Switzerland 2009

Switzerland and Europe in the eyes of international managers

Ernst & Young
Quality In Everything We Do

Table of contents

Preface: Switzerland as a place of business during and after the crisis

The global economy is currently experiencing its most severe crisis since World War II. For just over a year, it has seen turbulence that no one had foreseen. On the contrary – almost all market players expected the main trends of strong global economic growth, increasing world trade and progressive globalization to continue. Instead, we now find ourselves in the middle of a severe economic crisis.

The International Monetary Fund (IMF) currently expects the world economy to shrink by 1.3 percent in 2009. This would constitute the most severe global recession since the World War II. The IMF even expects a fall of 4.2 percent for the euro zone as a whole. In the face of these numbers, Switzerland's projected economic contraction of 3 percent suggests that it is getting off fairly lightly.

It is unavoidable in such times of crisis that companies focus their efforts less on expansion and gaining access to new markets and more on reinforcing their position or even simply keeping their heads above water. This leads them to return to the question of location. In contrast to the years of global economic growth, in the current climate there is less interest in investing in other countries in order to generate additional growth. Some companies are even increasingly abandoning activities in other countries in order to concentrate on their core business, or simply to remain solvent.

What distinguishes the current crisis from many past economic slumps or recessions in the eyes of the companies is that this crisis is a sales crisis rather than a cost driven crisis. A Swiss engineering firm won't benefit much from cutting costs, introducing rationalization measures or relocating production to low-wage countries - if no orders are being placed throughout the industry, it is relatively powerless to remedy the situation.

On the other hand, there are many signs that Switzerland will benefit more than most when the economy recovers. As soon as companies begin investing again, as soon as faith in economic growth returns, the know-how and products that Switzerland is known for are sure to be back in demand.

It is therefore very important that the Swiss economy not suffer any long-term ill effects as a result of the crisis. So far, it has mainly been companies that were already in trouble before the crisis that have fallen victim to the recession. However, there is a risk that otherwise healthy companies will start running into difficulty. A lot will depend on the severity and duration of the crisis. One thing is clear: the reserves held by companies will not last forever.

This study shows that Switzerland has a good reputation as a place for business and investment. Foreign investors remain interested in Switzerland despite the crisis. Once again, other countries have a more positive view of Switzerland's strengths than we do ourselves. "Swiss made" remains a brand and a mark of quality in spite of the crisis.

Investors in other countries have retained their faith in Switzerland's strengths, even in difficult economic times. However, in light of the severity of the crisis, we in Switzerland must still raise our efforts to remain competitive in the fight to attract foreign companies. We must therefore continue to work on improving conditions in our country in order to further improve our already excellent standing.

Nowadays, a country's image at home and abroad is more important than ever. Switzerland's image abroad is particularly important due to the fact that the Swiss economy relies heavily on exports. Much therefore depends on making a good impression. Although it is doubtful that a country's image follows the same rules as a drinks or car brand's image, there is no doubt that the international image of a country is a significant factor in its economic development. Furthermore, the impressions that decision-makers in internationally operating companies have of a country have a significant influence on the scale of direct investment made by these global players.

What does Switzerland stand for today? Has its image changed as a result of the crisis? We developed the study "Switzerland as a place of business" in order to provide answers to these and other questions. The study is based on a survey of decision-makers at internationally operating companies. In August 2009, managers at board and executive level were interviewed by telephone by an independent market research company.

However, looking at Switzerland alone would not give the complete picture. Switzerland's position in a European context and its close political and economic ties with its European neighbors, have long been a fait accompli, and fundamental elements of its self-image.

Ernst & Young's study focuses on two areas:

1. The "perceived" appeal of Europe and Switzerland, based on a representative survey of 700 international decision-makers
2. The actual appeal of Europe and Switzerland for foreign investors based on Ernst & Young's European Investment Monitor

Authors

Markus T. Schweizer
Managing Partner Accounts & Business Development, Germany/Switzerland/Austria

Ernst & Young Ltd.
Brandschenkestrasse 100
CH-8022 Zurich

Phone:+41 58 286 4716
E-mail:markus.schweizer@ch.ey.com

Dominik Buergy
Dominik Buergy
Managing Partner Tax

Ernst & Young Ltd.
Bleicherweg 21
CH-8022 Zurich

Phone:+41 58 286 4435
E-mail:dominik.buergy@ch.ey.com

Study structure

This study is based on two central questions:

- **The "perceived" appeal of Europe and Switzerland for foreign investors:** The views and opinions expressed by 700 international decision-makers on the appeal of Europe and Switzerland in the survey. These managers – from all countries, industries and business models – were interviewed in August 2009 by an independent market research institute. A region's appeal consists of its image, the confidence of investors and / or the impression that a country or region offers the most competitive advantages for foreign investment.
- **The "actual" appeal of Europe for foreign investors:** The actual level of direct foreign investment on the basis of Ernst & Young's European Investment Monitor (EIM). This source monitors foreign direct investment projects involving the creation of new operating facilities and/or new jobs. By excluding portfolio investments, mergers and acquisitions, it shows actual, physical investment in manufacturing or services by foreign companies throughout Europe.

45 percent of non-European companies have permanent establishments in Europe. 616 of the 700 companies questioned (88 percent) are represented in Europe. 204 are currently active in Switzerland.

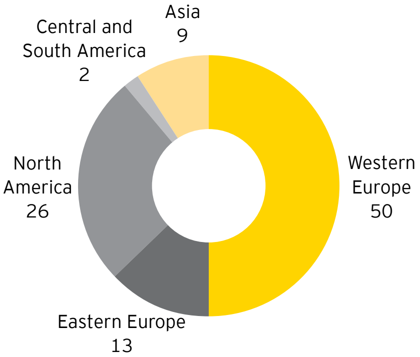
In order to also give a representative cross-section of the various corporate forms and their international strategies, the survey ensured that the study reflected the opinions of

- Small, medium-sized and multinational companies
- Industrial and service sector companies

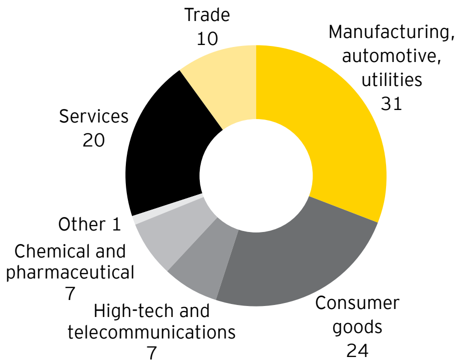
Broken down into six main industries, the companies surveyed represent all major European and global economic sectors.

Geographical location of companies surveyed

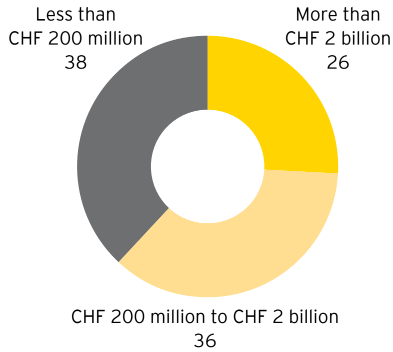
(Figure 1)



Industry sector of companies surveyed



Revenue of companies surveyed



All figures are percentages

The main findings in brief

- **Switzerland and Germany are the most appealing locations for foreign investors.** 20 percent of managers surveyed gave Switzerland as one of the top locations for investment in the world for the relocation of important functions.

- **Switzerland is the leading location in the world in the fields of administration/accounting, logistics** (ahead of Germany and France) **and sales / marketing** (ahead of Germany and the US).

- **International companies mainly appreciate the political and legal stability in Switzerland**. The quality of life and social climate are also seen by the managers questioned as the most important aspects of Switzerland as a place of business. Switzerland only receives negative ratings with regard to the availability and price of land, grants and subsidies and the relatively high labor costs.

- **Swiss tax system has lost in esteem and appeal and is no longer one of the top criterions for choosing Switzerland as a place of business.** While the managers surveyed in 2007 ranked the appeal of the tax system as fourth most important factor for choosing Switzerland as a business location after quality of life, social climate and political stability and legal certainty, in the current survey it has lost greatly in importance, coming in at just rank eleven of the most important factors. At the same time, only 90 percent of the managers still consider the Swiss tax system to be attractive compared to 96 percent in 2007.

- **Switzerland strong as a place of business despite crisis:** 93 percent of interviewees are confident that Switzerland will successfully overcome the current economic crisis. And 44 percent are of the opinion that Switzerland is best placed out of all European countries to overcome the crisis. Only 32 percent of the managers believe that Germany will deal particularly well with the crisis, and nine percent the UK.

- **A strong banking system is the most important factor to help Switzerland out of the crisis.** 65 percent of international managers see this as Switzerland's greatest advantage.

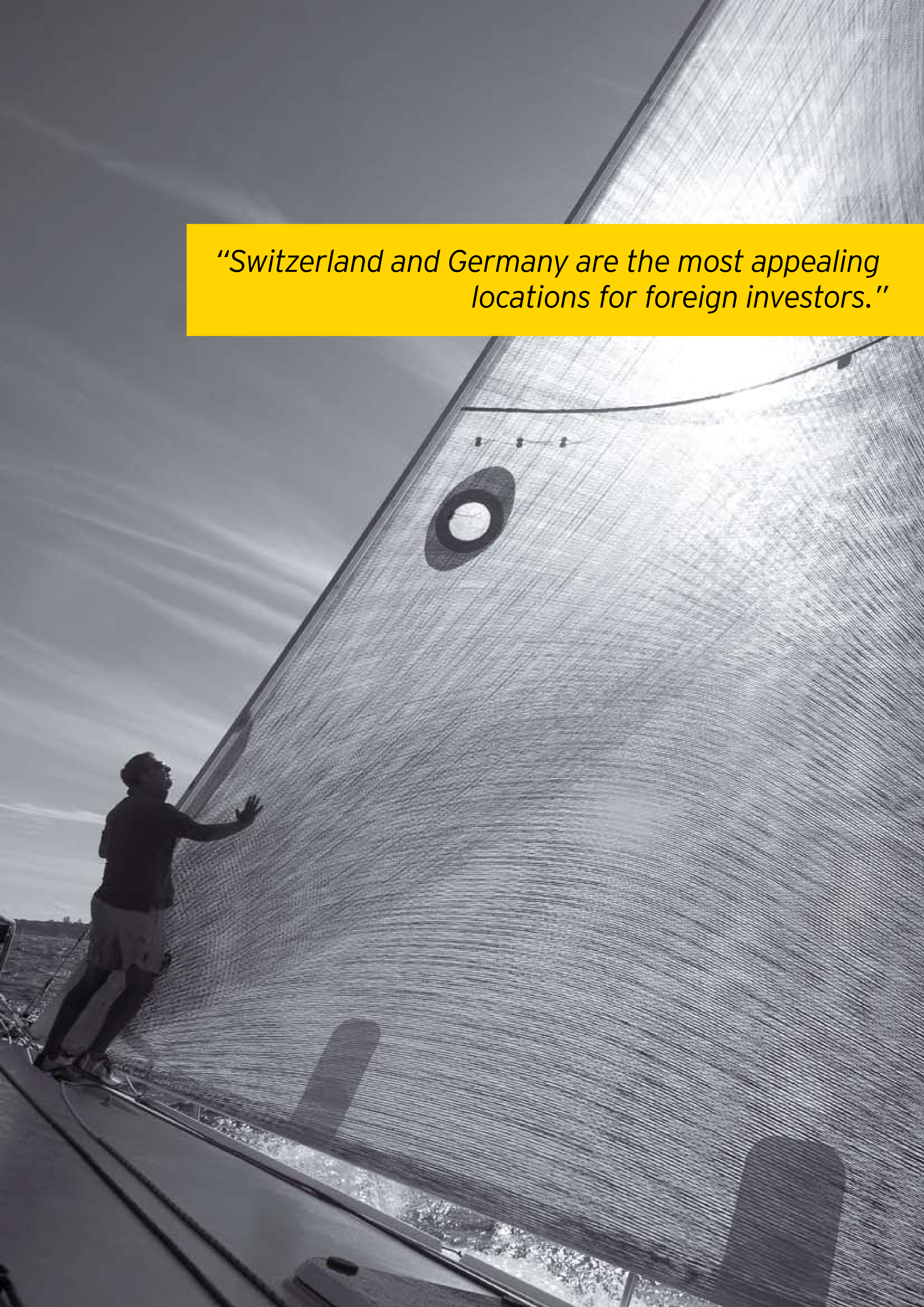
- **Switzerland's challenges lie in the fields of innovation and entrepreneurial spirit, as well as research and development.** However, companies based in Switzerland rate the country far better than those with no activities in Switzerland.

