



Schweizerische Eidgenossenschaft  
Confédération suisse  
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Eidgenössisches Volkswirtschaftsdepartement EVD  
**Staatssekretariat für Wirtschaft SECO**  
Direktion für Standortförderung

# Competitiveness and international openness

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# The term ‘competitiveness’

Competitiveness is

*“... the ability of companies, industries, regions, nations or supranational regions to generate, while being exposed to international competition, relatively high factor income and factor employment levels.”*

Source: OECD (1995)

*“...for an economy with very little international trade, ‘competitiveness’ would turn out to be a funny way of saying ‘productivity’...”*

Source: Paul Krugman (1994)



**Assumption 1:**  
**Switzerland is a competitive country, but in a  
“flattening” world**



# Competitiveness in Switzerland

Institution	Rank	Key strengths	Key weaknesses
<b>WEF</b> Global Competitiveness Report	2	Innovation and sophistication factors	Market size, high level of public debt, corporate governance factors
<b>IMD</b> World Competitiveness Scoreboard	6	Infrastructure and government efficiency (fiscal policy), quality of life	Cost-of-living, compensation level, real GDP growth, government subsidies
<b>KOF</b>	good	Good innovation performance, low regulation of labour market, favourable tax climate	High regulation of product markets



# Competitiveness in Switzerland

## Switzerland's strengths as a location for business

- Stable and transparent institutional environment
- Flexible labour market characterised by fewer labour shortages since introduction of freedom of movement and appeal of Switzerland for foreign workers
- Fiscal policy due to its comparatively low burden for firms regarding tax on profits
- Innovativeness and the quality orientation of Swiss companies, also evident in the high productivity of export-oriented sectors
- Well-developed and reliable infrastructure



# Competitiveness in Switzerland

## Switzerland's weaknesses as a location for business

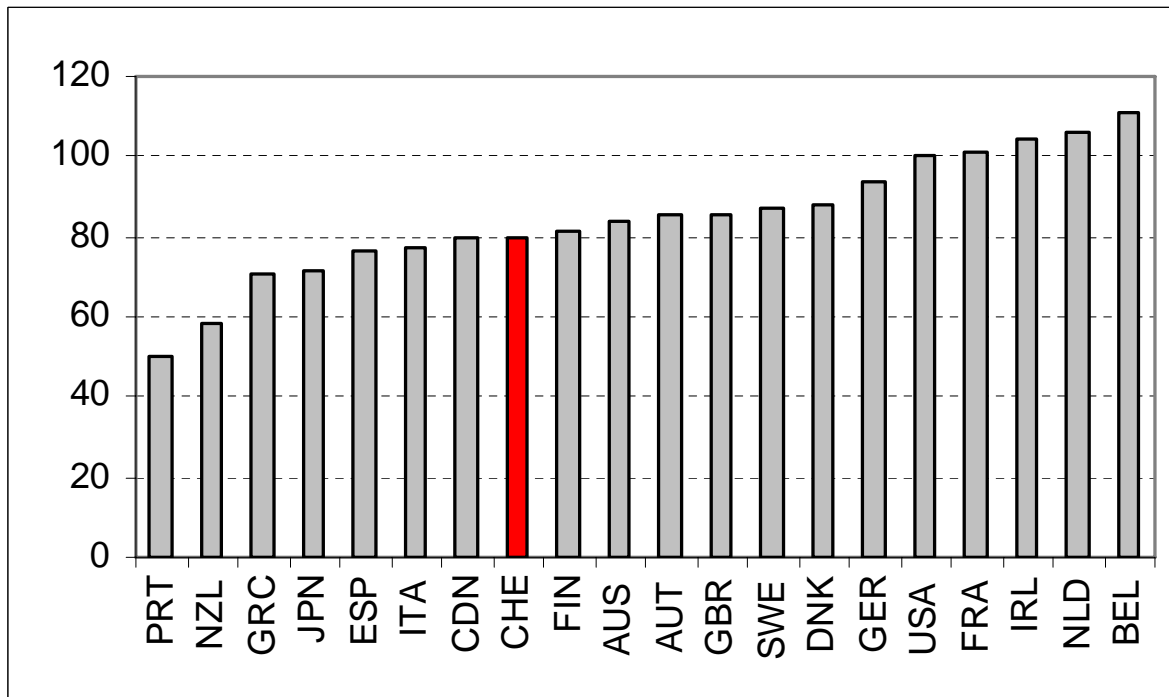
- The high degree of regulation in product markets, particularly in subsidised sectors relatively protected from international competition (agriculture, infrastructure) and related to this,
- A relatively weak intensity of competition and lower productivity in sectors oriented towards domestic market, and lastly high cost of living.



