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INVEST

FOREIGN DIRECT INVESTMENT

According to UNCTAD's [World Investment Report 2023](#), FDI inflows to Switzerland returned positive after several years in 2022 (at USD 13.3 billion), compared to a negative inflow of USD -88.1 billion one year earlier. Of this total, 95% was equity capital and 5% was intragroup loans. In the same year, the total stock of FDI stood at USD 1.03 trillion, around 128.4% of the country's GDP. As of 2022, investors from the U.S. and the EU controlled 41% and 30% of the capital stocks respectively. Most of the EU stock was attributable to investors from the three largest European holding company locations – the Netherlands, Luxembourg and Ireland. In the year 2022, resident parent companies possessed a majority stake in 20,300 non-resident enterprises. Among these subsidiaries, 8,600 were situated in the manufacturing sector, while 11,700 were in the services sector. Notably, the “other services” category had 5,700 non-resident subsidiaries. Manufacturing subsidiaries contributed CHF 509 billion, comprising 57% of the total turnover. The 'other manufacturing and construction' category led with a 7% increase to CHF 173 billion, while chemicals and plastics maintained a turnover of CHF 149 billion. The electronics, energy, optical, and watchmaking category, impacted by factors like high energy prices, saw a significant 16% growth, reaching CHF 107 billion. Non-resident subsidiaries in metals and machinery experienced a 12% increase, reaching CHF 78 billion. In the services sector, non-resident subsidiaries collectively achieved a turnover of CHF 378 billion. Notably, insurance companies led with gross premiums reaching CHF 113 billion, while the trade category saw a 29% increase to CHF 90 billion, benefiting from a positive market environment and higher prices (data Swiss National Bank). According to the latest data from the OECD, in the first half of 2023, FDI flows to Switzerland were negative by USD 94.5 billion, compared to investments worth USD 93.4 billion recorded in the same period one year earlier.

Switzerland is an attractive destination for foreign investors because of its economic and political stability, transparent and fair legal system, reliable and extensive infrastructure and efficient capital markets. Despite its attractiveness, FDI flows to Switzerland remain highly volatile due to the country's large exposure to international trade dynamics and political stability. Several Swiss cantons have used tax incentives to attract investment into their jurisdictions, including tax exemptions for new companies for up to ten years in some cases. After criticism from the European Union, this practice was severely restricted: the Federal Act on Tax Reform and Swiss Pension System Financing (TRAF) now obliges cantons to offer the same corporate tax rates to both Swiss and foreign companies. Nevertheless, the law allows cantons to continue setting their own rates and to offer incentives for corporate investment through deductions and preferential tax treatment. The major laws regulating foreign investment in Switzerland are the [Code of Obligations](#), the [Lex Koller](#), and the [Cartel Law](#). There is no screening of foreign investment; however, FDI controls do apply to certain industries and sectors (i.e. banking, securities and real estate). Furthermore, the Federal Council adopted the dispatch on the Investment Screening Act on 15 December 2023. Investment screening will focus on state-controlled investors and domestic companies operating in particularly critical sectors. The country ranks 3rd out of 82 in the Economist Business Environment ranking and 12th in the [AT Kearney Foreign Direct Investment Confidence Index](#). Moreover, the country ranks 1st among the 132 economies on the [Global Innovation Index 2023](#) and 2nd out of 184 on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	-50,252	-88,169	13,311
FDI Stock <i>(million USD)</i>	1,183,255	1,038,359	1,036,890
Number of Greenfield Investments*	128	147	151
Value of Greenfield Investments (million USD)	3,114	3,247	8,354

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Switzerland	OECD	United States	Germany
Index of Manager's Responsibility**	5.0	5.3	9.0	5.0
Index of Shareholders' Power***	5.0	7.3	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN SWITZERLAND

Strong Points

Switzerland is the 36th country in terms of the ease of doing business according to the World Bank's annual report ([Doing Business 2020](#)). The main strengths of the Swiss economy include:

- World-class infrastructure
- Highly skilled workforce
- Labour laws are less restrictive than in other European countries
- Low unemployment rate
- A legal and regulatory environment that is very attractive for companies and FDI
- A strategic geographical location and excellent transport infrastructure that allows the country privileged access to European (West and East), African and Middle East markets
- An excellent market for high-tech products and services and high-end products, making it an ideal pilot country for the introduction of new products
- A major centre of research and development, offering excellent opportunities for partnerships and alliances (such as biotechnology and nanotechnology)
- Political and social stability and close relations with the European Union
- The country's relative political neutrality minimises the risks of tensions and economic sanctions that can slow down economic growth and attraction of FDI.