- In the rankings of the most innovative countries, **Switzerland is placed fifth behind China, the US, Germany and India.** 23 percent of respondents place Switzerland in the five best locations for innovation.

- **In figures: 3,718 foreign investment projects were reported in Europe, approximately matching the prior-year level.** The two most popular targets for foreign direct investment are the UK and France, accounting for 18 and 14 percent of all projects respectively. In this period, Switzerland was responsible for around three percent of foreign direct investment. With its 125 projects, Switzerland's development in 2008 was comparable to that of the prior year (124 investment projects) and ranks ninth in a European comparison.

- **Investments by European continue to dominate:** 2008 they made up 55 percent of the investment projects that were announced. There is a US investor behind every fourth investment in Europe, although US investing activity has been declining from year to year. Swiss investors are, on the other hand, gaining ground in Europe – in western Europe, Switzerland is already the fourth largest European investor after Germany, the UK and France.

"Switzerland and Germany are the most appealing locations for foreign investors."



2 The most appealing locations for investment in 2009

2.1 Overall picture

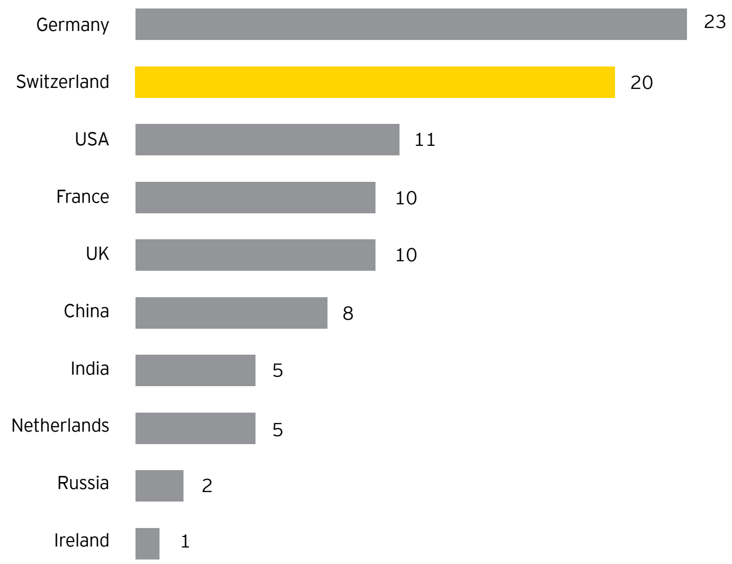
Germany and Switzerland are the most appealing locations for investment in the world when it comes to relocating important functions abroad. Germany would be in the shortlist for 23 percent of the companies surveyed, followed by Switzerland with 20 percent. Of the top 10 investment locations in the world, six are in Europe, or more specifically, western Europe.

The fourth and fifth places in the ranking are shared by France and the UK, both of which were classified as prime locations for major corporate functions by ten percent of those surveyed.

Although the BRIC countries China, India and Russia do not rank as highly in the estimation of investors, China in particular is hot on the heels of France and the UK.

The most attractive countries

"If your company wanted to relocate important functions abroad, which country would you currently find most appealing?"
(Figure 2)



Figures are percentages, multiple answers possible

"Germany and Switzerland come out on top according to the current survey. However, China is hard on the heels of the leading European economies."

2.2 Detailed analysis by function

Globally operating companies have realized that there is no perfect location for investment. Every country has certain competitive advantages that make it attractive for certain types of investment. Investors are becoming increasingly prepared to look at alternative locations.

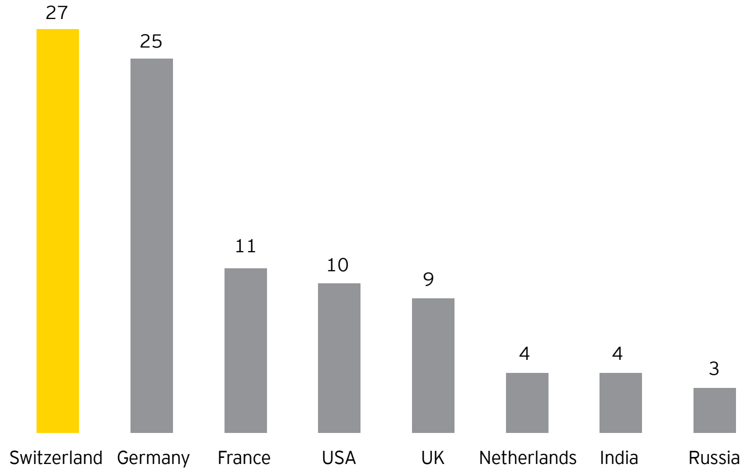
Our study asked decision-makers whether they were planning to set up individual functions, and in which countries. Six different functions were looked at in this context: administration/accounting, logistics centers, sales and marketing, research and development, company headquarters and manufacturing.

a) Switzerland is the leading location in the world for administration and accounting

As in 2007, Switzerland is the top location for back-office functions such as administration and accounting for international companies. 27 percent of those surveyed gave Switzerland as the most appealing location in the world in this regard. Germany came a close second.

Top locations for administration / accounting

(Figure 3)



Figures are percentages

The Czech Republic and Ireland have been ousted from the top spots in the current ranking.

According to a study by the Centre for European Economic Research, Switzerland is home to more than 20,000 holding and administration companies.

b) Switzerland top location for logistics

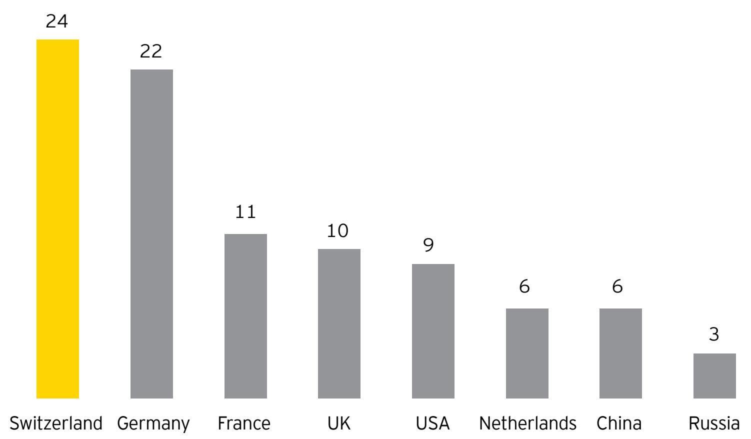
Switzerland is currently the leading international location for logistics centers. This is the opinion given by 24 percent of the companies in our study. Germany comes a close second. Purely on account of its geographical location, Switzerland enjoys a central position in an enlarged Europe. It also has the densest road and rail infrastructure, as well as one of the most highly developed local transport networks. This data is taken from the "Travel & Tourism Competitiveness Report 2009" published by the World Economic Forum, which places Switzerland first out of 133 countries as an international logistics location.

Switzerland is home to many of the global players in the international logistics industry, as well as small and medium-sized logistics service providers offering varied competencies.

The country is also currently in the process of reinforcing its lead at a political level by signing a series of new free trade agreements with important trading partners.

Top locations for logistics centers

(Figure 4)



Figures are percentages

c) Switzerland top location for sales and marketing

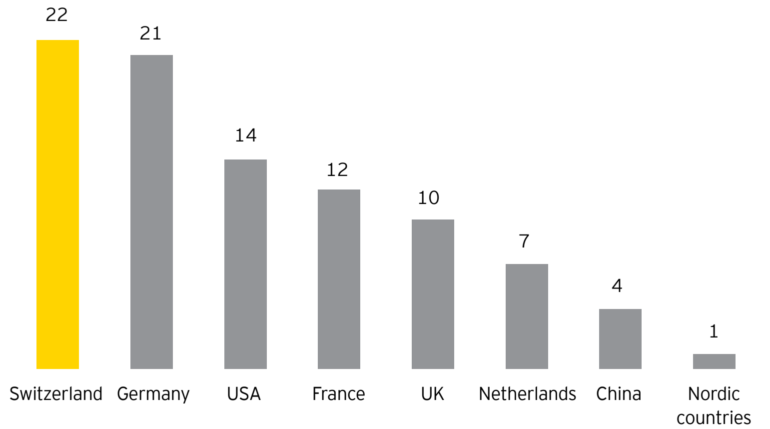
Switzerland also tops international rankings as a sales and marketing location. For 22 percent of those surveyed, Switzerland would make the shortlist for investment projects of this kind. This is closely followed by Germany, which was nominated by 21 percent of those asked.

d) Switzerland losing ground in the field of research and development

Although, two years ago, a majority of potential investors preferred Switzerland as a location for research and development, the country lost a lot of ground in 2009, taking a relatively severe loss of ten percentage points. Only 18 percent of those asked gave Switzerland as their first choice of location for research and development activities. Germany has claimed the top spot in the rankings of countries as locations for research and development. This was an improvement on its previous ranking in fourth place. The US came third with 16 percent.

Top locations for sales and marketing

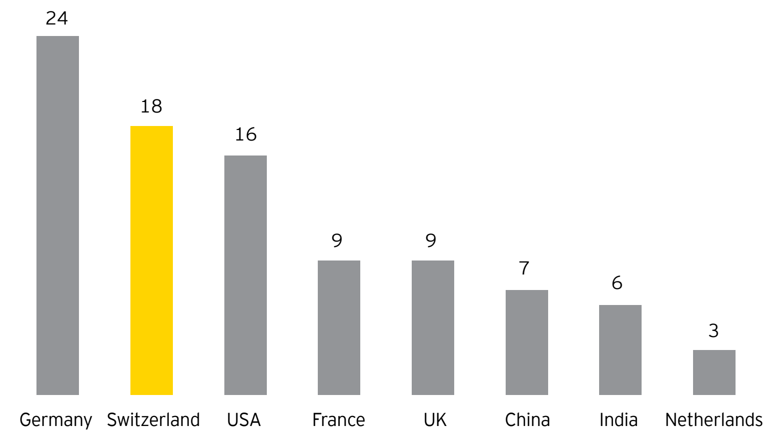
(Figure 5)



Figures are percentages

Top locations for research and development

(Figure 6)



Figures are percentages

e) Growing preference for Germany as the base for company headquarters

Our latest survey shows that Switzerland and Europe have lost a lot of popularity as locations for company headquarters. While Switzerland slid from first to second place, Germany climbed four places to become the new favorite for company headquarters. China made its first appearance among the favorite locations for international company headquarters, with a strong 14 percent.

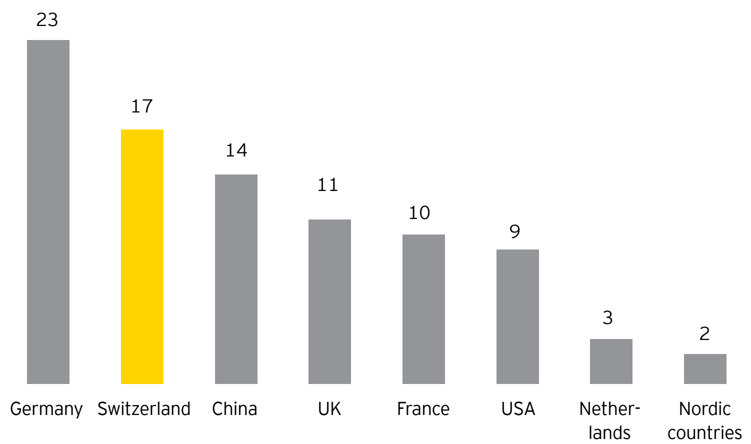
f) China top manufacturing location

China and Germany are the most appealing manufacturing locations in the world for investors. This is the opinion of 24 and 19 percent respectively of the decision-makers surveyed. Eleven percent of managers gave Switzerland as the leading international manufacturing location. This puts it in third place ahead of India.

As high-wage locations, it is remarkable that Switzerland and Germany managed to get a place at all in a list of leading manufacturing locations, a fact that reflects the strength of German and Swiss industry.