# Competitiveness in Switzerland

## Switzerland's weaknesses as a location for business

Labour productivity per hour, indexed, PPP-adjusted, 2005, USA=100



Source: OECD



## **Assumption 2:**

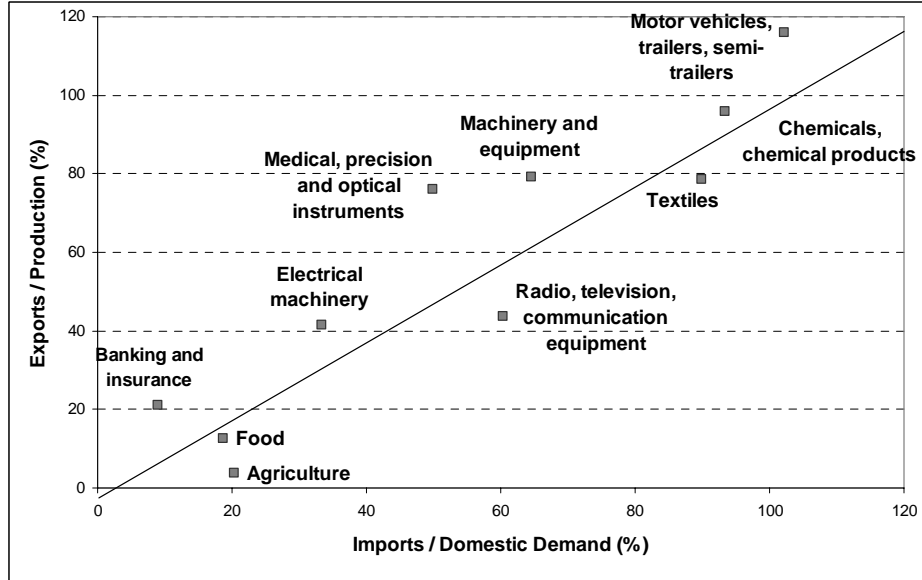
**Greater international openness strengthens  
Switzerland's competitiveness**





