



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

Competitiveness and international openness

Eric Scheidegger
Deputy Director, Ambassador
Head of Promotion Activities Directorate



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
WEF Global Competitiveness Report	2	Innovation and sophistication factors	Market size, high level of public debt, corporate governance factors
IMD World Competitiveness Scoreboard	6	Infrastructure and government efficiency (fiscal policy), quality of life	Cost-of-living, compensation level, real GDP growth, government subsidies
KOF	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

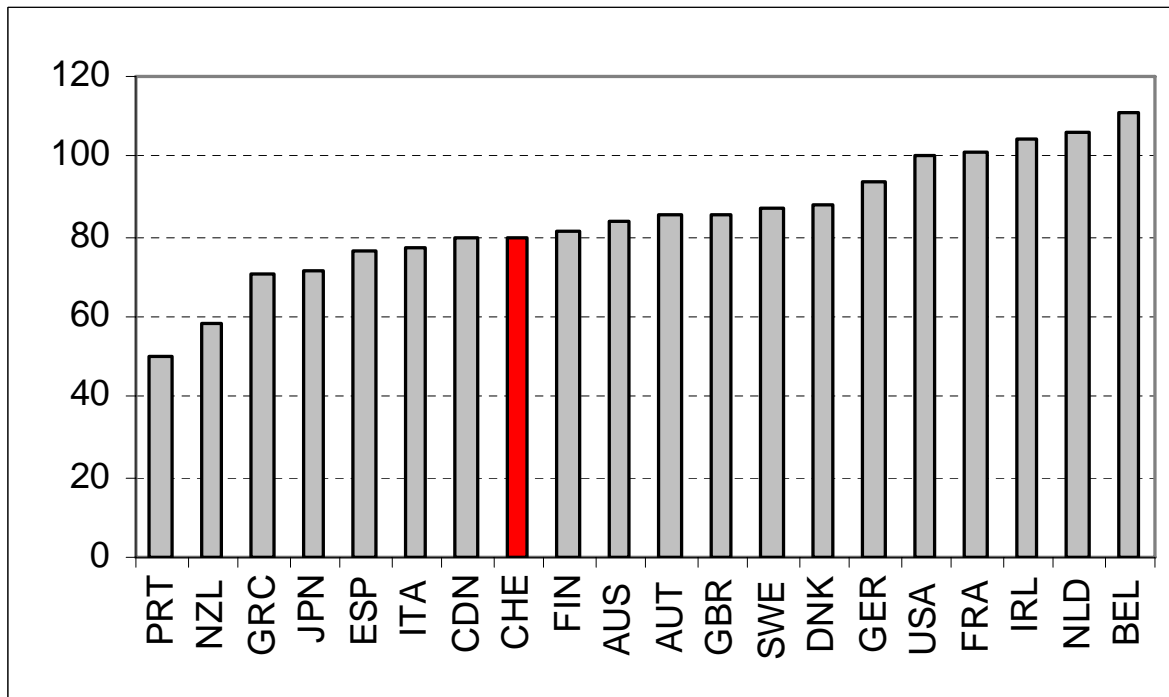
- The high degree of regulation in product markets, particularly in subsidised sectors relatively protected from international competition (agriculture, infrastructure) and related to this,
- A relatively weak intensity of competition and lower productivity in sectors oriented towards domestic market,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