Top locations for company headquarters

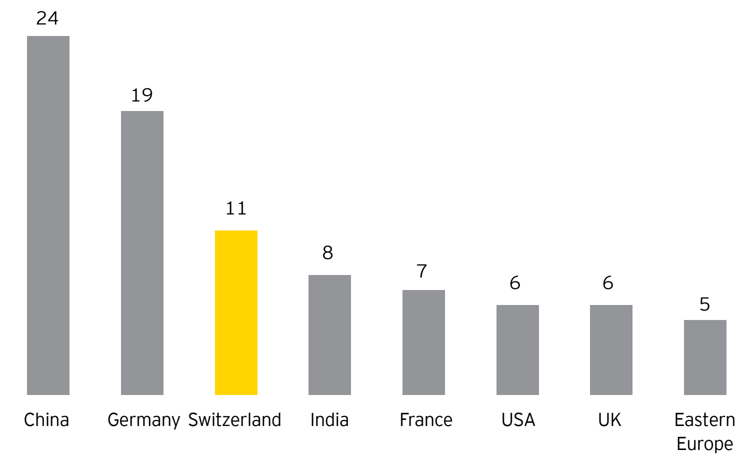
(Figure 7)



Figures are percentages

Top locations for manufacturing

(Figure 8)



Figures are percentages

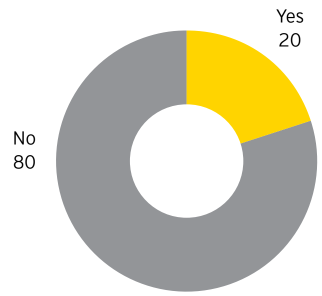
2.3 Almost no decline in companies' planned investment despite crisis

One could assume that most companies in the face of the current crisis are primarily concerned with their own fight for survival. Expansion and foreign investment with the aim of tapping into new markets, one would think, should only be on the cards for a few.

However, our survey shows that visions of globalization are not yet a thing of the past. Only 20 percent of the companies surveyed said that the crisis had given them cause to rethink their strategy of international expansion and scale back their levels of foreign investment. On the other hand, the vast majority (more than 80 percent) of the companies surveyed intend to increase their levels of foreign investment. Does this mean we have already reached the end of the crisis?

Relatively few companies want to scale back foreign investment as a result of the crisis

"Do you intend to rethink your strategy of international expansion as a result of the crisis, by scaling back foreign investment?" (Figure 9)



Figures are percentages

"Does this mean we have already reached the end of the crisis? Every fourth company asked already wants to increase its foreign investment again."

3. Switzerland as a place of business and the economic crisis

What does the current crisis mean for competition between European locations? One thing is clear: the difficult economic situation is creating clear structural imbalances within Europe and therefore also within the European Union, particularly in terms of economic output and the state of national budgets. Some observers are already speaking of impending national bankruptcies and a risk of the EU's single currency falling apart.

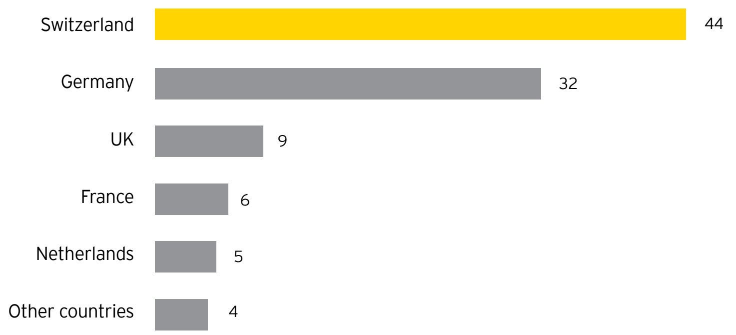
The bursting of speculative bubbles in real estate markets as seen in the UK, Spain and certain eastern European countries will have considerable long-term consequences for the wealth and economic clout of these countries.

According to the companies questioned, Switzerland will by far be best able to deal with the consequences of the crisis.
44 percent of the managers surveyed were of the opinion that, of all the European countries, Switzerland is best placed to overcome the effects of the economic crisis. The companies believe that eastern Europe, a region that has seen economic growth well above that of western Europe in recent years, will have a great deal more difficulty overcoming the crisis and its consequences. Only one percent of those questioned believe that an eastern Europe will be particularly well able to cope with the crisis.

As a matter of fact, many eastern European countries currently face considerable problems relating to the devaluation of their currencies against the euro, high levels of national debt, and collapsing real estate markets. On the other hand, it is becoming increasingly difficult to speak of eastern Europe as a single unit as the situation in the individual countries is so different. While developments in some countries, particularly the Baltic States, could almost be described as a collapse, experts believe that countries such as Poland, the Czech Republic and Slovakia will still see positive, albeit considerably reduced, rates of growth in 2009.

Switzerland best placed to emerge from crisis

"In your opinion, which European country is best placed to emerge from the crisis?"
(Figure 10)



Figures are percentages

The majority of those asked expect Switzerland to successfully master the crisis. 93 percent are confident that the Swiss economy is robust enough, while only 7 percent have doubts.

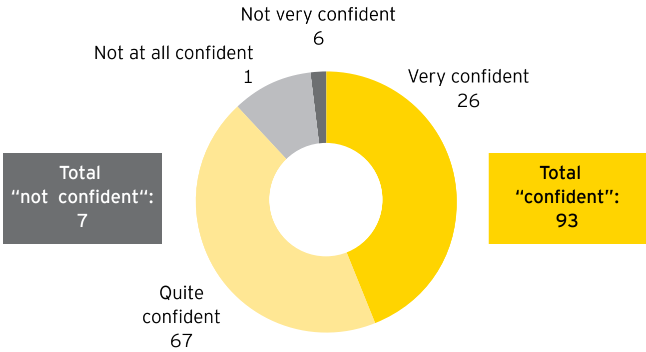
Switzerland's positive results in this survey may seem surprising in light of the significant decline of its economy. But while Switzerland's GDP is expected to shrink by 3.3 percent, most other EU countries are expected to be even more severely affected. The International Monetary Fund expects GDP for the entire euro zone to fall 4.2 percent in 2009, with the German and British economies shrinking by six and four percent respectively.

At first glance, the Swiss economy therefore seems to have been only moderately affected by the crisis, at least when looking at the forecast changes in GDP. The industrial sector has been most severely affected by the crisis throughout the world, and this sector is of particular importance to the Swiss economy. By comparison: exports make up 56 percent of Swiss GDP (2008), 47 percent in Germany, 29 percent in the UK and 26 percent in France. The figure for the US is as low as 13 percent. Domestic demand, on the other hand, plays a much more important role for these countries. While Switzerland has profited in the past from the boom in world trade and strong global economic growth – more for example than its neighbor, France – the fall has also been much harder.

If the Swiss economy is shrinking at an above-average rate, why should Switzerland emerge from the crisis as a winner? The answer to this question must differentiate between various scenarios.

Switzerland able to deal with the crisis

"How would you rate Switzerland's ability to overcome the crisis?" (Figure 11)



Figures are percentages

Scenario 1: If the global economy begins to grow again in 2010 and globalization resumes, Switzerland would likely recover faster than its western European neighbors, some of whom require difficult structural adjustments (particular in their real estate markets).

Scenario 2: If the global economy remains weak in the long term, this will also delay the recovery of the Swiss economy. And how long can Swiss industry and Swiss companies survive this period of drought without suffering massive losses that cannot be compensated even in a recovery phase?

In the current crisis, Switzerland's strong reliance on exports – traditionally one of its strengths – has become one of its weaknesses. Domestic demand plays a relatively minor role in economic growth, and the growth rates seen in recent years have mainly been attributable to exports. Switzerland is therefore more heavily reliant than other industrialized countries on a booming world economy, or, to put it another way, the recipe for Switzerland's success only works with a healthy global economy where there are enough customers for Swiss products in other countries.

However, the majority of those surveyed clearly believe that the worst of the crisis will be over within a reasonable period. And they trust Switzerland's ability to master the downturn and remain relatively stable through the crisis, despite current difficulties. They apparently see greater uncertainty with regard to the other European countries. It is possible that Switzerland has earned the trust of managers as it has shown in past years that it is able to deal successfully with difficult situations.

Survey respondents see Switzerland's strong banking system and its innovation and entrepreneurial spirit as main factors that will enable it to survive the crisis relatively unscathed. The frequency with which the stability of the banking sector was mentioned is particularly interesting considering that the crisis originated in the financial sector.

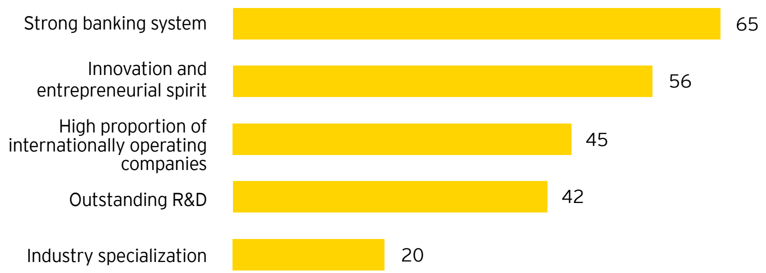
The high proportion of internationally active companies and the high quality of research and development were also important factors for successfully mastering the crisis for 45 and 42 percent respectively of those surveyed.

On the other hand, only 20 percent of those asked believe that the industry specialization in the fields of banking and insurance, industrial engineering, chemicals, pharmaceuticals and the watches and luxury goods industry prevalent in Switzerland would be advantageous in helping the country out of the crisis.

To summarize, we can say that managers trust Switzerland's ability to successfully manage the crisis. One thing is clear:

Innovation and entrepreneurial spirit and a strong banking system to overcome the crisis

"In your opinion, what advantages does Switzerland have to overcome the crisis?" (Figure 12)



Figures are percentages

if there is a further decline in industrial output combined with a sharp rise in unemployment and insolvencies, the situation will have to be reassessed. Until now though, a range of measures such as the two economic stimulus packages, which among other things boosted the development of infrastructure, have limited the effects of the crisis.

"According to the companies questioned, Switzerland will by far be best able to deal with the consequences of the crisis."

4. Switzerland as a place of business – detailed analysis

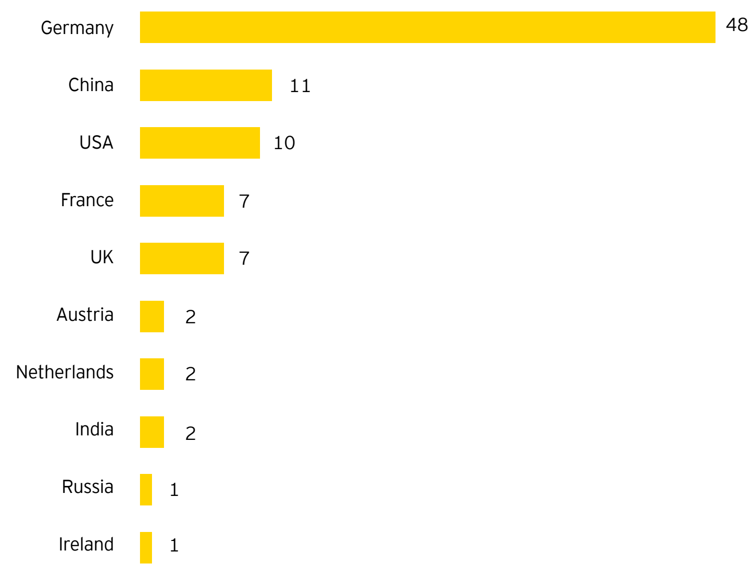
The international survey shows that Switzerland is clearly positioned at the top of the international rankings as a business location, in spite of the crisis. In the medium term, however, the country faces sustained pressure, particularly from the emerging economies of the BRIC countries. The decision-makers responded to questions relating specifically to Switzerland in order to gain more exact information on foreign managers' views on the country.

The first thing to be examined was Switzerland's position as a place of business in an international comparison. Which countries do the companies surveyed see as Switzerland's main competitors in an international comparison? The responses to this question give a clear picture:

In the opinion of 48 percent of the companies surveyed, Germany is Switzerland's main competitor, followed by China (eleven percent) and the US (ten percent). This confirms that internationally active companies recognize Switzerland as a global player, and group it with the cream of the most appealing nations. The study therefore shows that Switzerland is actively exploiting its advantages on the international market.