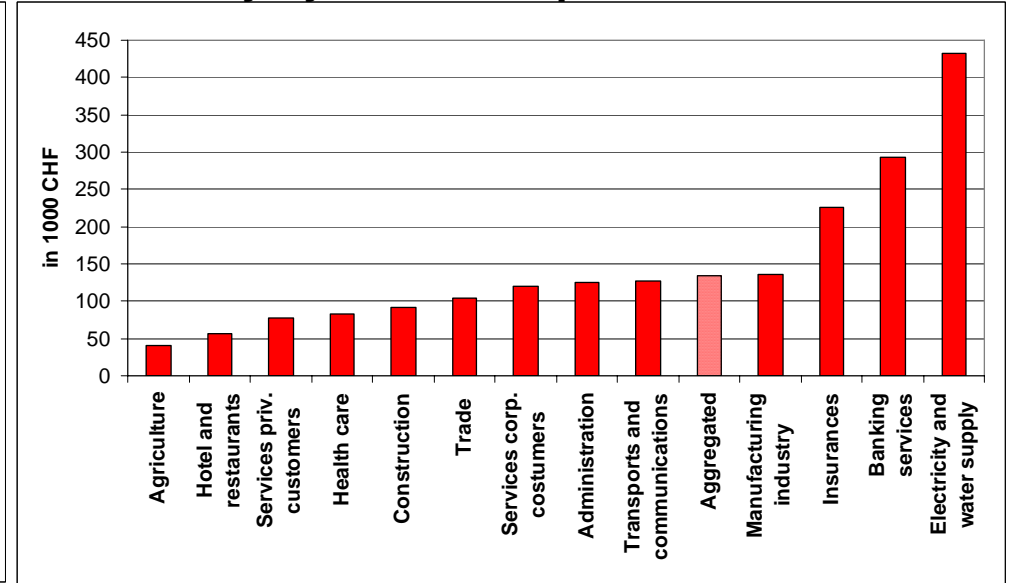
# Int. openness and competitiveness

## Export propensity and import penetration



Source: OECD STAN indicators 2001

## Productivity by full-time equivalent

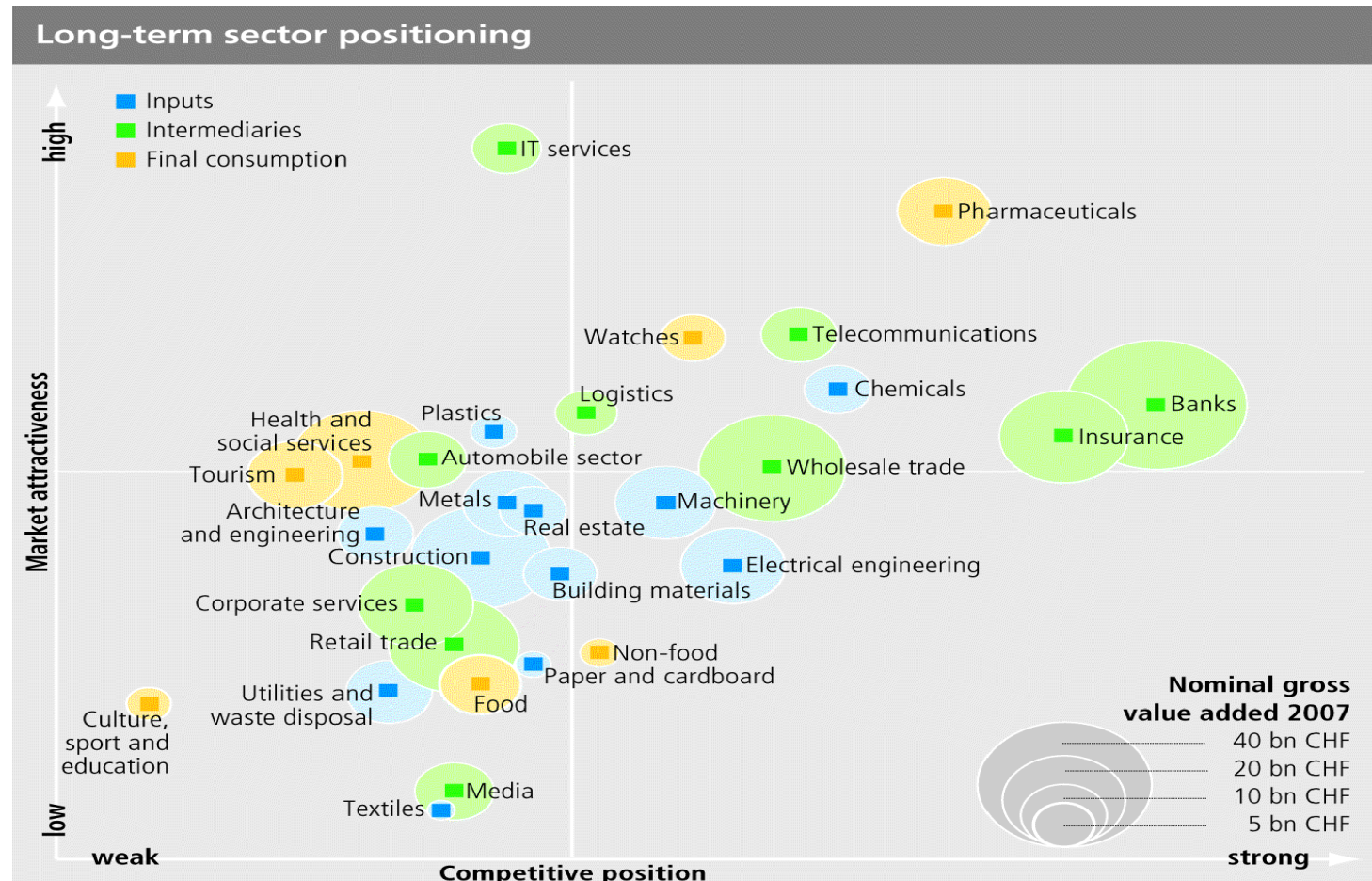


Source: FSO, SECO

Sectors with the highest degree of international openness are also those with the highest productivity per hour worked.



