

The Transatlantic Trade and Investment Partnership : A New Challenge for Switzerland

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Overview

- I. Key data: Switzerland-USA
- II. Swiss-U.S. Political Relations
- III. Swiss-EU Relations
- IV. Swiss-U.S. exploratory talks for a free-trade agreement
- V. TTIP Economic Impact on the US and the EU
- VI. TTIP Discrimination potential for Switzerland



I. Switzerland – USA: Key Economic Data 2012

	Switzerland	USA
GDP USD (current prices)	632 bn	15,685 bn
GDP USD per capita (current prices)	79,033	49,922
GDP USD per capita (at purchasing power parity)	45,418	49,922
GDP growth (constant prices)	1.0%	2.2%
Inflation (average consumer prices)	-0.7%	2.1%
Unemployment	2.9%	8.1%
Exports USD	300 bn	1,547 bn
Imports USD	288 bn	2,275 bn

Sources: International Monetary Fund (April 2013), CIA World Factbook



Interlocking of Swiss and US Economies

America is important for Switzerland:

- 2012: U.S. was the 2nd export market for Switzerland CHF 23.5 bn
- U.S. is 2nd most important investor in Switzerland: CHF 69.3 bn (2010). Switzerland is the 4th destination for U.S. FDI

Switzerland is important for the U.S.:

- Switzerland is 5th largest investor in the U.S.: USD 212 bn (2011). US is the first destination of Swiss FDI
 - Swiss firms provide work for 500.000 people in the U.S.
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II. Swiss-US Political Relations

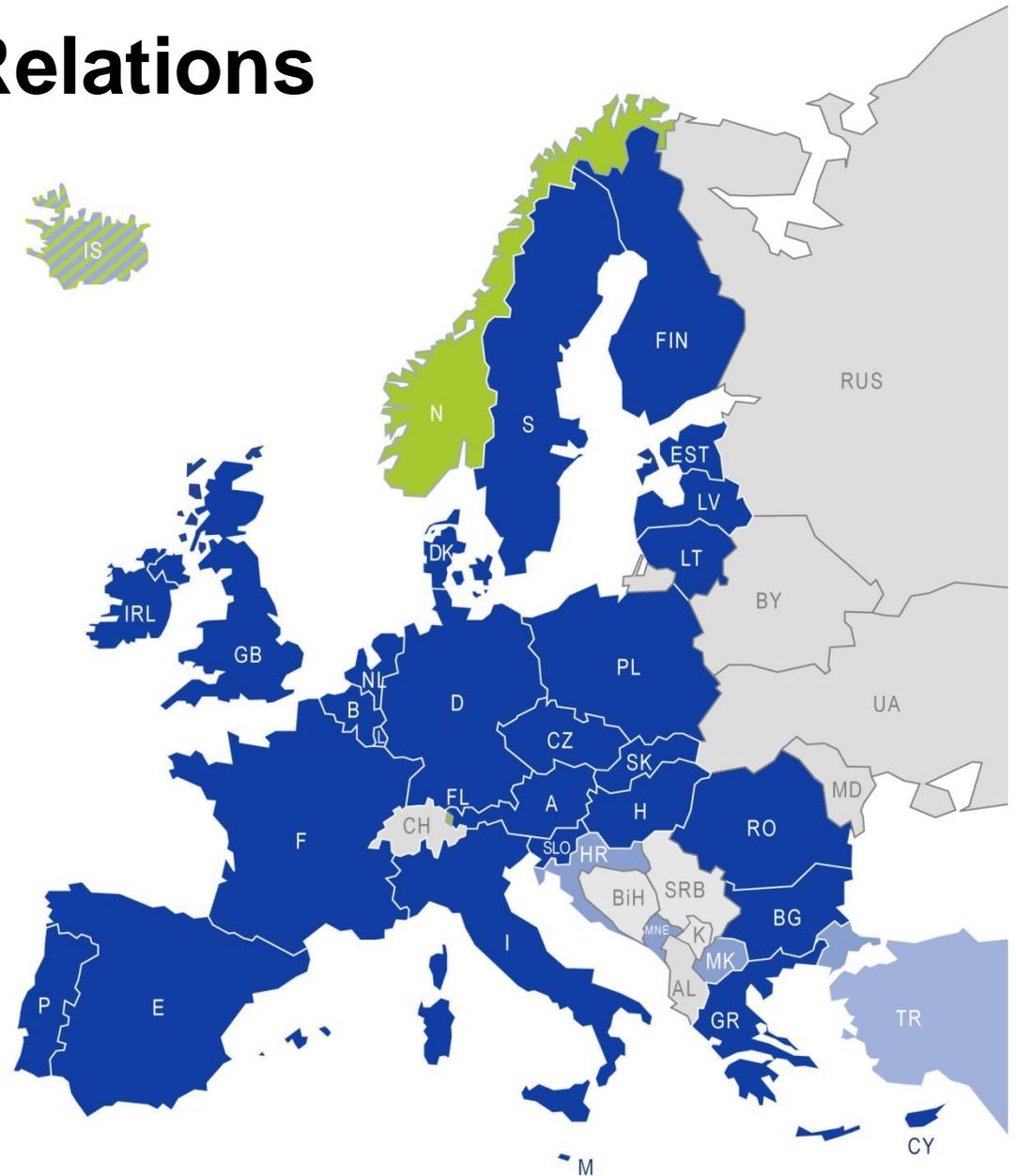
- November 25, 1850: Treaty of friendship and trade
- October 2, 1996 (replaces treaty from 1951): Treaty to prevent double taxation
- 1985: Memorandum of Understanding for Good Laboratory Practice with the FDA (2003: Swissmedic-FDA)
- January 29, 2000: Establishment of the **Joint Economic Commission** (JEC) (Federal Department of Economy-US State Department)
- May 2006: **Memorandum of Understanding establishing a framework for intensified cooperation** (Dept. Foreign Affairs-US State Dept.: coordination of all activities with the US; emphasis on political issues).
- May 25, 2006: **Swiss-US Trade and Investment Cooperation Forum** (Federal Depart. of Economy-US Government, USTR)