Switzerland's main competitors

"Which country do you see as Switzerland's main competitor in terms of attracting investment?"
(Figure 13)



Figures are percentages,
Total population: all companies surveyed

4.1 Switzerland's advantages from the perspective of foreign companies

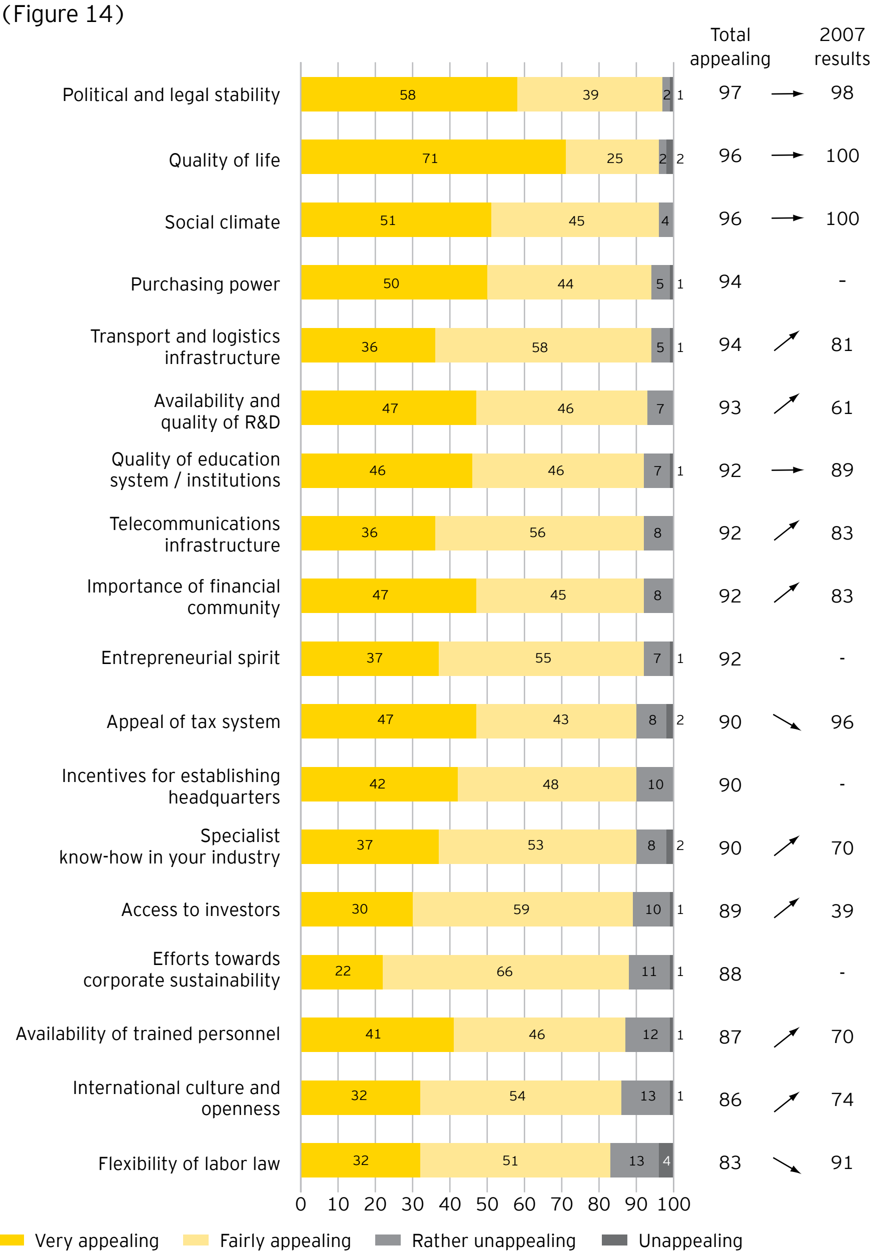
After determining Switzerland's position in the context of international competition, the survey goes on to examine which individual aspects are the most important for foreign companies, and how the country is rated in terms of the most important factors for choosing locations.

Conclusion: Switzerland's most attractive feature is its political and legal stability. 97 percent of those surveyed rated Switzerland positively with regard to this factor. The standard of living and social climate in Switzerland are rated only slightly less highly. These factors received 96 percent positive ratings each. In 2007 this figure was 100 percent.

Switzerland was particularly highly rated with regard to purchasing power and infrastructure for transport and logistics.

Switzerland as a place of business: strengths

"How would you rate Switzerland in terms of the following factors?"
(Figure 14)



Figures are percentages,
Total population: all companies surveyed

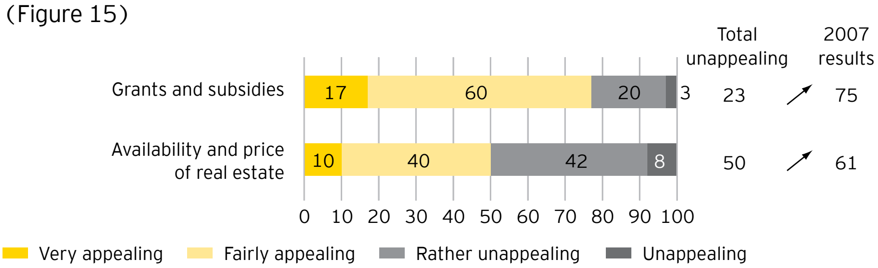
Compared to 2007, Switzerland improved its scores for the majority of factors. Satisfaction with access to investors (which increased by 50 percentage points) and the availability and quality of research and development (which increased by 32 percentage points) saw particularly strong increases.

Switzerland's weaknesses are all seen as much less significant than its strengths, and were all rated better than in 2007. Moreover, some factors that were considered weaknesses two years ago, such as access to investors and quality of research and development, were rated as strengths this year.

The highest value for the weaknesses was just 50 percent, while up to 97 percent of the decision-makers agreed on the valuation of the respective aspect for the strengths. In the opinion of foreign managers, Switzerland's biggest weaknesses remain the availability and price of land, as well as subsidies and government assistance for businesses.

Switzerland as a place of business: weaknesses

"How would you rate Switzerland in terms of the following factors?" (Figure 15)



Figures are percentages,
Total population: all companies surveyed

"International companies mainly appreciate the political and legal stability in Switzerland, the quality of life there and the social climate."

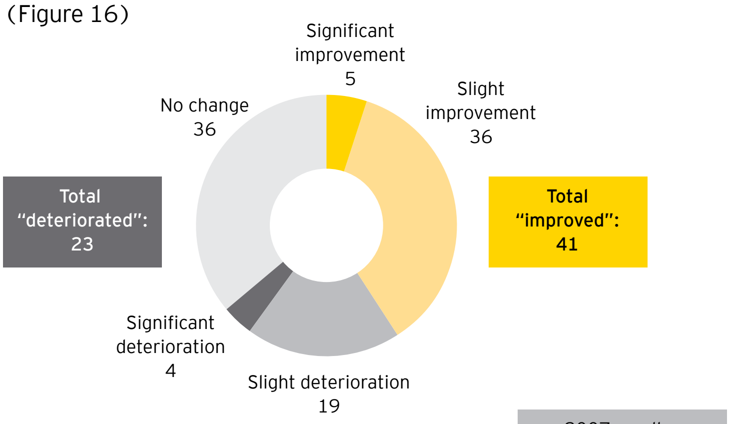
4.2 Development of Switzerland as a place of business

All in all, it seems that influential figures in foreign companies believe that Switzerland has gained appeal in recent years. Compared to 2007, 41 percent of survey respondents see an improvement and only 23 percent a deterioration. However, it also seems that the proportion of those who see an improvement has fallen sharply (minus 29 percentage points), while the number of critics has grown (plus 8 percentage points).

Despite these results, respondents generally expect Switzerland to improve as a location for investment. More than half of the decision-makers expect the country's appeal to improve, while only 16 percent expect it to fall. In the previous year, 56 percent anticipated a positive development - roughly the same number.

Switzerland as a place of business in the eyes of foreign investors

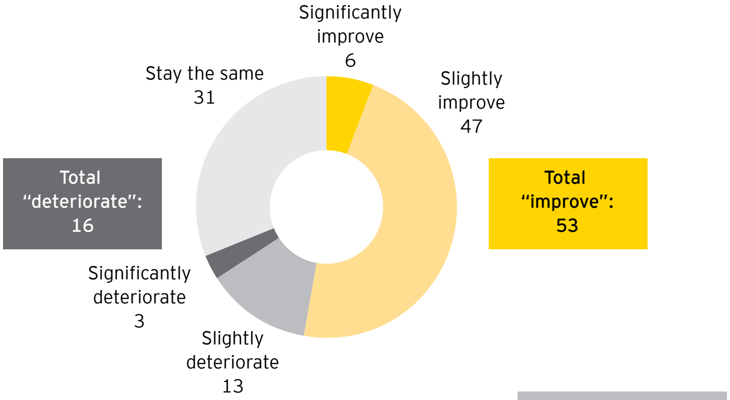
"In your opinion, how has Switzerland changed as a place for investment over the last three years?"
(Figure 16)



Figures are percentages,
Total population: all companies surveyed

Positive outlook for Switzerland as a place of business

"How do you expect Switzerland's appeal as a place of business to develop in the next three years?"
(Figure 17)



Figures are percentages,
Total population: all companies surveyed

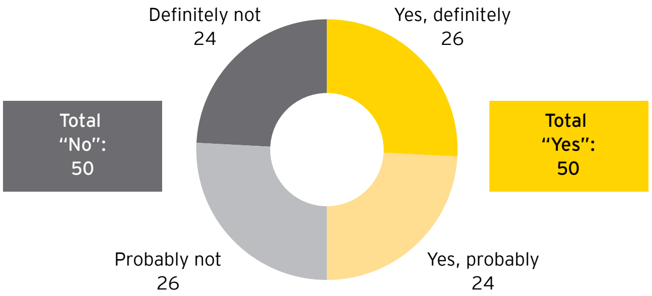
4.3 Planned investment of foreign companies

The current economic crisis has had a noticeable impact on companies' plans with regard to investment. While in 2007, 74 percent of companies surveyed planned to invest in Switzerland, this has now fallen to 50 percent. Companies already operating in Switzerland are particularly active, with 74 percent planning follow-up investments. Companies not operating in Switzerland are more hesitant. In this group, only 28 percent plan to invest.

Despite the reduced appeal of Switzerland as a place of business, the number of those considering leaving has only risen slightly.

Planned investment in Switzerland by foreign investors

"Is your company currently planning to invest in Switzerland?"
(Figure 18)

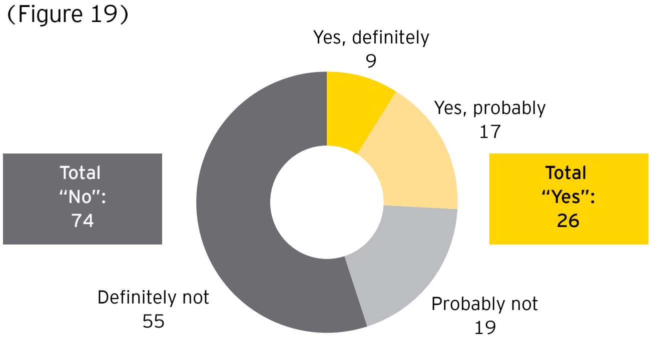


2007 results:
Total "Yes": 74
Total "No": 26

Figures are percentages,
Total population: all companies surveyed

Planned relocation away from Switzerland?

"Is your company planning to relocate activities away from Switzerland?"
(Figure 19)



2007 results:
Total "Yes": 24
Total "No": 76

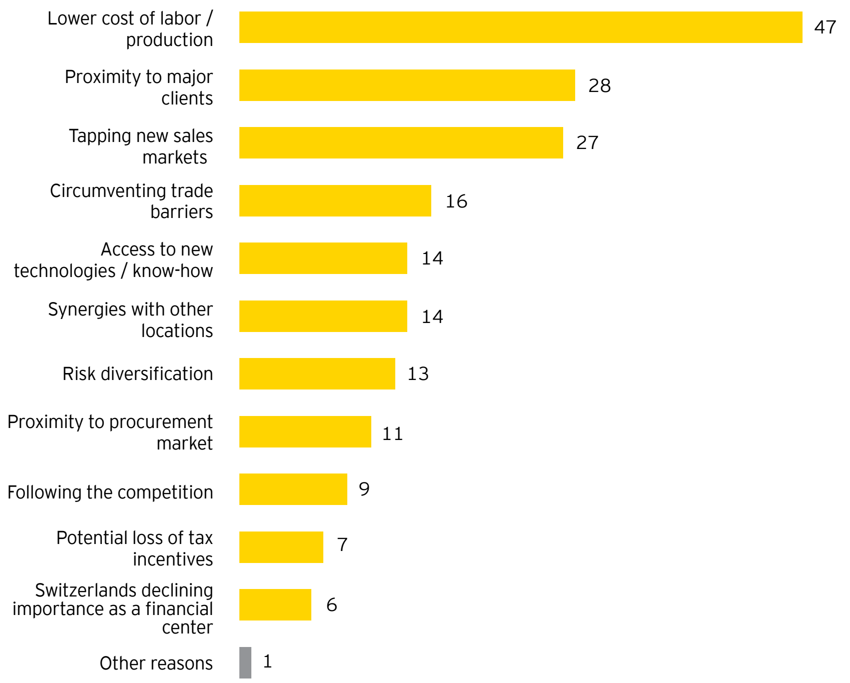
Figures are percentages,
Total population: companies
that already invest in Switzerland (n=204)

While 24 percent were considering relocating all or part of their operations to other countries in 2007, this figure has risen to 26 percent this year. The pressure therefore remains. Cutting costs is the most important argument given for relocation, given by almost half of those considering leaving as crucial to their decision. 27 and 28 percent of companies respectively are considering departing for other countries in order to tap new markets or to be closer to major clients.