# Competitiveness prospects of Swiss economic sectors





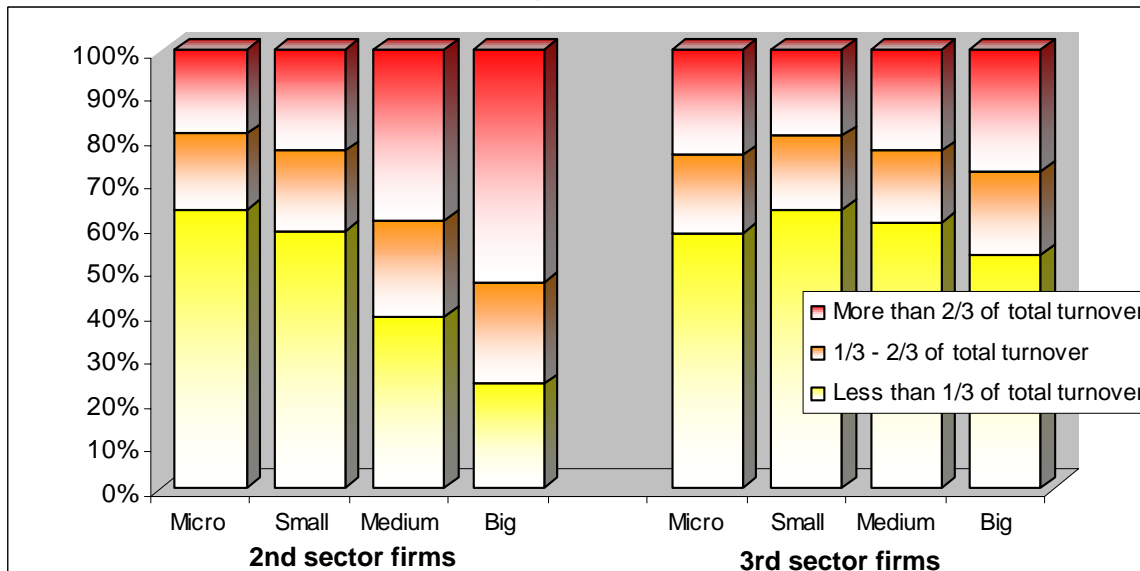
**Assumption 3:**  
**SMEs can still catch up in terms of  
international integration**



# International trade in goods by SMEs

- Larger firms tend to be more oriented to foreign markets:  
Overall 10% of micro-enterprises export, compared to 26% of small firms and 39% of medium-sized firms
- Share of exports as proportion of revenue rises with size of firm

Share of exports measured against company total revenue



Source: FSO, Enterprise Census 2005



# Foreign investment by SMEs

- Large firms based in Switzerland invest abroad significantly more often than small firms: Overall less than 2% of all SMEs invest abroad.

	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>SMEs</b>	<b>Big</b>	<b>Total</b>
<b>Investments abroad</b>	2'843 1,1%	1'183 3,9%	664 12,1%	4'690 1,6%	215 20,9%	4'905 1,6%
<b>No investments abroad</b>	241'021 92,1%	27'540 89,9%	4'378 80,0%	272'939 91,7%	597 58,1%	273'536 91,6%
<b>No answer</b>	17'718 6,8%	1'915 6,2%	430 7,9%	20'063 6,7%	216 21,0%	20'279 6,8%
<b>Total</b>	261'582	30'638	5'472	297'692	1'028	298'720

Source: FSO, Enterprise Census 2005

- The same is also true of participations by foreign firms in companies based in Switzerland: Foreign investors are far more likely to take an interest in large firms domiciled in Switzerland than in SMEs.