III. Swiss-EU Relations

-  EU-27
-  EEA
-  Candidates for membership

EU population (2012)
504 million



Economic dependence toward the UE

Trade in goods (2012)

CH → UE 118 bn

(56 % of Swiss exports)

CH ← UE 138 bn

(75 % of Swiss imports)

Direct investments (2011)

CH → UE 404 bn

(40 % of Swiss FDI abroad)

CH ← UE 465 bn

(77 % of FDI in Switzerland)

Foreigners (2011)

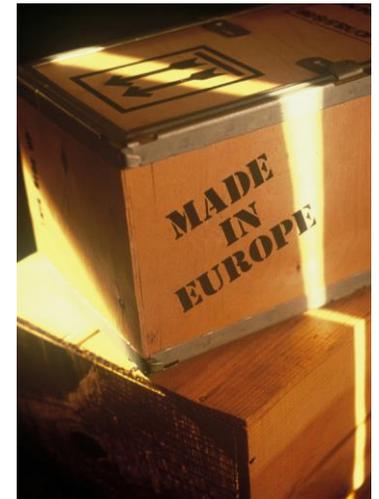
CH → UE 1.3 million

(43% of foreign staff employed by Swiss firms)

CH ← UE 348'000

(81% of foreigners employed by Swiss firms)

Source: SNB





The Bilateral Agreements I (1999)

1. Free movement of persons
2. Technical barriers to trade
3. Government procurement
4. Road transport
5. Air transport
6. Agriculture (full liberalization of cheese)
7. Research

Interest

Better reciprocal access to the **labor, goods and services** market





IV. Swiss-US FTA exploratory talks

- Launched in September 2005.
- Supported by a detailed study from : *Gary C. Hufbauer, Richard E. Baldwin, The Shape of a Swiss-US Free Trade Agreement, Peterson Institute for International Economics, Washington DC, 2006.*
- « *The potential benefits of a FTA are directly linked to the capacity of each government to further liberalise trade and investment.* »
- January 2006: The Swiss government decides **not to enter into negotiations** with the US mainly because of the difficulty to liberalize agriculture and the limited benefits in other areas. A process to launch liberalization of agriculture with the EU is launched.
- Mai 2006: US-Swiss Trade and Investment Cooperation Forum Agreement.