One positive aspect is that those who are already represented in Switzerland are loyal to the location, and 74 percent are not prepared to relocate their businesses to other countries.

Reasons for relocation

"What are the main reasons for the planned relocation?"
(Figure 20)



Figures are percentages,
Total population: companies that already invest in Switzerland (n=204)

"The high labor and production costs in Switzerland are the main reason for companies to move abroad."

4.4 Assessment of Swiss political landscape

Swiss politics was slightly negatively rated for its strategies for making Switzerland more appealing as a place of business. Although almost four out of five respondents (78 percent) viewed Switzerland's strategy with regard to foreign investors as positive, two years ago this figure was 82 percent. The number of those making an explicit negative judgment rose five percentage points from 17 to 22 percent. Foreign managers therefore see much room for improvement here.

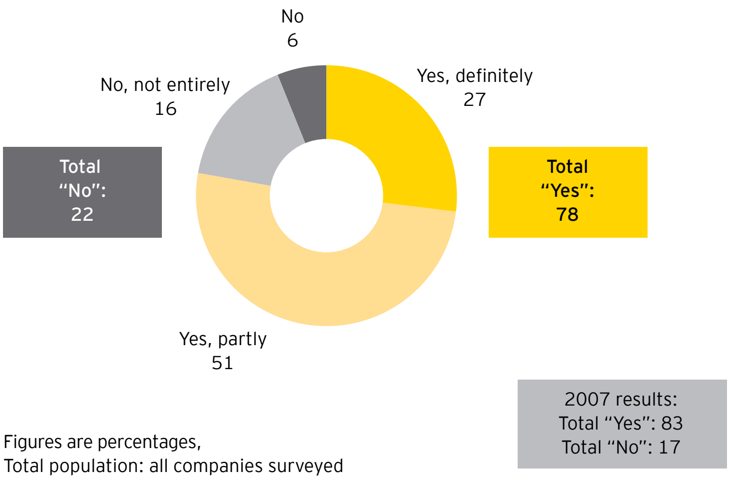
4.5 Switzerland as a place for investment

Discussions of Switzerland's appeal as a place of business essentially deal with the question of how we can remain competitive in the coming years and decades, and therefore safeguard our prosperity. It is a fact that the number of jobs in industry, particularly wage-intensive industry, will fall considerably due to improvements in productivity as well as relocations to low-wage countries. So how will jobs be created in the future?

It is already very clear that Switzerland can remain competitive and benefit from global economic growth, despite the high cost of labor, if it offers companies something that other locations cannot. The benefit offered by Switzerland will in future increasingly be in the field of innovation.

Switzerland's strategy with regard to foreign investors

"Do you consider Switzerland's current strategy to attract foreign investment to be successful?"
(Figure 21)



Figures are percentages,
Total population: all companies surveyed

Switzerland on top internationally for patent applications

(Figure 22)

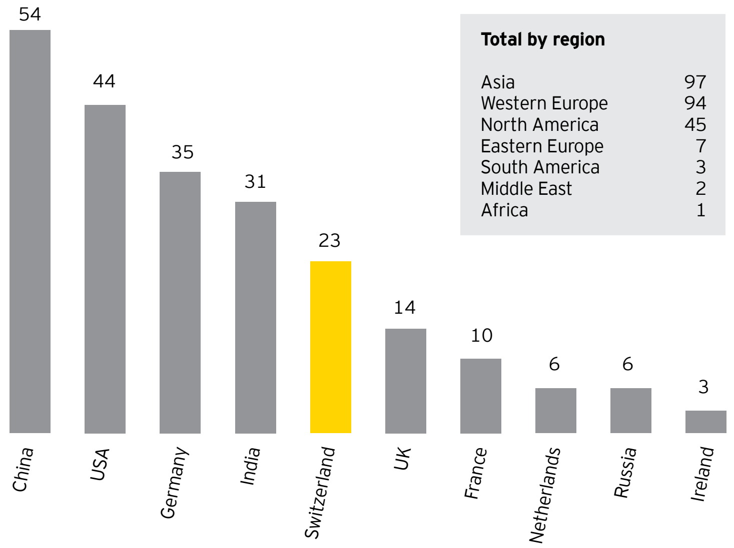
	Country	Number of patent applications	Share of total In percent	Patent applications per million inhabitants
1	Switzerland	5,972	4.1	776
2	Netherlands	7,289	4.9	442
3	Sweden	3,140	2.1	339
4	Germany	26,653	18.2	325
5	Japan	23,081	15.7	181
6	France	9,050	6.2	139
7	USA	37,359	25.5	122
8	South Korea	4,346	2.9	89
9	UK	5,068	3.4	181
10	Italy	4,343	2.9	122

The innovative strength of a country and its companies cannot really be measured objectively, but patent applications can be seen as one indicator. According to the European Patent Office's annual report for 2008, Switzerland is a world leader with 776 patent applications per million inhabitants. But also in terms of the absolute number of patent applications, Switzerland is among the top four European countries with a share of four percent of total applications, along with Germany (18 percent), France (6 percent) and the Netherlands (5 percent). Only the US and Japan submit more applications to the European Patent Office than Switzerland, with the US accounting for more than 25 percent.

In our survey, Switzerland performs moderately when compared with other countries. In the rankings of the most innovative countries, it is placed fifth behind China, the US, Germany and India. 23 percent of respondents place Switzerland in the five best locations for innovation. 54 percent opt for China, a surprising result considering the fact that China owes its rise to low wages and, in part, poaching western technologies. China's favorable result does indicate the potential that the international business community sees in China as a location. And the Chinese government is currently going to great efforts to change China's image from that of the "West's workbench" to "high-tech China".

The most innovative countries

"Which three countries do you consider to be the most innovative?"
(Figure 23)



Total by region

Asia	97
Western Europe	94
North America	45
Eastern Europe	7
South America	3
Middle East	2
Africa	1

Figures are percentages,
Total population: all companies surveyed

Switzerland is followed in the rankings by the UK and other European countries such as France and the Netherlands. Asia was mentioned by 97 percent of those questioned, ahead of western Europe with 94 percent and North America with 45 percent. The results of the survey very clearly show how close competition is between the major high-tech locations, and the significance already enjoyed by Asia in the eyes of companies. Only time will tell if the Asian countries are indeed able to establish themselves as hotbeds of innovation. In any case, the challenge faced by established locations such as the US, Germany and Switzerland is daunting.

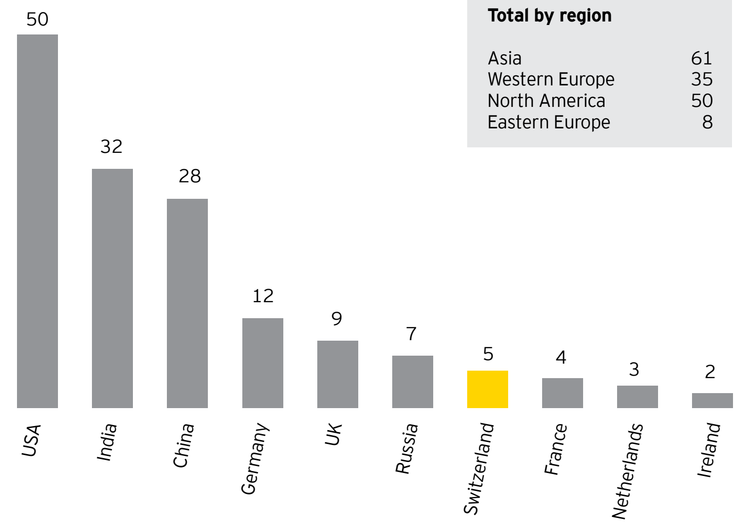
The actual extent of the challenges faced by established industrialized countries, including Switzerland, is reflected in the response to the question of where those taking the survey see future "Googles" or "Microsofts" emerging, i.e. companies that quickly rise to primacy in the field of software / high-tech / communications. In this case, respondents clearly see Switzerland as a second-league player, with the US, India and China seen as the most likely origins of such giants in the future. Only five percent of those questioned believe that Switzerland has the same potential.

This could mean that the managers surveyed believe that the Swiss do not have the necessary entrepreneurial spirit, and that they lack a culture of entrepreneurship or independence, which also includes a culture of (potential) failure. The cliché of an American society that is much more willing to reward risk-taking and forgive failure is often mentioned with regard to a culture of entrepreneurship.

Where will the next "Googles" emerge?

"In which country do you most expect a new "Google" or "Microsoft" to emerge in coming years?"

(Figure 24)



Total by region	
Asia	61
Western Europe	35
North America	50
Eastern Europe	8

Figures are percentages,
Total population: all companies surveyed

Be that as it may, the results show that managers do not see Switzerland as a top location for innovation or entrepreneurship.

Historically, research and manufacturing have always been closely connected in Switzerland - a network of educational centers, research institutes, manufacturers and suppliers whose depth and breadth is unrivalled (for the time being). Only extensive exchange and cooperation within this technology and manufacturing network ensure that there is no lack of high potentials and that education meets real-world requirements, while also safeguarding Switzerland's advantage in terms of research, technology and manufacturing know-how.

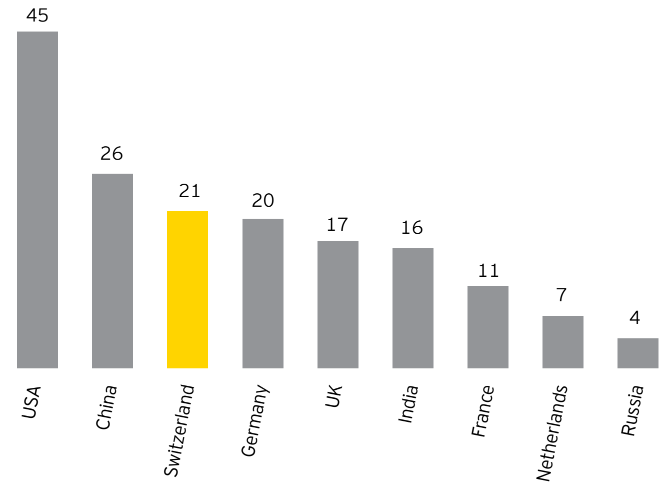
There is a direct relationship between the level of innovation in a particular country or region and the success of that location's system of education. This is why the question was asked of which country the respondents believed would have the most dynamic universities and schools in the next ten years in terms of innovation. In this respect, the US has a clear lead with 45 percent. China comes in second, ahead of Switzerland.

The fact is that the know-how of outstandingly educated employees is an important basis for Switzerland's future success. Politics, industry and universities must do all they can to raise the level of education and allow closer integration between education, research and industry.

The managers who responded to the survey concur. In response to the question of what measures have to be taken for Switzerland to become a real leader of innovation, most gave the development of a culture of innovation at schools / universities (53 percent), followed by tax breaks for innovative companies (35 percent) and promotion of research and development (27 percent).

Where the major hotbeds of talent will develop with regard to innovation

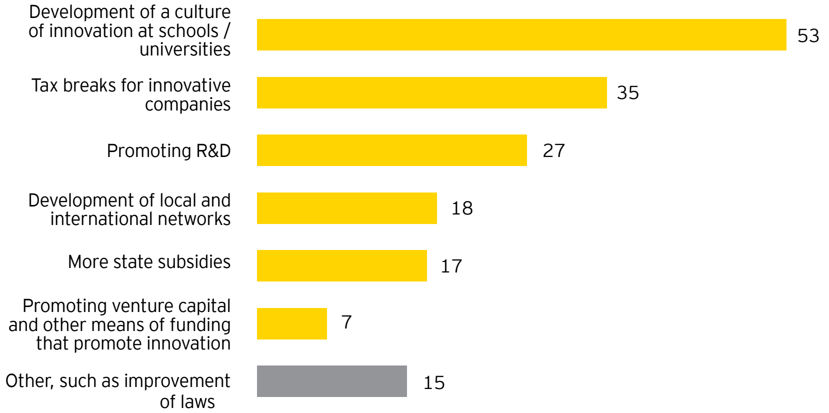
"In your opinion, which country will have the most dynamic universities or schools with regard to innovation in the next ten years?"
(Figure 25)



Figures are percentages,
Total population: all companies surveyed

What does Switzerland need to become a leader of innovation?

