Interview: Monika Rühl – CEO, economiesuisse, Switzerland



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For the eighth year in a row the World Economic Forum has ranked Switzerland first in both global competitiveness and in innovation; economiesuisse CEO Monika Rühl discusses the main issues which threaten this leading position, and the overall growth prospects for the Swiss economy.

To begin, could you please introduce economiesuisse and the organization's mandate?

economiesuisse is the federation of Swiss businesses, representing nearly all sectors and industries which compose the Swiss economy. As an umbrella organization we count 20 cantonal chambers of commerce, 100 branch associations and 50 individual companies among our members. Through this structure we represent 100 000 companies in Switzerland which employ over two million people.

Our mandate is to represent the interests of our members, advocating for framework conditions which support the competitiveness of the Swiss economy and its companies, and allow for good access to markets worldwide, which is a critical factor since Switzerland has an export oriented economy. As an organization, economiesuisse is committed to the principles of free trade and competition as well as corporate social responsibility.

Given the nature of Switzerland's political system, our pursuit of this mandate is two-fold. First, we closely monitor decisions made by and maintain close and frequent contact with the Federal Council and Parliament, such that we can exert influence on our member's behalf through lobbying

at all stages of the legislation process. Second, one of our key activities is political campaigning to engage the general public.

Since Switzerland is a direct democracy, four times per year Swiss citizens have the right to vote on popular initiatives or referenda. These are two distinct instruments, as a popular initiative proposes an amendment to the constitution, while a referendum is launched in opposition to a law adopted by parliament. For both avenues, we have seen an increase of proposals that would be contrary to the interests of the Swiss economy, and economiesuisse plays a key role in informing the general Swiss public regarding the issues being voted on, and campaigning to encourage voters to vote in the best interest of the Swiss economy at large.

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The Swiss Franc has surged in value against the euro since January 2015: how has this impacted the Swiss export sector?

From 2011 until January of 2015, the Swiss central bank maintained an exchange rate floor for the Swiss Franc versus the Euro. However, it became impossible for Switzerland to keep the Franc down as long as the ECB continues to fund many European states and economies, and when this policy was eventually abandoned in January 2015, the Swiss franc immediately appreciated by over 10 percent versus the euro and it has fluctuated around that level since. For export driven Swiss companies, this means that costs are now relatively higher, and Swiss products are now substantially more expensive – particularly when compared to our main competitors in Europe whom are benefitting from a relatively weak euro.

Since January 2015 the situation has stabilized; Swiss companies have taken effective measures to be more efficient by lowering costs, and we have now seen growth rates come up again: we forecast annual GDP growth of 1.3% for 2016 and 1.7% for 2017. The pharmaceutical and chemical sectors have made a strong and positive contribution to our overall growth figures, but other sectors are still under significant pressure from the strong franc and face weak growth prospects at present, with notable examples being the tourism sector, retail industry, and machinery industry.

How important has the pharmaceutical and life sciences sector been to the health and growth of the Swiss economy as a whole?

Life Sciences are a key industry in Switzerland, and we are the home base of extremely successful global companies such as Novartis and Roche as well as many smaller companies which form a unique industrial cluster in the chemical–pharmaceutical sector. In recent years, many international

companies are increasingly investing in Switzerland such as Johnson & Johnson and Biogen. Overall the industry employs around 50,000 people in Switzerland.

The pharmaceutical industry is also very internationally oriented and serves as a key source for economic growth and net production in Switzerland. A third of all Swiss exports are due to the pharmaceutical sector, at roughly CHF 71 (USD 72.7) billion, and the sector remains robust and competitive despite the strong Swiss Franc.

What are the main issues which economiesuisse is currently campaigning for to ensure the Swiss economy remains extremely competitive and innovative?

For the eighth year in a row the World Economic Forum has ranked Switzerland first place in both competitiveness and innovation, and it is very important that we take all efforts to ensure we remain ranked in the top few spots, if not in first place. There are several interrelated issues that we must properly address if this is to be the case.

First, it is very important that Switzerland finds a solution such that we can rejoin the EU's Horizon 2020 research program, which Switzerland was excluded from in the aftermath of the "initiative against mass immigration" which passed in February of 2014. Horizon 2020 is an extremely important program for our universities and Federal institutes of technology, as well as our private sector. Through Horizon 2020 Swiss researchers and institutions can participate in the cutting edge research being led at the EU level, benefit from the exchange of research and researchers between institutions under this program, and moreover involvement in these programs is an essential factor in being able to attract high profile researchers to Switzerland.

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Second, the initiative against mass immigration is itself a potential threat to Swiss competitiveness and innovativeness. The initiative was approved only by a very narrow majority of voters, but we have to accept this verdict. However, the initiative itself included a passage that committed the legislation to consider the interests of the economy, and there is significant scope for how it can be implemented. This is critical, as depending on how the article is implemented it could jeopardize Switzerland's current relationship with the European Union, defined by a range of bilateral agreements.

As economiesuisse, we are campaigning for an implementation which doesn't violate the basic principle for free movement of persons, and thus allows the current agreements and contracts which give Swiss companies access to the European common market to stay in place. Beyond the

potential trade issues linked to this new constitutional article, Swiss companies are of course directly affected by their ability to attract and recruit talented and skilled foreign workers; this is particularly important for the life science sector as we have a shortage of locally developed expertise in this area relative to the important size of the Swiss pharma industry. Independently of the mass immigration initiative discussion, the government has recently enlarged the contingent for immigrant from Non-European countries for 2017. This is good news, especially for the life sciences sector.

Although it has been difficult, it appears that a suitable solution has been found by parliament, which should allow Switzerland to retain access to the common market and not place overly restrictive burdens on Swiss companies needing to bring in qualified professionals and experts from abroad. If the parliament is able to take such a decision by Christmas, then the government will be able to ratify a protocol which extends free movement of people to Croatia – if this is done the EU will allow Switzerland to re-enter the horizon 2020 program.

The third issue is that Switzerland is in the process of passing the Corporate Tax Reform III. This bill has already been passed by the Swiss parliament, however a referendum on this law has been triggered by a petition which has gathered 50 000 signatures. Thus, the Swiss public will have the final say on the passage of this bill in February 2017, and we are fighting to ensure that this bill is passed. This reform package will help to improve the environment for foreign direct investment by ensuring the Swiss corporate taxation system is in line with international standards and is highly attractive. The reform includes low taxes for all enterprises, including special solutions for the Cantons to secure their appeal as a business place as well as their tax income.

What is your final message to our global audience of life science executives and professionals?

Despite current discussions about immigration, the relationship to the EU and the strong Swiss Franc, Switzerland is one of the best locations for the life science industry worldwide. The country is politically stable and political and economic challenges are approached and solved in time. Our country has some of the best infrastructure in the world, a highly educated and specialized workforce, moderate taxes and good access to the world’s most important markets.

That said, there are those current issues mentioned above, which we have approached and are currently working to solve. I am convinced that we are making sufficient efforts to ensure positive outcomes for these topics, and as such I am very confident that we will remain one of the best places to do business in the world and a leading force in the global life sciences industry for the years to come.

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