## **Assumption 4:**

**The continuation of Switzerland's economic growth policy benefits competitiveness**



# Switzerland's economic growth policy

The federal government's economic growth policy measures are grouped into three fundamental approaches:

## 1. Bringing down high level of costs

- Revision of Federal Act on Technical Barriers to Trade
- Revision of Federal Act on Public Procurement
- Further development of agriculture policy beyond 2012
- Free trade agreement with the EU in agri-food sector



# Switzerland's economic growth policy

## 2. Enhancing locational factors

- *Guaranteeing market access abroad*

Expanding network of free trade agreements with partners outside EU  
Commitment to the Doha Round

- *Infrastructure sector reforms*

Total revision of postal legislation

Federal Council infrastructure strategy

Preparing the ground for road pricing trials

Continuation of rail reform





# Switzerland's economic growth policy

## 2. Enhancing locational factors (cont.)

- *Maintaining attractive fiscal climate*

Reform of VAT

Implementation of task evaluation, staggering of dispatches

- *Dismantling unnecessary administrative hurdles*

Partial revision of debt collection and bankruptcy law

Implementation of e-Government strategy (esp. Business to Government phase)

Administrative unburdening



# Switzerland's economic growth policy

## 3. Ensuring worthwhile labour participation

- *Making the most of international labour mobility*

Prolongation of free movement agreement with EU

Extension of freedom of movement with EU

- *Promoting human capital*

New university landscape

New continuing education policy

- *Ensuring high gainful employment*

Adjustment of old age provision to take account of demographic developments



# Relation to foreign economic strategy

Growth policy and foreign economic strategy are coordinated:

Pillars of foreign economic strategy:

- 1) Market access abroad and international regulatory framework
- 2) Internal market policy in Switzerland
- 3) Contribution to economic policy development in partner countries



# Positioning of foreign economic promotion

Market access abroad and international regulatory framework:

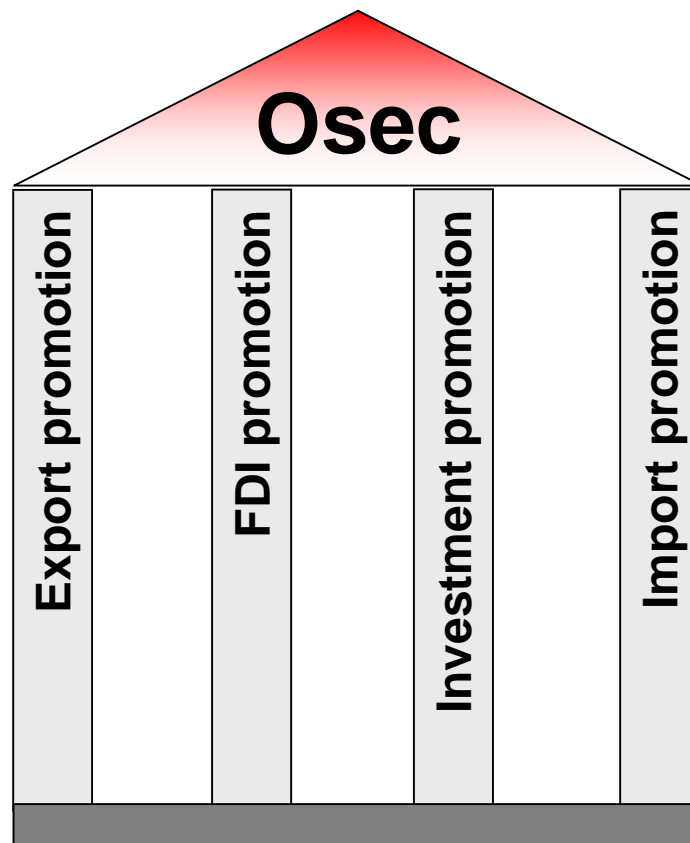
- Export promotion
- Locational promotion
- Investment and import promotion in developing and transition countries

Non-contractual instruments to promote foreign trade are an important element of the first pillar of the foreign economic strategy.



# Foreign economic promotion 2008-2011

Business Network Switzerland





# Any questions?