Weak Points

Disadvantages for FDI in Switzerland:

- Switzerland has a relatively small economy, very open to international markets and landlocked, making it

one of the most competitive markets in the world

- The Swiss economy is highly dependent on trade, financial services and the presence of multinationals
- Companies are also confronted with very strict regulations and standards (such as those related to the quality and packaging of products, drugs or cosmetics)
- Overvaluation of the Swiss franc and bank secrecy (which can serve as an economic refuge) make the country sensitive to global economic affairs, thus attracting from time to time the eyes of the whole world and thus slowing FDI and other economic initiatives
- Banks' exposure to real estate (85% of domestic loans), with two institutions accounting for half of domestic assets.

Government Measures to Motivate or Restrict FDI

Switzerland is a country with a legal framework particularly favourable to foreign direct investment. The federal government allows all the 26 cantons (states) to set their own foreign investment attraction policies. Many cantons offer foreign investors tax exemptions and other tax incentives. For example some cantons offer ten years of tax exemption to new firms. Furthermore, there is no surveillance or screening done on foreign investments except in certain sectors like telecommunications where certain levels of performance are required in order to qualify for tax reductions. For companies working in the banking and insurance fields, government authorisation is required in order to invest in the country.

Following criticism from the European Union, a new law was passed in 2019 obliging cantons to offer the same corporate tax rates to both Swiss and foreign companies.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Travel & tourism, medical and security equipment, scientific and educational equipment & instruments, aircraft and automobile spare parts, electricity generation and distribution, information technology & telecommunications, agriculture, luxury, gastronomy, pharmaceuticals, medical technology.

High Potential Sectors

Bio- and nano- technology, IT & telecommunications, High-tech equipment, precision engineering, scientific instruments, blockchain and distributed ledger technologies.

Privatization Programmes

Privatisation programs have been carried on in sectors like railways, post office, telecommunication and energy (although often formerly public companies continue to dominate their markets). At the moment, the main operation of privatization is the one that involves the aerospace and defence company RUAG, which has been split in two at the beginning of 2020, with the part that includes non-armaments aviation and aerospace businesses to be fully privatized.

Tenders, Projects and Public Procurement

[Simap](#), Public procurement

[Tenders Info](#), Tenders in Switzerland

[Ted - Tenders Electronic Daily](#), Business Opportunities in the European Union

[DgMarket](#), Tenders Worldwide

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

Some formerly public Swiss monopolies continue to retain market dominance despite partial or full privatization, in markets such as telecommunications, certain types of public transportation, postal services, alcohol and spirits, aerospace and defence, certain types of insurances and banking services. Furthermore, the Swiss agricultural sector remains protected and heavily subsidized.

Sectors in Decline

Agriculture, where direct subsidy payments comprise two-thirds of an average farm's profits. Moreover, recently negotiated trade agreements signed by Switzerland would open the national market to foreign agricultural products.

Finding Assistance For Further Information

Investment Aid Agency

[Switzerland Global Enterprise \(S-GE\)](#)

Other Useful Resources

[State Secretariat for Economic Affairs \(SECO\)](#)

[Invest Western Switzerland](#)

[Greater Zurich Area \(investement agency\)](#)

[Basel Area \(investement agency\)](#)

Doing Business Guides

[Handbook for Investors - Switzerland Global Enterprise](#)

[Deloitte Tax Guide - Switzerland](#)

[World Bank - Doing Business in Switzerland](#)