



Switzerland's economic strengths

1. Switzerland's security for the future

Practically no other country embodies stability as much as Switzerland does. The basis for this is a carefully conceived and balanced political and economic system that has been evolving for many years (see: "The Strengths of Switzerland and its people").

Stability and steadfastness give rise to a high degree of predictability and trustworthiness both within Switzerland and in dealings with the country, and this results in security for the future both for society as a whole and for each private individual.

In the 2007 IMD World Competitiveness Yearbook, for example, Switzerland features as best in class in the "country credit rating", is rated third in terms of "very low investment risk" and sixth in terms of "very low risk of potential instability".¹

Switzerland's legendary peaceful labour relations are a result of this high degree of stability: here, employees regulate their employment conditions through negotiations, and since strikes are very rare, Switzerland is among those countries with the lowest losses in terms of working hours.²

Another important result of this situation is the country's currency, the Swiss franc, which is regarded as one of the most dependable currencies in the world, and this in turn gives rise to a high level of price stability and inflation rates. In the global currency markets, the Swiss franc was the fifth most traded currency in 2007 behind the US dollar, the euro, the yen and the pound.³

As Switzerland is a "safe haven" that offers stable and predictable trading conditions and efficient financial market structures, it is now one of the ten leading financial centres in the world. This tradition dates back to the 18th century when private bankers based in Geneva began to manage the wealth of members of the European aristocracy and other affluent citizens.⁴

Switzerland is home to two of the world's leading banks, namely UBS and Crédit Suisse, and is world leader in the area of private asset management.⁵

With 30 percent of global private offshore assets held in Switzerland, it is one of the most significant financial centres in the world. Switzerland offers an attractive client base that led to leading-edge banking products and highly skilled financial professionals.⁶

¹ IMD (2007): World Competitiveness Yearbook.

² Ernst & Young (2006): Swiss Attractiveness Survey, 10.

³ Confirmed by the Bank of International Settlements (April 2007). <http://www.bis.org/publ/rpfx07t.pdf?noframes=1>

⁴ Jean-Francois Bergier (1990): Wirtschaftsgeschichte der Schweiz, Benziger Verlag: Zurich, 2nd edition, 330-333.

⁵ Information from the Swiss Bankers Association, Basel. (Telephone interview with Thomas Suter, 23 February 2006).

⁶ Swiss-American Chamber of Commerce / Boston Consulting Group (2006). Foreign Companies in Switzerland: The forgotten sector, 27.



In an era of global insecurity, a country that offers stability, security for the future and trustworthiness, along with a high degree of efficiency and legendary discretion, reaches a new level of attractiveness.⁷ However, the principles of privacy and confidentiality no longer apply if legal proceedings are instigated against people accused of financial crimes. The authorities responsible for supervising Swiss banks are very efficient on an international comparison.

The excellent conditions Switzerland is able to provide – stability, high degree of security for the future, and trustworthiness – are greatly appreciated by the numerous companies and organisations that have established themselves here in recent years, as a result of which Switzerland has become the most sought-after business location in Europe, despite its modest size.⁸ Multinational companies, accounting for 34 percent of the total GDP in 2004, are very important to the Swiss economy. Today, there are more than 10,000 foreign and Swiss multinational companies conducting business from Switzerland.⁹

It is also interesting to note that these companies cite neutrality in the business sense as one of the main advantages Switzerland has to offer:

*A Swiss based headquarters receives much more acceptance from national subsidiaries than a headquarters based in one of the large European countries, where decisions are influenced by the power and interests of the local market and often seem biased toward the headquarters' host countries.*¹⁰

But Switzerland is not only an important location for establishing head offices and administrative domiciles, it is also highly attractive as a manufacturing location. Direct investments in Switzerland rose by 15% p.a. between 1995 and 2003, and, in relation to its population, this small country at the heart of Europe is one of the ten most attractive destinations for direct investments today.

Foreign investment in Switzerland has increased enormously. Switzerland enjoys an excellent attractiveness as an investment centre compared with other locations.

Stéphane Garelli, IMD Lausanne¹¹

Another major aspect of future security is the excellent performance of the Swiss economy and the results of research in the life sciences sector.

Life sciences is Switzerland's big success story of the past few years.

Christoph Kollreuter, BAK Basel Economics

⁷ Swiss Bankers Association (2003): Swiss Banking – a programme for the future.