V. TTIP: Economic impact on US and EU

- Gains for the EU : 119 billion euro/year and 95 bn euro/year for the US.
 - EU exports of goods and services to the US would **go up** by **28%** (equivalent to an additional 187 bn euro).
 - **Additional trade** between the two partners and with other countries (33 bn euros) would translate in a **rise in total EU exports** of 6% and of 8% in **US exports**.
 - Positive impact on the **rest of the world** with increase of GDP in rest of the world of 100 bn euros.
 - Car sector: would **benefit most** due to high tariffs and NTBs (safety standards).
 - **80% of the benefits** would come from **cutting costs** (bureaucracy, regulations) and liberalisation of services and gov. procurement.
 - **Labor markets** will benefit from **productivity gains** both in terms of overall wages and new jobs opportunities for high- and low-skilled workers.
 - Source: Reducing Transatlantic Trade Barriers to Trade and Investment: An Economic Assessment. Center for Economic Policy Research, London March 2013
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VI. TTIP discrimination potential for Switzerland

1. Free trade: customs and origin

- US-EU elimination of customs duties on industrial products
 - US tariff: 2530 lines are duty free out of 5315
 - US tariff average: 3.3%
 - 18% of Swiss exports face tariffs $> 3\%$ (watches, plastics, pearls, precious metals)
 - Agricultural products, only 3.4% of Swiss exports to the US: non-alcoholic beverages (65%; tariff: 17%), cheese (7.8%; tariff: $>12\%$), chocolate (6.7%; tariff: 17%)
 - US-EU elimination of customs duties and of tariff-quota on agricultural products
 - Establishment of a free trade system with countries having FTAs with both the US and the EU (rules of origin: cumulation)
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TTIP discrimination potential for Switzerland

2. Technical barriers to trade

- Achieve regulatory compatibility for goods and services: harmonisation, mutual recognition of norms and tests by certified bodies, inspections.
- EU priority areas: vehicles, chemicals, pharmaceuticals, information technology, financial services.
- SPS measures: should be based on science and international standards or scientific risk assessments; limited application (human/animal/plant life); transparency on development of new measures; improved bilateral dialogue and cooperation with a Forum.

3. Services

- Market access: bind highest levels from existing FTAs and achieve new liberalization.
- Improvements: transparency, impartiality, due process for licensing, qualification requirements and procedures; regulatory cooperation.
- Simultaneously, negotiation of a plurilateral Services Agreement in the WTO.



TTIP discrimination potential for Switzerland

4. Government procurement

- Increase liberalisation: all administrative levels and public utilities.
- Address barriers on: localisation requirements, tendering procedures, technical specifications, carve-outs including SMEs

5. Intellectual Property

- Seek commitments to reflect high-level IPR protection and enforcement and to enhance US-EU leadership on IPR issues.
- Seek enhanced protection for EU Geographical Indications.

6. Investment

- Liberalisation and protection on the basis of the highest level negotiated by the Parties. US seeks same treatment as EU investors in the EU.
- Introduce investor to state dispute settlement.

7. Other topics

- Trade facilitation, e-commerce and information technologies; labor and environment issues; competition.



Options for Switzerland

- **Negotiate with the US an FTA** after the conclusion of the TTIP
Main challenge: agriculture
 - **Negotiate TTIP membership** after its conclusion
Main challenge: agriculture
 - **Seek to eliminate TTIP disadvantages** for access to the US market:
NTBs, SPS, trade facilitation, e-commerce: negotiate similar regimes with the US under the Forum,
Services: negotiate market access under the plurilateral agreement on trade in services.
Government procurement: negotiate in the WTO market access improvements.
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VI. Conclusion

- Switzerland must carefully assess the **economic price** of keeping a **highly-protected agriculture** with the **political internal price** of a liberalisation.
- Concluding an **FTA with the US** would also lead to negotiate a full opening of agriculture toward **the EU**. It would lead to joining TTIP.
- The agricultural issue is **not a blocking factor** for negotiating an FTA with the US only but also with Mercosur (Brasil, Argentina, Uruguay, Paraguay, Venezuela) and other large food exporting countries.
- Despite the strength of its **domestic framework conditions**, Switzerland faces significant **external pressure** on sensitive issues calling **for changes** of long-established regimes: bank secrecy, holdings taxation, institutional set-up with the EU, agriculture (in context of some FTA negotiations).