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FIRST PART

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CHAPTER 4

THE CASE OF US COMPANIES IN SWITZERLAND

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In January 2006, the Swiss-American Chamber of Commerce in Zurich published a study on the economic impact of foreign firms in Switzerland[1]; the results, based on a survey of 100 leading firms, are quite impressive. According to this investigation foreign companies employ a total of 210,000 employees. With 56,000 employees, the US firms rank second after the German firms with 72,000 employees[2]. Other direct benefits estimated are investments, tax revenues and the positive impact on Switzerland's trade balance. Furthermore, foreign companies also provide strong indirect quantitative and qualitative benefits for the Swiss economy: the total contribution of foreign companies to GDP in 2003 is estimated at 8.2 per cent.

It seems to be the first investigation on foreign firms, and the main objective is to prove that they are vital for the Swiss economy and that the myth of foreign companies being in Switzerland just for tax saving reasons and essentially being a free rider in our economy but contributing marginally is quite wrong. Given that European countries have intensified their race for foreign direct investments considerably in the last two decades, the main objective of this study, namely to justify the presence of foreign firms, is rather surprising[3]. Until quite recently inward FDI (IFDI) have been neither perceived nor appreciated in Switzerland. Although there are more than 6,500 foreign firms in this country, little information is available about these companies.

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1 *The Forgotten Sector. Foreign Companies in Switzerland.* Joint Study of the Swiss-American Chamber of Commerce and The Boston Consulting Group, Zurich, January 2006, pp. 10-16.

2 According to new data published by the Swiss National Bank, in 2005 the total number of persons employed by foreign firms in Switzerland was 324,000. The US companies emploied 52,800 and the German companies 82,400 persons. Schweizerische Nationalbank, *Entwicklung der Direktinvestitionen 2005, Auslandvermögen der Schweiz 2005,* Zurich, December 2006.

3 See for example the articles in Lars Oxelheim & Pervez N. Ghauri (*et alii* eds.), *European Union and the Race for Foreign Direct Investment in Europe*, Amsterdam, Elsevier, 2004.

In the next section the main theoretical arguments will be outlined, followed by a quantitative overview on US direct investments and US companies in Switzerland. To some extent, the results are compared with those in other European countries and with the investments of Swiss companies in the US. In the fourth section, a few case studies about US companies will allow to analyse more closely the reasons for their entry, expansion or retreat from the host economy. Analysing foreign investments in Switzerland in a long-term perspective should lead to new insights into the relationship between location-specific and corporation-specific endowments and how this relationship changed in the course of the twentieth century[4].

1. DIRECT INVESTMENTS AND THE INTERNATIONAL COMPETITIVENESS OF FIRMS AND NATIONS

The international competitiveness of Switzerland has usually been related with the number and growth of the nation's large multinational enterprises (MNEs) and therefore with outward foreign direct investments (OFDI). It has been assumed that in order to succeed abroad these firms had some competitive advantage compared with the firms in the host countries and that the true source of these advantages is their home environment: "National values, culture, economic structures, institutions and history contribute to competitive success."[5] OFDI were interpreted as a consequence of the competitive strength both of the firms and of the nation[6]: The fact that total OFDI stocks were much higher than inward foreign direct investments (IFDI) stocks – according to the data published by the Swiss National Bank (SNB) since 1985 – was no phenomenon to worry about, and the interest in the activities of foreign firms remained marginal. The focus was on Switzerland figuring among those countries with the highest direct investments abroad.

The theoretical argument establishing a causal link between the international competitiveness of the firms and the competitiveness of their home country has clearly lost its persuasiveness. OFDI may well be

[4] This chapter is part of the research project "Switzerland as home and host country of foreign direct investments and multinational enterprises: changing competitive advantages during the 20th century", funded by the Swiss National Science Foundation. Claudia Bischof-Biotti, Anita Dobler and Manuel Hiestand have collected the data presented in this paper.

[5] Michael Porter, "The competitive advantage of nations", *Harvard Business Review*, March-April 1990, p. 74.

[6] See the investigations of John Dunning on the impact of the growth of US-owned affiliates on the development of European countries. An overview is given in John Cantwell, "Innovation and technological competitiveness", in Peter J. Buckley & Marc Casson (eds.), *Multinational Enterprises in the World Economy, Essays in Honour of John Dunning*, Hants, England and Brookfield USA, Edward Elgar, 1992, pp. 21-40.

a sign for location-specific disadvantages of the home base compared with foreign locations. Apparently this reverse relationship was lost sight of during the decades of high growth after WWII, but in the protectionist period between the two World Wars it was widely understood in Switzerland. At that time, the main reasons for outward investments were location-specific disadvantages at home, such as higher production costs, high exchange rates or trade barriers raised in the main foreign markets. And while the firms perceived OFDI as the only means to assure their survival and maintain their market shares in foreign countries, workers and their unions accused them to destroy jobs at home, transfer valuable know-how to foreign countries and weaken the competitiveness of the national economy[7]. There are a few examples of local governments promoting IFDI in order to create employment opportunities during the Great Depression of the 1930s (see section 4 below), but the domestic firms and the local authorities usually opposed the entry of foreign firms, because they increased competitive pressure in an already very narrow domestic market.