⁸ A fresh start. Foreign direct investment magazine of the FT, October/November 2005. According to the World Competitiveness Yearbook 2007 Switzerland ranks 2nd for its attractiveness of foreign high-skilled people.

⁹ Swiss-American Chamber of Commerce / Boston Consulting Group (2007): International Companies on the Move: How Switzerland Will Win the Battle. <http://www.amcham.ch>

¹⁰ Swiss-American Chamber of Commerce / Boston Consulting Group (2006): Foreign Companies in Switzerland: The forgotten sector. According to this publication, the four most important factors for choosing a given location are the qualifications and standard of education of employees, the availability of qualified personnel, flexible labour law/labour relations, and a reliable political and administrative system. Quality of life is also a significant factor, and here (as well as in three of the four factors cited above), Switzerland is regarded as "best in class". <http://www.amcham.ch>

¹¹ Interview with Stéphane Garelli, in: inSITE. Newsletter Location: Switzerland, 02/05, 1-3.

Switzerland's life sciences sector is recording outstanding achievements, especially in the fields of medicine, genetics, protein research, diagnostics, pharmaceuticals, as well as BSE and cancer research.¹² It hosts clusters that are renowned throughout the world, including BioValley (Upper Rhine)¹³, the BioAlps region¹⁴ in the Lake Geneva area, and the Greater Zurich Area.

Switzerland's traditional strengths in the areas of medicine, watch-making, micro-electronics and precision engineering formed the perfect basis for establishing the rapidly growing medical technology sector, which is one area of the life sciences. Renowned pioneers like Fritz Straumann and Robert Mathys were active as suppliers to the watch-making industry in the 1950s, while the pharmaceuticals and bio-technology sectors, the highly developed health care system, the high density of hospitals and doctors, and information technology created fertile ground for the growth of medical technology. Today, Switzerland is only surpassed by the USA as a location for companies active in this field¹⁵, and is among the leading countries in the area of bio-technology.

Switzerland is a world leader in the medtech field and I am convinced that this is related to the combination of our tradition of expertise in precision mechanics and our strengths in medicine and research.

Gilbert Achermann, CEO of Straumann¹⁶

In addition the demanding Swiss health care market has acquired a pioneer image: successes in the Swiss market stand a good chance of being successful in the world market. The main beneficiaries of this test market are major international companies that export 90 percent of the medical and biotech products manufactured in Switzerland¹⁷.

All these factors have made health tourism a flourishing business in Switzerland. In 2004, more than one million people travelled to Switzerland for health treatment, and this trend is increasing. These patients come not only from the Middle East but also from other parts of Europe, as well as Asia. In the latter case, there is a factor that plays very much to Switzerland's advantage: prestige. In Asia, prestige is important, and receiving medical treatment in Switzerland is considered to be especially prestigious.¹⁸

¹² <http://www.swissbiotech.org/infrastructure/index.html>

¹³ <http://www.biovalley.com/>; <http://www.biovalley.ch/about/why.html>

¹⁴ <http://www.bioalps.org/bioalps/FHomePagebioalps.aspx>

¹⁵ Seco (2005), Swiss Medtech Report, published by Location:Switzerland.

¹⁶ *ibid.*, p. 9.

¹⁷ NZZ Folio (2005). Schweizer Qualität: Erfinder, Macher und Pioniere. Verlag Neue Zürcher Zeitung 11,33

[NZZ Folio (2005). Swiss Quality: Inventors, Entrepreneurs and Pioneers. Publisher: Neue Zürcher Zeitung (11, 33)]

¹⁸ This piece of information originates from a discussion with Rémy Schleiniger, co-founder of Swixmed, a marketing company for Swiss health care abroad.

2. Switzerland's self-determination

Switzerland lets you be what you want to be.

Elisabeth Bronfen, Professor of English and American Studies, University of Zurich¹⁹

Switzerland's self-determination is founded on its federal system and the principle of subsidiarity. One example is the tax jurisdictions of the Confederation, the cantons and the municipalities, a system which places the cantons and municipalities in competition with each other on tax matters. The result of this is different, generally lower tax rates and a comparatively low state tax rate.²⁰

These aspects as well as Switzerland's stability, as mentioned earlier, form the basis for an extremely competitive economy as seen in the export boom of the Swiss economy, in Switzerland's second place in the Global Competitiveness Report 2008-09²¹ and its fourth position in the World Competitiveness Yearbook 2008²².