"In your opinion, what three measures are most needed in order to make Switzerland a genuine leader of innovation?"
(Figure 26)



Figures are percentages

5 Actual cross-border investments in Europe

5.1 Monitoring the flow of investment into Europe

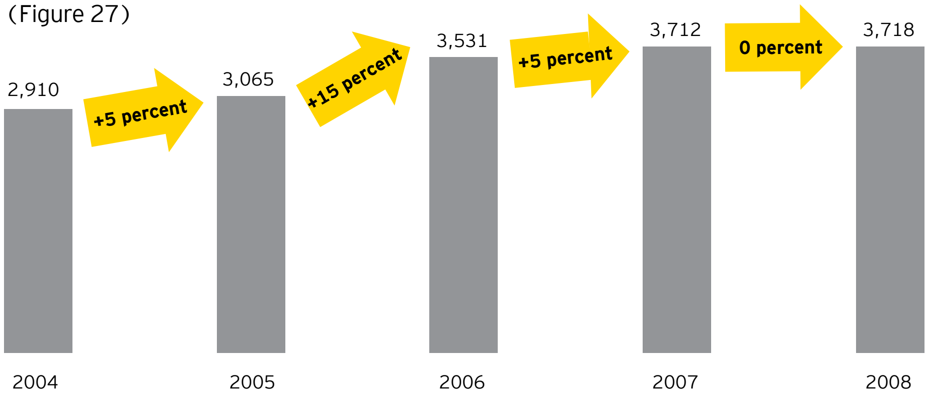
Data on direct investment from overseas, including equity, retained earnings and intercompany loans, is available at a macro level. This information is largely comparable (although many countries do not report on all fields of investment). Most companies and development experts want to know where foreign direct investment projects are being carried out, what type of investment is taking place, who is investing and in what fields.

Ernst & Young created the European Investment Monitor (EIM) in 1997 in order to record investment in Europe. This documents investment and business unit expansions within the region. In 2004, changes were made to the methods used by the database in order to better reflect the variety of investment in Europe and the development of methods to detect investment in regions and countries.

The difficult data situation prevailing in Switzerland due to the traditional reluctance to disclose information in Switzerland should, however, not be forgotten here. It can therefore be assumed that there is a substantial number of unpublicized and thus unregistered investment projects.

Total volume of foreign direct investment in Europe per year

(Figure 27)



5.2 Project announcements: stagnation at the top

With 3,718 announcements in 2008, the number of foreign direct investment projects remained at almost exactly the same (high) level as the prior year (3,712), despite the nosedive in the economic climate from September 2008 onwards. However, it is likely that there will be a sharp drop in investment projects in the current year due to companies' reduced willingness to invest.

European countries as investment recipients

(Figure 28)

Rank	Country	Number of foreign direct investments 2008	Market share 2008 in percent	Number of foreign direct investments 2007	Development of foreign direct investments in percent
1	United Kingdom	686	18	713	-4
2	France	523	14	541	-3
3	Germany	390	10	305	28
4	Spain	211	6	256	-18
5	Poland	176	5	146	21
6	Romania	145	4	150	-3
7	Russia	143	4	139	3
8	Belgium	142	4	175	-19
9	Switzerland	125	3	124	1
10	Netherlands	116	3	123	-6
11	Ireland	108	3	80	35
12	Hungary	100	3	135	-2
13	Italy	96	3	69	39
14	Czech Republic	87	2	83	5
15	Sweden	85	2	81	5
	Other	585	16	592	-1
	Total	**3,718**		**3,712**	**0**

5.3 Investment recipients: UK still ahead

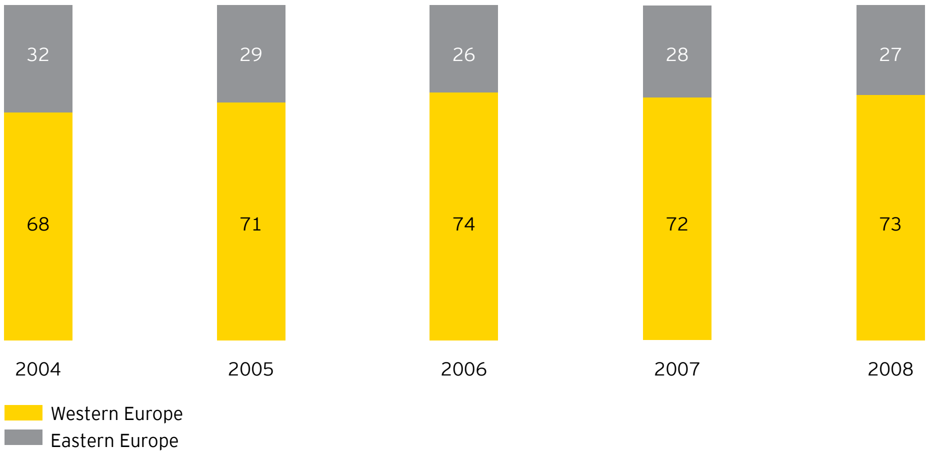
As in prior years, most direct foreign investment was seen in the UK and France. However, the number of (registered) direct investment projects sank in both countries. The number of investment projects in Switzerland, on the other hand, rose almost imperceptibly by one percent to 125. Switzerland accordingly had a similar share of the market as in the prior year, at three percent.

Significantly more favorable development was seen in Germany (plus 28 percent), Poland (plus 21 percent), Ireland (plus 35 percent) and Italy (plus 39 percent). There has been a steep decline in investment in Spain (minus 18 percent), Belgium (minus 19 percent) and Hungary (minus 26 percent).

Overall, foreign direct investors remained most active in the western half of Europe. In 2008, the number of investment projects in Western Europe (73 percent of total) was almost three times the number in eastern Europe (27 percent of total). Of the five top investment recipients in Europe, Poland is the only eastern European country. This distribution has not changed significantly in the last five years.

Foreign direct investment in Western and Eastern Europe (2004 to 2008)

(Figure 29)



Figures are percentages

"Since 2004, the number of investment projects has risen considerably, particularly in the service sector. This trend can be observed in both western and eastern Europe."

5.4 Boom in the services sector

The number of investment projects in the manufacturing sector rose slightly in 2008 for the first time in years (by three percent). While 1,509 manufacturing projects were recorded in Europe in 2004, this had fallen to 1,379 by 2008. At the same time, there has been a boom in the services sector. Here, the number of projects has risen since 2004 from 1,401 to 2,339. Although this is lower than the figure for the prior year, the long-term trend is stable. The services sector is growing fast. The services sector currently accounts for 63 percent of total investment (2004: 48 percent).

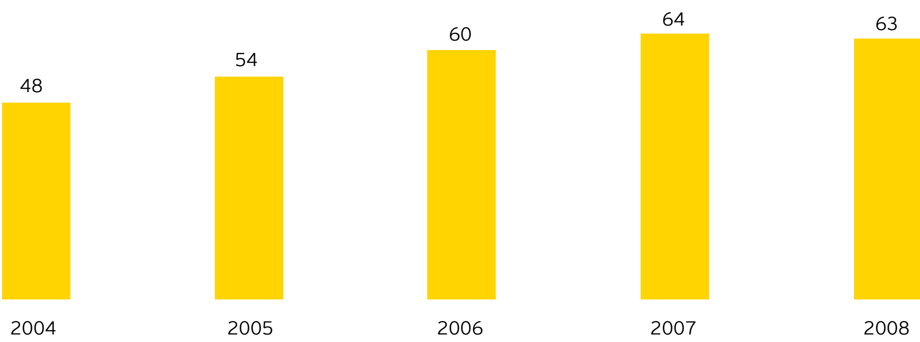
This trend can be observed in both western and eastern Europe. In western Europe, the service sector's share of total investment rose from 60 to 71 percent since 2004. In eastern Europe it increased from 24 to 41 percent.

The service sector is particularly large in Switzerland, Italy and Germany, accounting for 88, 75 and 73 percent respectively. In contrast, it is particularly small in Russia and Romania, with 34 and 39 percent respectively.

These figures clearly indicate the direction that Europe will take in coming years as a place for investment, away from classical industry and towards services. This mainly applies to western Europe, but a similar development will be seen in eastern Europe, or at least the more developed economies of Poland, the Czech Republic and Hungary.

Services sector growing – direct investment in Europe (2004 to 2008)

(Figure 30)



Similar developments in Western ans Eastern Europe

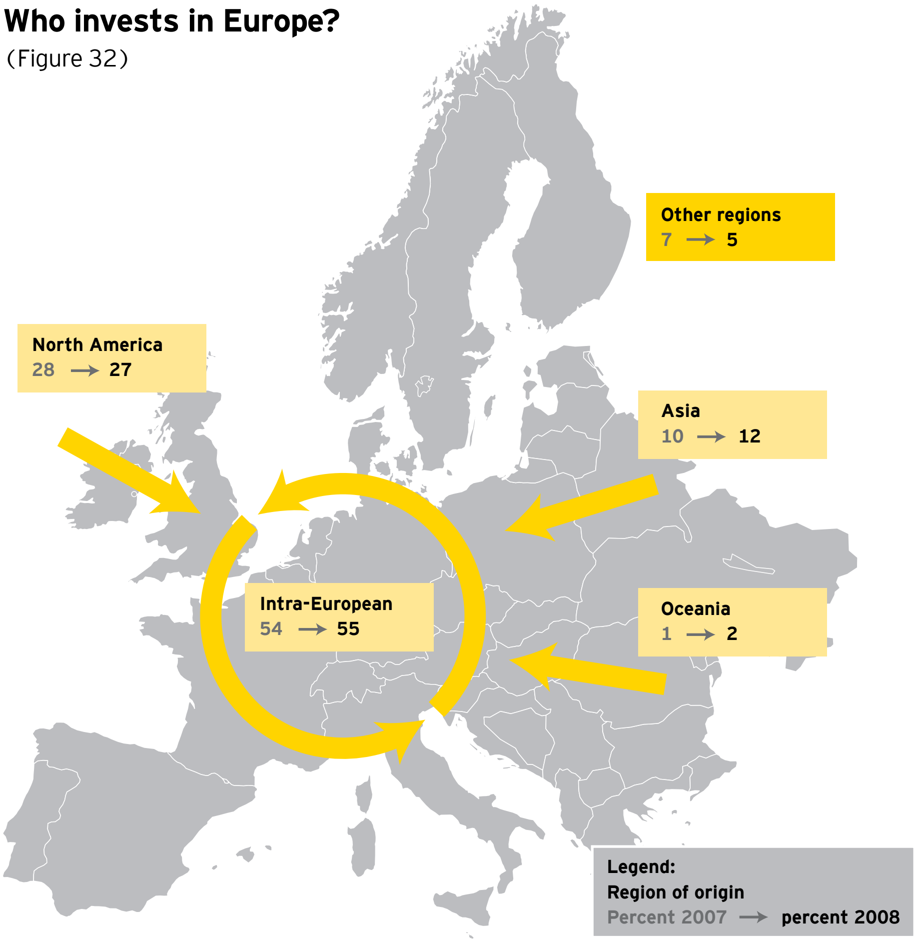
(Figure 31)

Western Europe	Industry in absolute figures	Services in absolute figures	Percentage share of services
2004	794	1.176	60
2005	780	1.388	64
2006	868	1.760	67
2007	720	1.950	73
2008	791	1.935	71
Eastern Europe			
2004	715	225	24
2005	634	263	29
2006	539	364	40
2007	620	422	40
2008	588	404	41

5.5 Countries of origin: investment in Europe stems largely from Europe

An analysis of foreign direct investment in Europe shows that most companies investing in Europe are themselves based in Europe. 55 percent (and rising) of foreign direct investment in European countries stems from companies in other European countries. US companies accounted for a total of 937 projects, slightly less than in the prior year. Despite the continued high level of interest shown by North American companies in Europe, their share in total investment projects has fallen steadily since the beginning of the decade, from 35 to 27 percent.

Who invests in Europe?
(Figure 32)



Figures are percentages

The biggest investors in Europe

(Figure 33)

Rank	Country	Number of foreign direct investments 2008	Market share 2008 in percent	Number of foreign direct investments 2007	Market share 2007 in percent	Development of foreign direct investments in percent
1	USA	937	25	941	25	0
2	Germany	467	13	454	12	3
3	United Kingdom	267	7	236	6	12
4	France	231	6	238	6	-3
5	Japan	156	4	161	4	-3
6	Switzerland	135	4	130	4	4
7	Netherlands	118	3	108	3	8
8	Sweden	110	3	101	3	8
9	India	95	3	67	2	29
10	Austria	88	2	91	2	-3
	Other	1,114		1,185		
	Total	**3,718**		**3,712**		

Switzerland remains the sixth-largest investor in Europe, after the US, Germany, the UK, France and Japan. Four percent of investment projects in Europe are funded by Swiss companies, with the number of projects originating in Switzerland rising four percent to 135. The sharp increase in investment by Indian companies in Europe is particularly interesting. The number of projects rose by almost a third from 67 to 95.

