most competitive economy worldwide again in 2016 in the Global Competitiveness Report published annually by the World Economic Forum.

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.

But as a country with few natural resources and no direct access to the sea, we cannot forget that Switzerland is a country that highly depends on the world markets to trade industrial goods and services, and as a platform for investment. We rely on trade and investment, and we rely on trade and investment with the U.S. I want to emphasize and highlight this long-lasting and strong economic relationship between our countries, one that is still growing and will hopefully continue to do so.

While Switzerland exports goods and services worth around \$52 billion a year to the U.S., we also import almost the same amount from the U.S. This shows that our relationship is balanced and beneficial to both countries and we are equal partners. After Germany, the U.S. is our most important export market worldwide and also our third most important im-

port supplier. But what's even more impressive is Switzerland's economic footprint in the U.S. This year I want to take a closer look at the important role of the U.S. as a destination for Swiss FDI.

Switzerland's Economic Footprint in the United States

Switzerland is one of the biggest sources of foreign direct investment (FDI) worldwide, ahead of countries such as Germany or the Netherlands. Within the 35-member OECD, Switzerland ranks second. In 2015, nearly one-fifth of total outward Swiss investment stock was invested in the U.S., almost the same amount invested in the Germany, France, United Kingdom, Canada and Ireland combined. Our firms strengthen the American economy and have a substantial economic presence in the U.S. They represent a diversified landscape, including large multinational Swiss firms with well-known names such as ABB, Credit Suisse, Nestlé, and Novartis, as well as many SMEs which are active in niche markets, manufacturing highly specialized goods for various industry sectors. Together, they substantially contribute to the economic well-being of the U.S., supporting hundreds of thousands of American jobs and paying more than \$4.3 billion in income taxes, making Swiss firms the fourth biggest taxpayer of all foreign investors.

Swiss FDI in the United States

The U.S. economy attracted many Swiss companies in the past and hopefully will continue to do so in the future. Our Swiss Business Hub USA (SBH) is an important contact point and advisor for SMEs in Switzerland looking for export opportunities in the United States. Conversely, the SBH proactively contacts and informs U.S.-based companies about the key advantages of Switzerland as a business and investment location. The Hub is the U.S.-based representative of the official international trade and investment promotion agency Switzerland Global Enterprise (SGE). It is responsible for implementing Swiss export strategies in the U.S. and for promoting Switzerland as a business location.

As of year-end 2016, Swiss companies have invested \$317 billion cumulatively in the United States and ranked as the United States' sixth-largest foreign direct investor, moving up one place and surpassing Germany compared with the previous year. Our investment rivals that of other large foreign investors with much larger economies and populations, like France or Canada. In fact, the United States is the largest recipient of Swiss outward investment. Swiss companies are active investors in the manufacturing, wholesale, retail, and services sectors of the American economy. Swiss affiliates are especially powerful contributors in pharmaceuticals and medicines and food manufacturing. Of the eight largest countries by cumulative FDI in the U.S., Switzerland is the second fastest growing FDI with a growth rate of 62 percent between 2010 and 2015.

Manufacturing is one of the important sectors where our companies are actively investing and supporting domestic employment of American workers. Swiss firms invested \$117 billion, nearly half of the total Swiss FDI, in manufacturing, supporting almost 200,000 jobs in the United States. This accounts for around eight percent of the 2.4 million U.S. manufacturing jobs supported by investment from all foreign firms. Ranked sixth, Swiss firms employed more U.S. manufacturing workers than affiliates from much larger countries.

Another important share of our investment goes into the U.S. research and development (R&D) base. Nearly one-fifth, or a bit more than \$10 billion, of the total R&D spending from all foreign investors comes from Swiss firms, making us the biggest foreign investor in R&D before Japan, the United Kingdom, France, Germany, and the Netherlands. Swiss firms employ more than 24,000 R&D workers in the U.S. alone, 10,000 of whom work in pharmaceutical and medicine-related companies, making Swiss affiliates the third biggest foreign employer.

Creating Jobs in the United States

Swiss affiliates create hundreds of thousands of American jobs throughout the country. In 20 out of the 50 states, they rank in the top 4 in terms of job creation. Swiss investment directly supports nearly half a million American jobs nationwide, representing around eight percent of the 6.1 million jobs created by all foreign direct investment combined. In recent years, Swiss firms added nearly 73,000 new jobs, resulting in a growth rate of 19 percent and putting Switzerland again in the first spot among the seven largest foreign direct investors in the United States.

Our businesses contribute to U.S. employment in three primary ways: jobs at U.S. affiliates of Swiss companies; jobs supported by U.S. exports of services to Switzerland; and jobs tied to U.S. exports of goods to Switzerland. In addition to the almost half a million jobs at Swiss companies in the U.S., more than 185,000 American jobs are supported by services exports to Switzerland, and more than 75,000 by goods exports to Switzerland.

Switzerland creates many high-paying jobs in the United States. American workers employed at Swiss firms earned an average salary of some \$104,000, which is \$42,000 more than the nation's private sector average wage. Among the seven largest countries by affiliate employment in the United States, Swiss firms paid the highest average salary.

Swiss Firms' Regional Activity

Swiss firms sustain American jobs in every state, even the nation's smaller states benefit from Swiss investment. In recent years, new jobs were added in 38 states, with the largest percentage gains in New Mexico, North Dakota, Louisiana, Oklahoma, and Arkansas. Some 500 Swiss companies have operations in the United States. Many have multiple affiliates in numerous states, accounting for a total of some 3,500 affiliates.

Swiss affiliate employment was highest in California, Texas, New York, New Jersey, and Illinois. In New Jersey, Switzerland even ranks second in terms of job creation by foreign affiliates, while in the sunny state of California over 96,000 jobs are supported by 365 Swiss affiliates and through exports to Switzerland. Looking closer at exports, California exports more to Switzerland than to Argentina and Brazil combined (two countries whose combined population is over 30 times bigger than Switzerland's). And New York has a total trade volume with Switzerland of \$13.6 billion, \$8.3 billion of which are U.S. exports to Switzerland. This is more than what New

York exports to China and India combined (while those two countries account for more than one-fifth of the world's population, only 8.4 million people live in Switzerland). Swiss firms are still expanding and hiring. In Texas jobs, through Swiss affiliates grew by more than 66% in recent years, resulting in a total of almost 60,000 supported jobs.

Partners in the Past and in the Future

Considering our shared path and our long-lasting friendship, I am proud to say that in a recently released annual survey Switzerland was ranked the overall best country in the world by the U.S. News & World Report. The overall ranking was determined across a range of attributes that were grouped into nine subrankings: Adventure, Citizenship, Cultural Influence, Entrepreneurship, Heritage, Movers, Open for Business, Power and Quality of Life. Switzerland performed very well in most of them and the ranking specifically pointed out our high standard of living, our progressive social system, our protection of human rights, and the business-friendly environment. The survey interviewed more than 21,000 business leaders, informed elites and general citizens across the world. What better partner could there be for the United States for a long and prosperous friendship!