Switzerland is one of the leading countries on the European Innovation Scoreboard.²³ On the Deloitte Competitiveness Index, Switzerland is ranked third place in the "Innovation" category, and the most recent OECD study of innovations system confirms Switzerland's good performance.²⁴

Nevertheless, Switzerland is not well known for innovation²⁵, which shows up a large discrepancy between reality and perception. Since Switzerland's record of high performance in this field is clearly proven by the rankings it has achieved in the above-mentioned sources. Furthermore, on an international comparison, Swiss companies spend very high sums on research and development²⁶, and Switzerland features sixth on the scale of countries worldwide for business expenditure on R&D in absolute terms. This is in particular due to the pharmaceuticals and medical industries which raised their research spending last year by 10% which is above the sector average²⁷ (see: "Switzerland's Scientific Strengths").

One of the main reasons why the quality of Switzerland's products and services is so high is that the country is very small and its proportion of developed land is so low or, to put it another way, its percentage of unusable land is high. Because the domestic market is so small, Swiss companies soon

¹⁹ Quote from: Why Switzerland (2006), published by Presence Switzerland, p. 109.

²⁰ Conversation with Dr. Andreas Ineichen, deputy-head of Deutschen Redaktion des Historischen Lexikons der Schweiz. Paying taxes (2008), Study by the World Bank and PriceWaterhouseCoopers.

²¹ WEF (2008): Global Competitiveness Report 2008-2009. Online unter <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>

²² IMD (2008): World Competitiveness Yearbook.

²³ Der europäische Trend Chart Innovation Policy in Europe macht insbesondere die wichtige Stellung des Geistigen Eigentums (Patentierungen etc.) in der Schweiz für das hervorragende Abschneiden unseres Landes verantwortlich. European Innovation Scoreboard 2007. Online unter http://www.proinno-europe.eu/admin/uploaded_documents/European_Innovation_Scoreboard_2007.pdf

²⁴ After Sweden and the USA. Deloitte and Touche LLP (2005): Deloitte Competitiveness index. OECD (2006): OECD Reviews of Innovation Policy. Switzerland.

²⁵ Siehe die PRS-Imagestudien in USA, UK, Deutschland, Frankreich, Spanien, Japan und China, bei denen die Schweiz für Innovation vergleichsmässig bescheiden abschneidet.

²⁶ IMD (2007): World Competitiveness Yearbook.

²⁷ Die Schweiz spielt mit USA, Japan, Deutschland, Grossbritannien und Frankreich in der Spitzenliga. Department for Trade and Industry DTI (2006): The 2006 R&D Scoreboard.



found they had to look for new opportunities abroad and thus hold their own against competitors on the world's markets.

Their success is only due to the superior quality of their products, due to the traditionally high investment in research, and to their ability always to come up with innovative products. These are the two key factors that have enabled Swiss companies keep ahead of the competition.²⁸ The traditional export industries are often referred to as the engine of the Swiss economy - in which small and medium sized companies play a key role because they are in many cases world leaders in their respective niche markets. The past few years saw an incredible boom in Swiss foreign trade. In 2006, exports increased by 13.5% which resulted in a trade surplus of 7.9 billion Swiss francs.²⁹

Swiss goods and services convey the image of a high quality Switzerland to the world, and therefore it comes as a little surprise that Switzerland enjoys a "premium" image throughout the world today, though this image is sometimes associated with somewhat negative aspects such as high prices or exclusivity. The term "premium" does not automatically have to mean elitist or exclusive, but rather the urge to do everything a little better, to produce something pleasing and rewarding, never to be satisfied with what is merely good because it may be possible to do better. In this sense the term quality incorporates sustainability, innovation and action.

A high work morale, high ethics, discipline, precision and a quality culture.

Ulf Berg, CEO of Sulzer³⁰

In today's globalised world, where every country is competing on their locations, and competition between countries and regions is growing increasingly fierce, a small country with few of its own natural resources has no other option than to position itself in a premium niche. The people who live here have always had to look for added value in the form of precise and innovative craftsmanship and creativity, but today they can only assert themselves on the global market thanks to innovative technologies and services that are superior to those of their rivals.