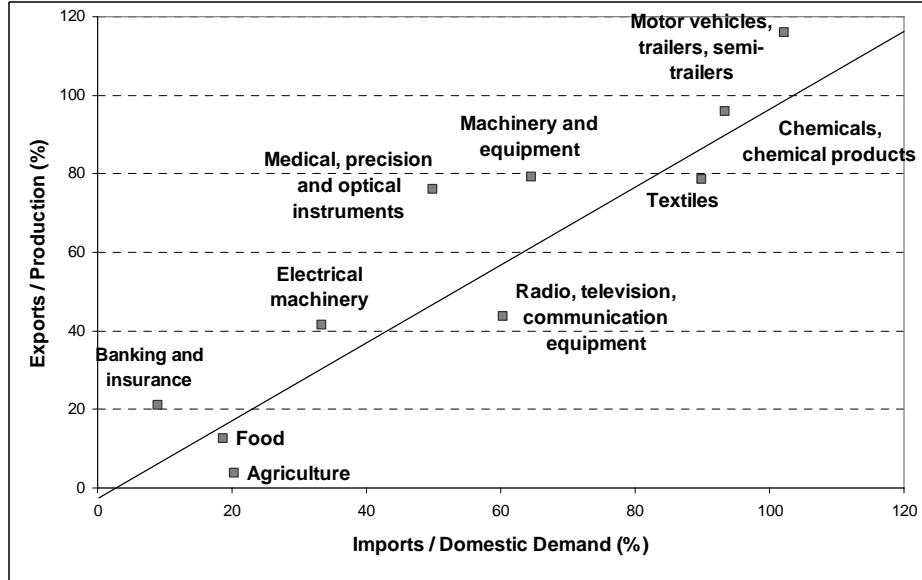
Assumption 2:

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



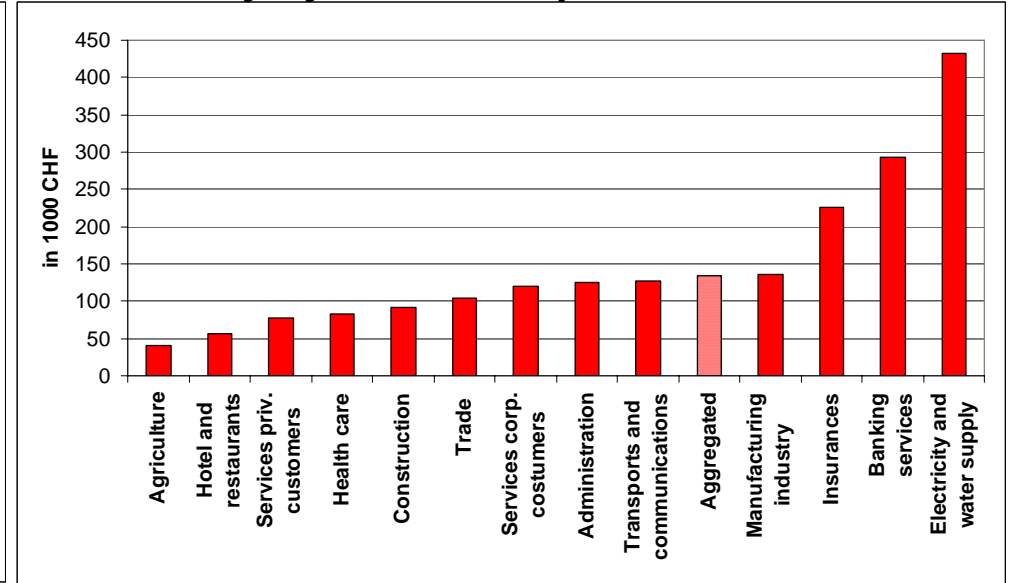
Int. openness and competitiveness

Export propensity and import penetration



Source: OECD STAN indicators 2001

Productivity by full-time equivalent

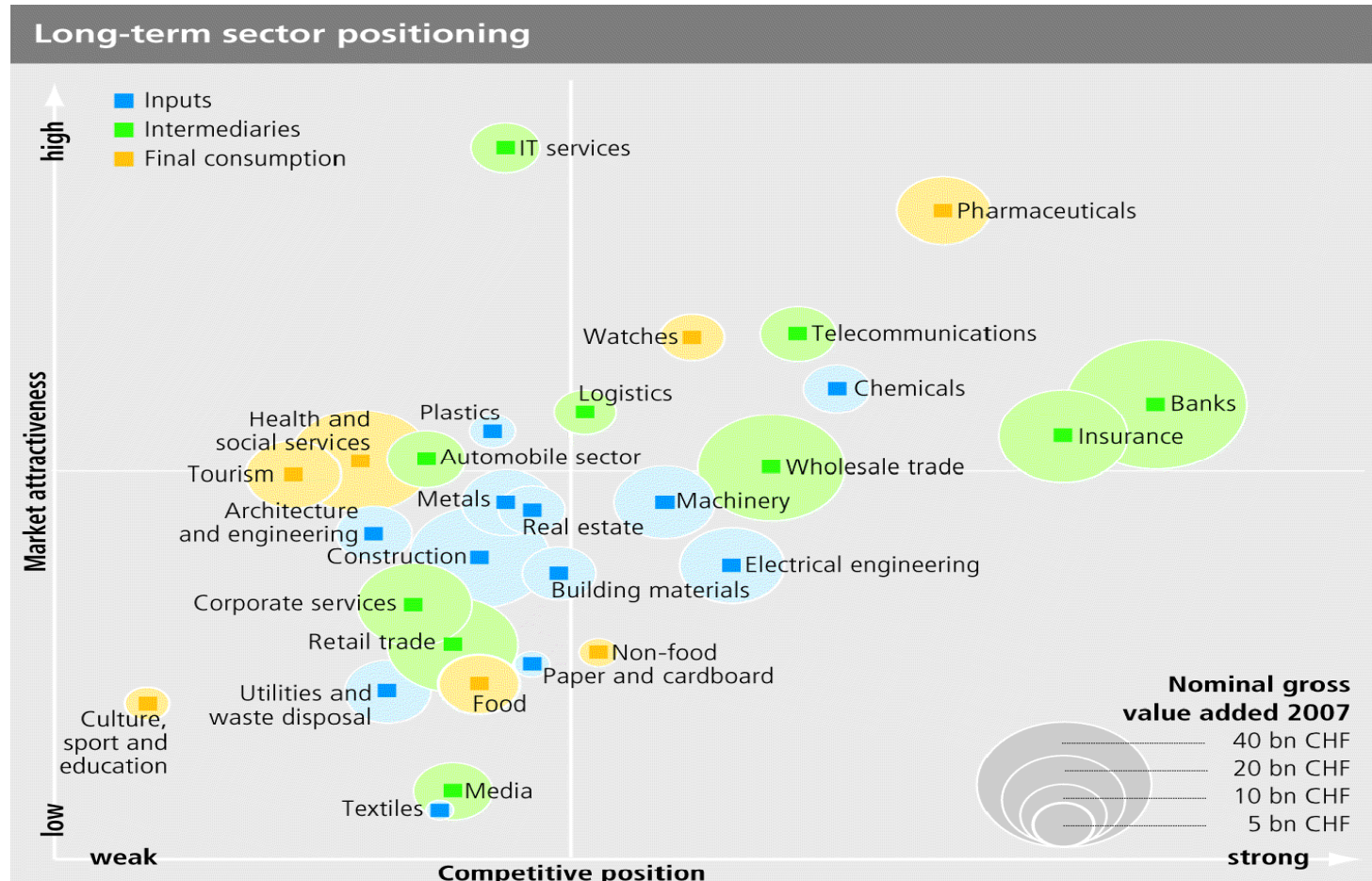


Source: FSO, SECO

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



Competitiveness prospects of Swiss economic sectors



Source: UBS



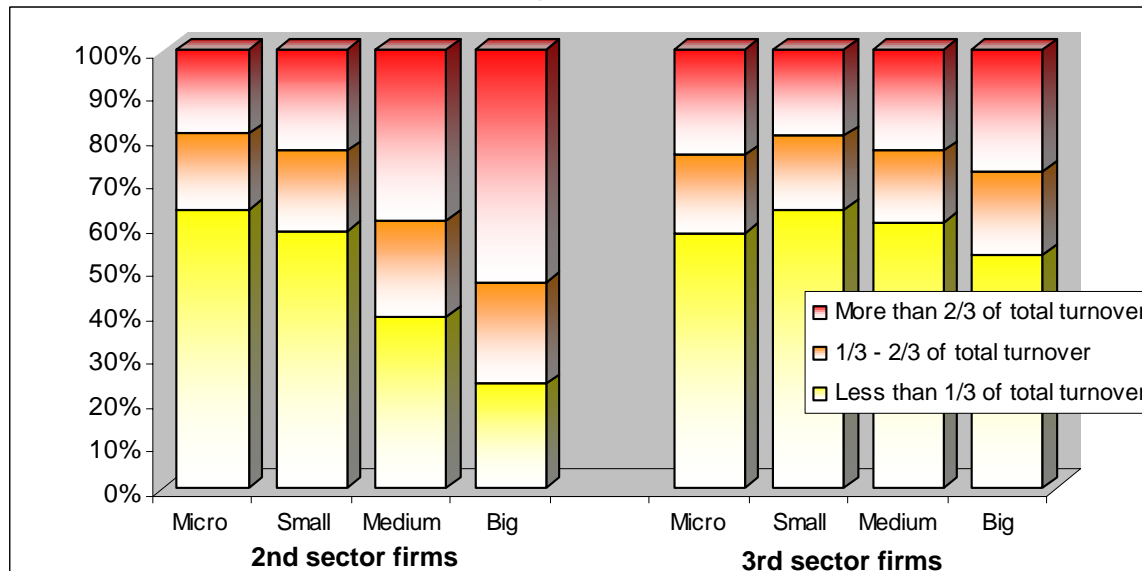
Assumption 3:
**SMEs can still catch up in terms of
international integration**



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.