Of the Asian companies investing in Europe, Japanese firms play a significant role, although these have also scaled back investment considerably since 2007 (2007 by 15 percent, 2008 by 3 percent).

6 Switzerland: facts and figures

As a place to do business, Switzerland is nearly always at the top of any international comparison, regularly achieving top ratings for its efficient legal system, long-term stability and protection of free competition and property ownership. Additionally, it ranks among the countries with the longest working hours and the highest per-capita spending on science, research and education, which may be one reason it ranks high in regard to the number of patents per capita.

While these issues are clearly important, the three most typical reasons given for why more than 7,000 foreign companies are currently operating in Switzerland are:

- Switzerland has a high standard of living
- Switzerland is a successful industrial economy
- Switzerland serves as a gateway to Europe

The most important drivers of the contribution of these companies to the Swiss GDP come from employment and associated salaries. Foreign companies generate ten percent of the total Swiss GDP (Swiss Employers Association, 2009).

International companies also provide strong indirect benefits. For example, foreign headquarters contribute to the growth of many local service suppliers, including professional services, IT services, construction and real estate management, security services, transportation, and travel and entertainment.

6.1 Switzerland's unique selling propositions

Switzerland is proud of its reputation as one of the best places to do business in Europe. One simple advantage is its location. It is at the heart of Europe allowing for easy access to the entire European market, as well as the Middle East. But it is also centrally located between the Americas and the Far East, both only a reasonable plane journey away. However, there are a wide range of other factors that make Switzerland a highly attractive place in which to locate a business, as well as to work and, of course, live.

6.1.1 Center of competence

As most people know, for its small size Switzerland plays quite a large role in international financial markets. But its reach is far greater than simply finances. It is also home to a significant number of international organizations, such as the United Nations (UN), the World Health Organization (WHO) and the World Trade Organization (WTO). In addition to these resources, it has a number of very substantial clusters, including Life Sciences, Financial Services and International Management.

And yet, Switzerland is not resting on its laurels, which is why its investment in research and development already meets the 2010 goals that the EU set for itself in Lisbon (three percent of GDP in R&D with two-thirds financed by business). Switzerland currently spends 2.9 percent of its GDP on R&D with nearly 70 percent coming from business, while the EU is at 1.8 percent of GDP with 54 percent coming from business (Eurostat, 2009). Finally, a large number of international trading companies are also located in Switzerland, supported by a wealth of insurance companies, law firms, banks, fiduciary companies, freight forwarding companies, as well as surveillance and security firms, all of which help confirm its reputation as a true center of global business.

6.1.2 A diverse and multicultural tradition

For a country with around 7.6 million inhabitants (OSEC, 2009), Switzerland possesses a truly international and multicultural heart, which is one of the reasons that such a wide variety of multinational companies feel comfortable making their home here. Its history, location and well-defined federal structure make the country, which has four national languages, a true meeting point of cultures. Geographically at the crossroads of Europe, Switzerland is also equidistant between the Americas and Asia. Over the years this gathering of people from many different cultures has led to the founding of a wide variety of international and English-speaking clubs and associations. Fundamental to this entire multicultural tradition is the Swiss education system, which maintains outstanding international primary and secondary schools, as well as top-rated public schools and a university system that offers acclaimed programs with an international orientation. Due to this diversity of language and culture, English is commonly used throughout the country making it easy for English-speaking employees and their families to settle down quickly.

Geographical distribution of the languages of Switzerland

(Figure 34)

The map above (figure 34) depicts Switzerland's multilingual diversity (Swiss Federal Statistical Office, 2009):

- German (64 percent); spoken in the central and eastern parts of Switzerland. 17 of the 26 cantons are German-speaking.
- French (20 percent); spoken in western Switzerland. Four cantons are French-speaking. Three cantons are bilingual, speaking both French and German: Berne, Fribourg and Valais.
- Italian (6 percent); spoken in the southern part of Switzerland. The canton of Ticino and the four southern valleys of canton of Grisons are Italian-speaking.
- Romansh (1 percent). This language is spoken only in the canton of Grisons. Almost all Romansh-speaking people are bilingual. Grisons is the only trilingual canton in Switzerland.

Over the last few years the importance of English has been growing in many cantons. In fact, a number of German-speaking cantons have begun teaching English to children as the first foreign language.

6.1.3 Highly reliable infrastructure

According to international ratings, Switzerland has the best maintained and developed infrastructure after Germany and France (Schwab/Porter, 2009). Whether it is telecommunications, rail, auto or air, Switzerland has a well-deserved reputation for reliability and keeping up to date with the newest developments. Its state-of-the-art telecommunications network is among the most advanced in the world and is constantly being upgraded to take advantage of the latest technological advances. In fact, no other country invests as much per capita on information and communication technologies as Switzerland (Information Telecommunication Union, 2009).

Since Switzerland is a relatively small country, travel by car or public transport is easy and efficient. The public transport system is one of the most modern and reliable in the world and relatively inexpensive. All of this makes getting around the country very easy. In fact, it is actually difficult to find a place more than 90 minutes away from any one of the three main airports: Geneva, Basel or Zurich. Once you are in a city, the network of intra-city public transportation on buses and trams meshes seamlessly with the national rail system, which is unrivalled in Europe.

A Financial Times journalist noted in a recent article about Zurich that "the city is a place with public transport that provides a system that seems to be running on some divine timetable, drawn up purely for the love of its citizens". While the transport infrastructure within Switzerland is world class, the Geneva and Zurich airports also offer regular connections with other world capitals. Recently, many low-fare companies have begun operating to and from Switzerland. In total the Swiss infrastructure allows companies, employees and their families to easily stay connected with the international community whether that is through cyberspace, on the ground or through the air.

Figure 35 illustrates the well-deserved reputation for punctuality of the Swiss rail network. It shows that more than 97 percent of the passenger trains were less than five minutes delayed on arrival – in 2005, it was 95.5 percent (Schweizerische Bundesbahnen SBB, 2009).

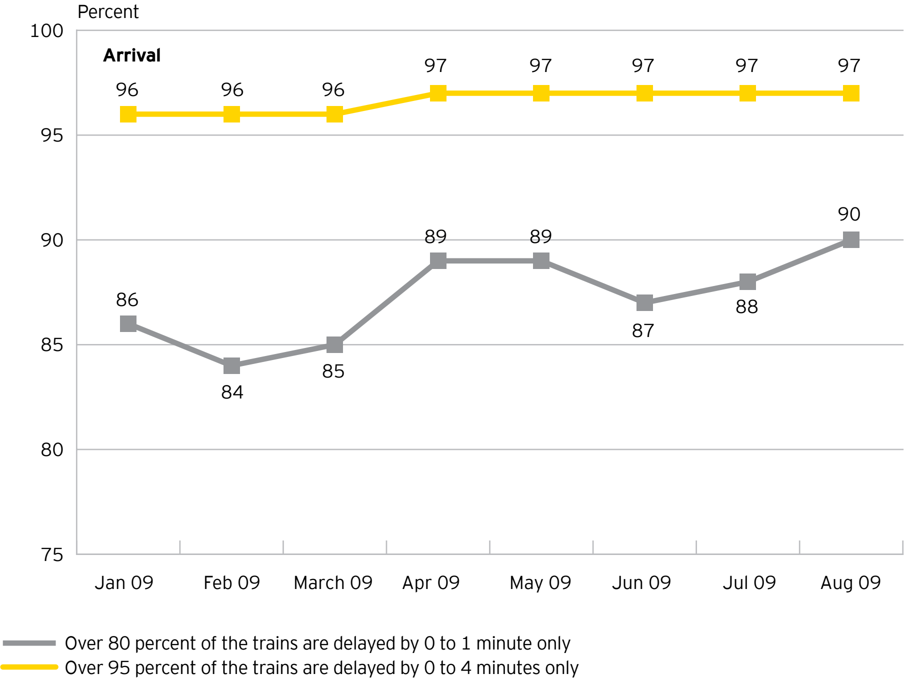
6.1.4 Quality of life

Switzerland has a reputation for having a high standard of living, which was again recently proven, when the Swiss cities of Geneva, Zurich and Berne were ranked among the world's top 10 cities offering the best quality of life (Mercer, 2009). Of course, many factors go into making up a "high standard of living", but certainly the country's stable political and social environment, its low crime rate and effective law enforcement, along with its various recreational possibilities and the agreeable natural environment contribute to that high standard. This high quality of life in Switzerland is one very attractive incentive for employees. While the highly skilled labor force, competitive business environment and flexible labor laws created by the stable political and social environment make Switzerland also very attractive for employers.

One area of particular importance for employees and their families who are asked to move to a new country is the availability of leisure activities. Whether you seek adventure, peace and quiet, popular festivals or classical arts, Switzerland's landscapes and cultural richness offer activities of every kind:

The world-famous punctuality of the Swiss rail system

(Figure 35)



Source: Swiss Railways SBB, 2009

- The world-famous mountains and lakes provide year-round activities for nature lovers and sports enthusiasts.
- The country is home to major cultural events, such as the music festivals in Montreux and Lucerne and a film festival in Locarno, as well as many other smaller festivals celebrating seasonal events.
- There are regular concerts for music lovers of all kinds, the Zurich Opera House and the Béjart Ballet in Lausanne, and you can find first-rate museums with collections of international arts, national and local arts and industrial developments, such as watches and textiles.
- The towns and villages have numerous clubs for all types of sporting activities, including cycling, skiing, sailing, mountain climbing and horseback riding, among many others.

A comparison of labor cost levels among major developed countries

(Figure 36)

Rank	Country	Labor costs in Euro per hour (year 2007) Total	Direct wages	Additional costs	Labor costs in Euro per hour (year 2002)	Changes 2002 to 2009
1	Norway	40.19	31.79	8.40	28.52	11.7
2	Belgium	35.84	23.93	11.91	23.35	12.5
3	Sweden	34.53	22.85	11.68	26.24	8.3
4	Germany (West)	34.29	26.26	8.03	26.36	7.9
5	Denmark	32.81	28.26	4.55	25.73	7.1
6	Germany	32.70	25.10	7.60	21.40	11.3
7	Switzerland	32.70	26.93	5.77	26.24	6.5
8	France	32.26	21.46	10.80	19.50	12.8
9	Netherlands	31.34	23.92	7.42	22.64	8.7
10	Luxembourg	30.68	26.26	4.42	19.67	11.0
11	Finland	30.01	23.54	6.47	23.20	6.8
12	Austria	29.90	22.17	7.73	21.64	8.3
13	United Kingdom	27.19	20.96	6.23	19.89	7.3
14	Ireland	26.87	22.85	4.02	17.17	9.7
15	Italy	24.26	16.55	7.71	16.60	7.7

(Schroeder, 2008; Schroeder, 2003)

6.1.5 Qualified labor market

Swiss employees are known for the high quality of their work, as well as for their strong work ethic. Combined with this is the highly skilled and multilingual nature of the workforce, which makes it easy for companies to find a qualified labor force for their business operations in an environment where strikes are uncommon. While it may be easy to find qualified workers, extremely flexible employment legislation also gives employers a large amount of freedom when concluding employment contracts. Additionally, in the past few years the process for obtaining work permits for qualified foreign employees has been greatly simplified.

With regard to social security and pension obligations, Switzerland has one of the most advantageous and cost-effective systems in Europe. It also has a strong network of totalization agreements with other countries that allow, for example, expatriates to maintain coverage in their country of origin during their placement in Switzerland.

One of the accepted truths about Switzerland is that labor costs are high. In fact, industrial labor costs have risen more slowly than in some other industrialized countries (figure 36).

The total cost of labor depends not only on the direct wage and ancillary wage costs, but also on the total number of hours worked per year and the total number of days of absenteeism (figure 37). In Switzerland, the annual working hours are clearly longer than in other European countries, with a maximum working hour limit of 45 hours for employees in the manufacturing industry and 50 hours for other employees. Statutory minimum vacation for employees is a comparatively low 20 working days per year or 25 for employees under the age of 20.