This necessity has given rise to precision engineering, tourism and renowned Swiss products such as chocolate and watches.

The watch-making industry is one of Switzerland's oldest: it began in Geneva in the 17th century, but it was not long before its products were being exported to France and its occupied territories, then to countries in the Mediterranean region, South America and Asia.³¹ Today, Switzerland is world leader in the luxury watches market: in 2004, for example, the industry exported watches worth around 9 billion US dollars. The watch-making industry also laid the foundations for the currently booming medical technology industry.

²⁸ OECD (2006): OECD Reviews of Innovation Policy. Switzerland.

²⁹ Osec Business Network Switzerland (2007): Geschäftsbericht der Osec 2006, 4.

³⁰ Cited in: Why Switzerland (2006), published by Presence Switzerland, 28.

³¹ Jean-Francois Bergier (1990): Wirtschaftsgeschichte der Schweiz, Benziger Verlag: Zurich, 2nd edition, 181-183.



3. Switzerland's international tradition

Swiss companies have always maintained a presence abroad, and continue to do so today. Direct investments abroad by Swiss companies increased from 64 billion Swiss francs in 2005 to 88 billion in 2006, exceeding significantly the record so far achieved in 2000. The total capital stock abroad rose by 12.4% to 632.3 billion Swiss francs, with the greatest proportion of capital exports flowing to Europe and the USA as in the past. Swiss companies now employ a total of more than 2.2 million staff throughout the world.³² Measured in terms of its economic power, Switzerland is the second-largest direct investor abroad after Hong Kong.³³

In an international comparison, Swiss companies are more active abroad than the world average: in 2005, the total volume of direct investments abroad was equivalent to 123% of the country's gross domestic product.

Numerous foreign companies that bring their own staff to Switzerland help make Switzerland a truly cosmopolitan country (see: "The strengths of Switzerland and its people).

This is the continuation of a Swiss tradition that can be traced back to the 16th and 17th centuries, when Protestant immigrants played a major part in Switzerland's industrial development.³⁴ Some of Switzerland's leading multinationals were founded by foreign entrepreneurs: for example, ABB (Brown from the UK, Boveri from Germany), Nestlé (Nestlé from Germany) and Ciba (Clavel from France).

"Another constant is that Switzerland has always been cosmopolitan, has learned from other countries or has brought in the right people from abroad."

François Bergier, economic historian³⁵

Transport routes across the Alps were already in use in Roman times. Due to its central location on the major trade routes that linked the Mediterranean region and Italy with France, central Europe and the north, Geneva was already an important commercial centre for Europe in the late Middle Ages. Its trade fairs attracted merchants, bankers, shippers, artists, and later on printers, from all over Europe.

As a consequence of its close ties to other countries and the very early international orientation of the major companies, the people who live here, especially the local elite, are well-versed in the ways of the world.³⁶

In the IMD World Competitiveness Yearbook, Switzerland holds first place in the category "International experience of senior managers is generally significant".³⁷ Furthermore, Swiss boards of directors have the most cosmopolitan composition in the world, along with their Dutch counterparts.³⁸

"We have 650 employees at this location that represent 65 nationalities."

Laura McKeaveney, Human resource executive Medtronic³⁹

³² Swiss National Bank (2007): Development of direct investment in 2006.

³³ Credit Suisse Economic & Policy Consulting (2004). Direktinvestor Schweiz: Mitspielen in der obersten Liga. Spotlight, February, based on: UNCTAD (2003): World Investment Report. Online unter <http://www.credit-suisse.com/upload/news-live/000000018441.pdf>

³⁴ Jean-Francois Bergier (1990): Wirtschaftsgeschichte der Schweiz, Benziger Verlag: Zurich, 2nd edition, 49-69; 149.

³⁵ Jean-Francois Bergier (2005): Im Land der Ingenieure, NZZ-Folio 11, 47.

³⁶ Arthesia (2003): Zürich Themenwelt Weissbuch, 30.

³⁷ IMD (2007): World Competitiveness Yearbook.

³⁸ Financial Times (2006): Praise for Swiss boardroom mix, 01.03.

It is therefore hardly surprising that the Swiss are so multilingual (see: “The strengths of Switzerland and its people”).

³⁹ Cited in: A fresh start. Foreign direct investment magazine of the FT, October/November 2005.