	Micro	Small	Medium	SMEs	Big	Total
Investments abroad	2'843 1,1%	1'183 3,9%	664 12,1%	4'690 1,6%	215 20,9%	4'905 1,6%
No investments abroad	241'021 92,1%	27'540 89,9%	4'378 80,0%	272'939 91,7%	597 58,1%	273'536 91,6%
No answer	17'718 6,8%	1'915 6,2%	430 7,9%	20'063 6,7%	216 21,0%	20'279 6,8%
Total	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:

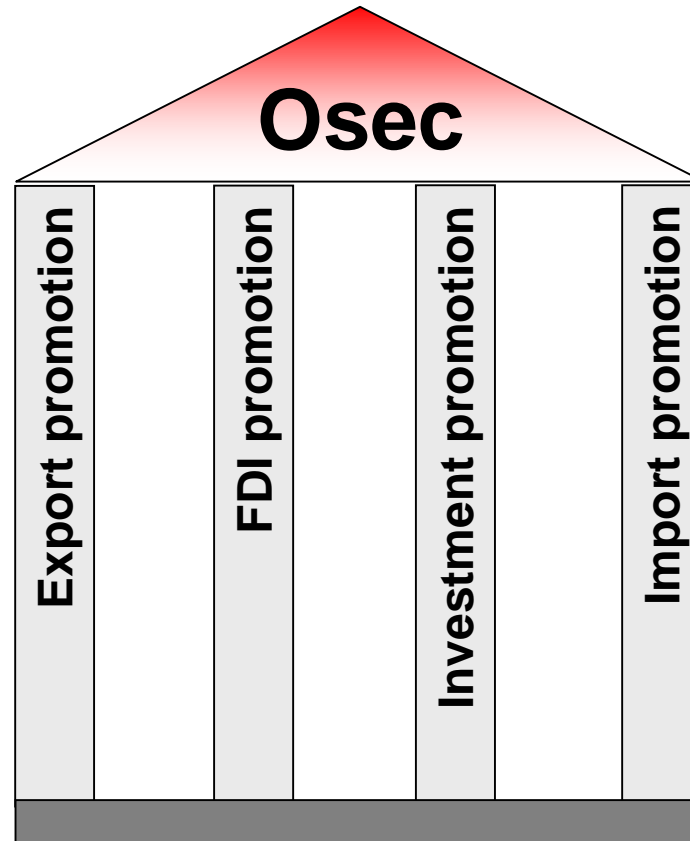
- Export promotion
- Locational promotion
- Investment and import promotion in developing and transition countries

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?