Annual and weekly working hours, holiday and paid vacation

(Figure 37)

Rank	Country	Annual work (Hours)	Weekly work (Hours)	Holidays and paid vacation (Days)
1	Singapore	2,129	44	18
2	USA	1,927	41	25
3	Switzerland	1,886	41	30
4	Hungary	1,870	41	32
5	Slovenia	1,862	41	33
6	United Kingdom	1,856	40	28
7	Ireland	1,856	40	28
8	Italy	1,832	40	31
9	Spain	1,816	40	33
10	Netherlands	1,763	38	28
11	Belgium	1,748	38	30
12	Austria	1,747	39	36
13	Germany	1,725	38	33
14	France	1,582	35	34

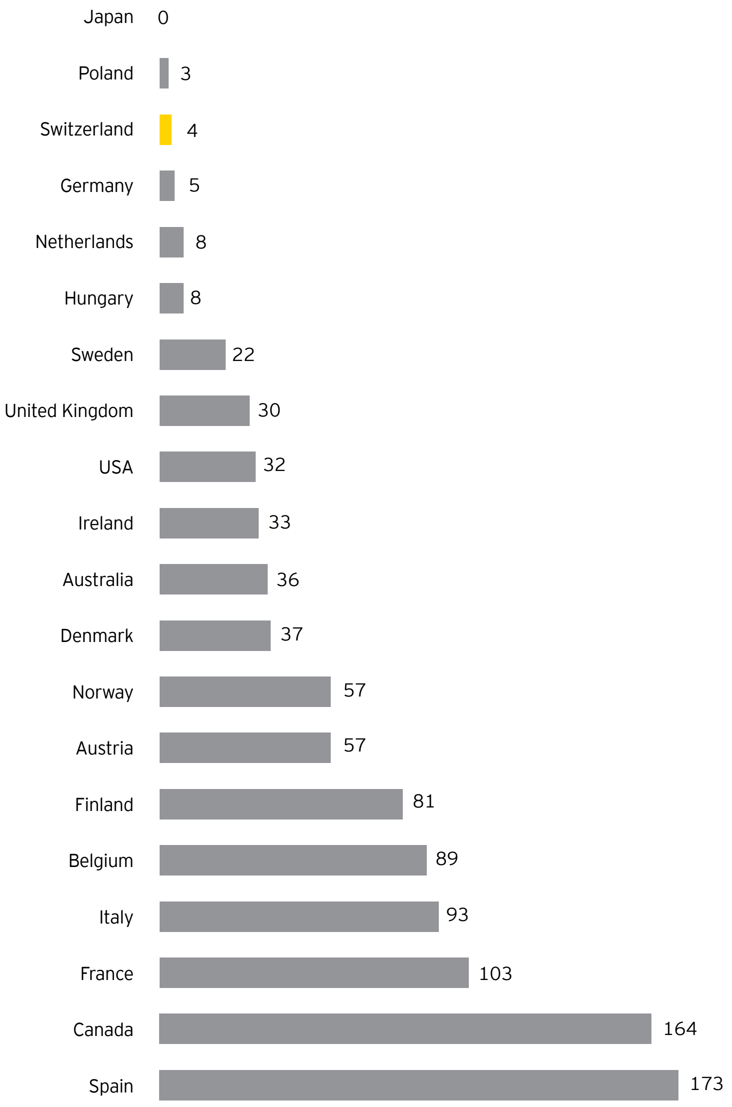
(Corporate Consulting & Technology, 2008)

"Switzerland has the longest annual working hours in Europe. This is due to the strong work ethic. What is more, there are hardly ever strikes."

As the chart below (figure 38) shows a very low number of working days per year are lost through labor conflicts in Switzerland, as strikes are practically nonexistent.

Labor conflicts: working days per year lost through absences per 1,000 employees (average 2000–2007)

(Figure 38)



Source: Lesch, 2009

6.1.6 Access to government agencies and services

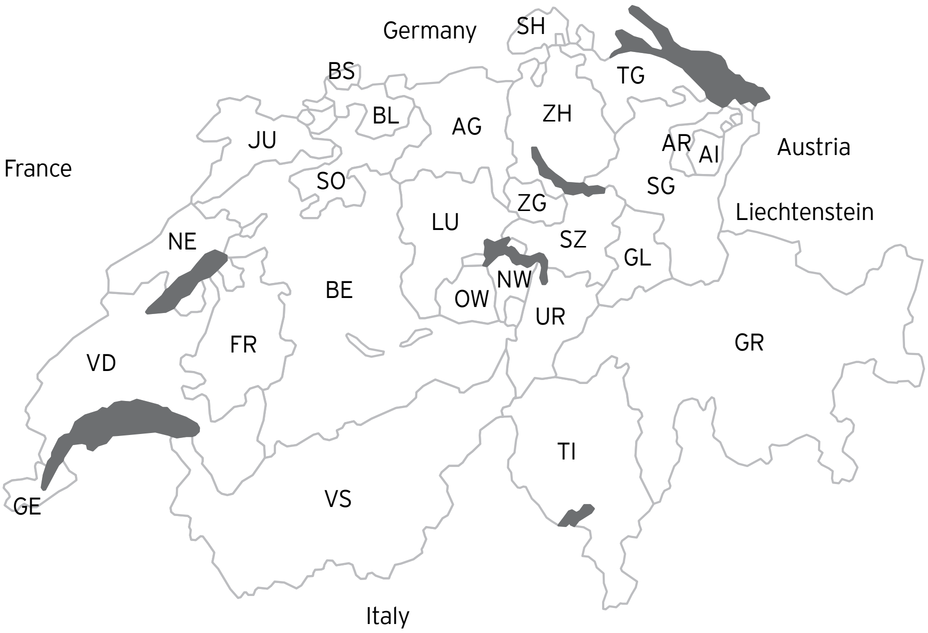
Swiss federal and cantonal authorities recognize the importance of having foreign companies invest in Switzerland, which creates an atmosphere of dialogue, collaboration and innovation ready to challenge, if necessary, the currently established processes. For example, the Department of the Economic Promotion can often assist in cutting through some of the administrative issues that newly established principal companies or headquarters face. As an additional assistance to international firms, the government also provides incentives for training employees in new skills and can make low-cost loans available.

In 2008, the Economic Development Departments of the cantons brought a total of 498 new foreign firms into Switzerland. These companies created 1,851 new employment opportunities in the Swiss economy (Volkswirtschaftsdirektorenkonferenz, 2009).

As the map below (figure 39) illustrates, in Switzerland there are 26 Economic Development Departments, associated with the cantons, as well as two associated with Greater Zurich Area and Western Switzerland.

Departments of Economic Development across Switzerland

(Figure 39)



AI	Appenzell Inner Rhodes	SH	Schaffhausen
AR	Appenzell Outer Rhodes	SZ	Schwyz
AG	Argovia	SO	Solothurn
BS	Basel-Country	SG	St. Gall
BL	Basel-City	TG	Thurgovia
BE	Bern	TI	Ticino
FR	Fribourg	UR	Uri
GE	Geneva	VS	Valais
GL	Glarus	VD	Vaud
GR	Grisons	ZG	Zug
JU	Jura	ZH	Zurich
LU	Lucerne		
NE	Neuchâtel	GZA	Greater Zurich Area
NW	Nidwald	DEWS	Development Economic Western Switzerland
OW	Obwald		

6.2 Switzerland and Europe

As the EU continues to expand, the pressure on Switzerland to join has increased and is still increasing. However, Switzerland has been able to maintain its strong position within the European market through Bilateral Agreements with the EU. Since December 2008 Switzerland is part of the Schengen Area and joined the bloc's passport-free travel zone. The Schengen agreements abolish controls of persons at the internal frontiers of the EU, and permit the free movement of persons between member states. Due to these agreements Switzerland often serves as a gateway to Europe for many companies.

The strong relationship between Switzerland and the EU is demonstrated by the over 850,000 EU nationals currently working in Switzerland, who make up almost 26 percent of the workforce. Another element of this relationship is trade. Switzerland is the third largest goods supplier and second largest customer of the EU (Location Switzerland, 2009), and 48 percent of the Swiss direct investments are placed in the EU area (Eurostat, 2008). While Switzerland is not a member of the EU, the dense network of treaties create close economic ties, and ensure that Switzerland continues to play its role in Europe as a political partner, a location for industry and trade, and a financial center.

"Many foreign companies appreciate Switzerland as a base for activity in Europe. Although Switzerland is not a member of the EU, the many free trade agreements and bilateral treaties allow the virtually free exchange of goods and services between Switzerland and the EU member states."

Bibliography

Corporate Consulting & Technology (2008): Annual and weekly working hours, holiday and paid vacation. Geneva. in: Geneva Economic Development Office: International Comparisons 2008/2009. Geneva. p. 47

Eurostat (2008): European Union foreign direct investment yearbook 2008. Luxembourg, p.14

Eurostat (2009): Gross domestic expenditure on R&D (GERD). Available in the internet at: URL: http://epp.eurostat.ec.europa.eu/portal/pls/portal/!PORTAL.ww-pob_page.show?_docname=36126.PNG. As of: 31 August 2009

Information Telecommunication Unit (2009): Switzerland: the highest ICT expenditure per capita in the world. Available in the internet at: URL: http://www.ge.ch/tele-com2009/ict.asp. As of: 31 August 2009

Lesch, Hagen (2009): Erfassung und Entwicklung von Streiks in OECD-Ländern. In: IW-Trends 1/2009 (Schriftenreihe des Institute of the German Economy Cologne). p. 8

Location Switzerland (2009): Swissfacts – Switzerland and Europe. Available in the internet at: URL: http://www.locationswitzerland.com/html/swissfacts/switzerland-andeurope.html

Mercer (2009): Mercer Quality of Living Survey 2009. Available in the internet at: URL: http://www.mercer.com/qualityofliving. As of: 31 August 2009

OSEC (2009): Vademecum Aussenwirtschaft. Ausgabe 2009. Zürich, Lugano, Lausanne. p. 3

Schroeder, Christoph (2003): Industrielle Arbeitskosten im internationalen Vergleich. In: IW-Trends 3/2003 (Schriftenreihe des Institute of the German Economy Cologne). p. 4

Schroeder, Christoph (2008): Industrielle Arbeitskosten im internationalen Vergleich. In: IW-Trends 3/2008 (Schriftenreihe des Institute of the German Economy Cologne). p. 6

Schwab, Klaus / Porter, Michael E. (2009): The Global Competitiveness Report 2008-2009. Available in the internet at: URL: http://www.weforum.org/pdf/GCR08/GCR08.pdf, As of: 31 August 2009

Schweizerische Bundesbahnen SBB (2009): Pünktlichkeit Reiseverkehr. Available in the internet at: URL: http://mct.sbb.ch/mct/infra-dienstleistungen/infra-kunden-infos/infra-kennzahlen_reiseverkehr.htm. As of: 31 August 2009

Swiss Employers Association (2009): Die Schweiz ist für ausländische Firmen ein attraktiver Standort, der gepflegt sein will. Available in the internet at: URL: http://www.arbeitgeber.ch/webexplorer.cfm?ddid=4FA7084C-1185-C196-EFEA6E748AE750B1&id=30&tlid=1. As of: 31 August 2009

Swiss Federal Statistical Office (2009): Statistical Data on Switzerland 2009. Available in the internet at: URL: http://www.bfs.admin.ch/bfs/portal/en/index/themen/00/01/blank/02.html. As of: 31 August 2009

Volkswirtschaftsdirektorenkonferenz (2009): Erfolgskontrolle der Standortpromotion. Available in the internet at: URL: http://www.vdk.ch/news/vdk/2009/06/ergebnisse_evaluation.html. As of: 31 August 2009

Impressum

Publisher
Ernst & Young Ltd.

Editor and Project Management
Johannes Rettig
Ernst & Young Ltd.
Accounts & Business Development
Germany / Switzerland / Austria

Layout
Stefan Knapp Design Consulting
Frankfurt / Main (Germany)

Translation
EYLTS (EY German›s in-house translation service)

Printing
FO-Fotorotar, Egg (Switzerland)

Orders /Change of address
Ernst & Young Ltd.
Data Operations
P.O. Box, CH–8022 Zurich
Fax 058 286 30 03
datop@ch.ey.com

"The results should not lull Switzerland into a false sense of security. On the contrary: in the future, the competition for investors will get even fiercer."

Ernst & Young

Assurance | Tax | Legal | Transactions | Advisory

Ernst & Young in Switzerland
Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135'000 people are united by our shared values and an unwavering commitment to quality. In Switzerland, Ernst & Young is a leading auditing and advisory services firm and provider of tax and legal as well as transaction and accounting services. Our 1'900 people generated revenues of CHF 563 million in the financial year 2007/08. We make a difference by helping our people, our clients and our wider communities achieve potential.

For more information, please visit
www.ey.com/ch.

© 2009
Ernst & Young Ltd.
All Rights Reserved

This publication contains information in summary form and is therefore intended for general guidance only. Although prepared with utmost care this publication is not intended to be a substitute for detailed research or the exercise of professional judgment. Therefore no liability for correctness, completeness and/or correctness will be assumed. It is solely the responsibility of the readers to decide whether and in what form the information made available is relevant for their purposes. Neither Ernst & Young Ltd. nor any other member of the global Ernst & Young organization can accept any responsibility. On any specific matter, reference should be made to the appropriate advisor.