The intensification of international economic integration in the last two decades has once more thoroughly changed the comparative advantages of nations as locations for MNEs. The large Swiss multinationals re-allocated their business worldwide and ever more firms of medium and even small size expanded their activities abroad in order to participate themselves in the location-specific advantages of foreign countries. Gradually perceptions have changed and it has been acknowledged that the competitiveness of a nation was no longer assured by a considerable number of 'global champions', but rather by maintaining and creating location-specific endowments allowing to keep a share of the activities of the domestic multinationals within the country and attract foreign direct investments[8].

Firms will expand their activities to a specific foreign country, if the foreign location offers some advantage compared with the home country and with other foreign locations, for example a large market, valuable resources or low factor costs. Highly competitive domestic industries and services can also be considered as location-specific endowments.

[7] Similar ambiguous attitudes towards OFDI have been mentioned in Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*, Cambridge, Mass., and London, England, Harvard University Press, second printing 1975, pp. 52 f. Investments were favoured in raw materials, in order to break monopolies, and in less developed areas (Latin America and China), while investments in advanced economies able to compete with US firms were not to be encouraged by US government.

[8] See Cantwell, "Innovation", p. 37. The follow-up study of the publication of the Swiss-American Chamber of Commerce mentioned in endnote 2 focuses on domestic and foreign MNEs in Switzerland and highlights their joint importance for the Swiss economy: *Multinational Companies on the Move: How Switzerland Will Win the Battle!*, A Joint Study of the Swiss-American Chamber of Commerce and the Boston Consulting Group, Zurich, 2007.

A foreign firm may want to be active in the same location in order to enhance its own competitiveness. In order to exploit successfully location-specific advantages of the host country the foreign firm has to dispose of ownership-specific advantages compared with domestic firms. Such advantages are not stable but will be strengthened or weakened by the activities of the foreign firms themselves, other developments in the host country or in competing locations.

We shall distinguish between two categories of foreign investments:

- Investments in sectors where the foreign companies have a clear competitive advantage: competition of domestic firms will be weak or non-existent, and the role of the foreign firms is to compensate for the lack of domestic activities. Their impact on the host economy may be considerable.
- Investments in sectors dominated by strong and internationally competitive domestic firms: foreign affiliates will play a minor role and have little impact on the activities of domestic firms and the host economy.

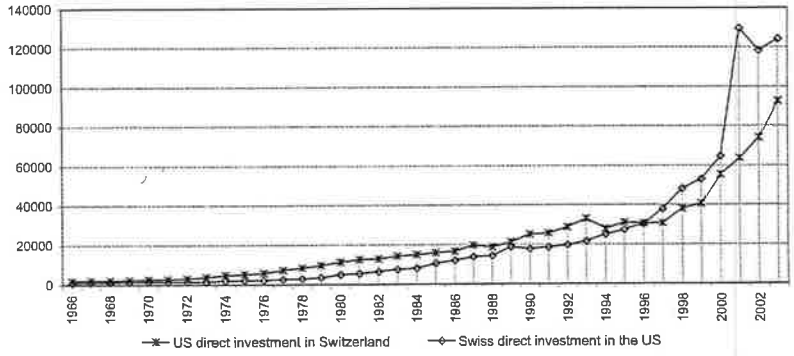
The functions undertaken by the foreign firms – manufacturing, sales, administration, research and development – are also important indicators for location-specific advantages or disadvantages. Other aspects too may lead to further insights into the relationship between the foreign companies and their host environment: the modes of entry and exit, the duration of stay and the preferred location in the host country. Further more, we have to take into account that subsidiaries located in a specific country may be able to draw on the resources of neighbouring countries. This particular advantage was certainly important in the case of Switzerland, a country situated in the midst of Europe and participating in three of the main language areas. Since the early 1990s, barriers for the cross-border exchange of goods, services and capital within the European Union have been lowered considerably, but as a non-member state Switzerland did not fully participate in the process of integration. Being, to some extent, excluded may have influenced its attractiveness for IFDI.

2. QUANTITATIVE ANALYSES OF US DIRECT INVESTMENTS IN SWITZERLAND

According to the official statistics of the Swiss National Bank available since 1993 the United States have been one of the preferred destination for direct investments of Swiss firms, besides the Netherlands, Germany and France. In all these countries, except in the Netherlands, the average stock of outward investments was higher than of inward investments. Investments of Swiss firms in the United States more than doubled

the investments of US firms in Switzerland up until 1998. Then IFDI increased more quickly and equalled OFDI in 2003. The data available from US statistics cover a much longer period and convey a somewhat different picture: US direct investments in Switzerland[9] have been higher then Swiss direct investments in the USA from 1966 up until 1996. The reasons for this deviation between the two datasets are not completely clear. The difference between the OFDI figures can largely be explained with currency fluctuations, while in the case of the IFDI figures it must be due to different databases. In the following we shall rely on the US statistics because - besides covering a longer period of time – they allow to place the US investments in Switzerland into a comparative perspective. With regard to the period before 1966 there are some estimates of the amount of US direct investments in Switzerland for the period 1950-1965 and for a few years between 1929 and 1950. These figures show a continuous increase from a very low level. Investments kept increasing until 1993 and took up again in 1998.

Figure 1: US DI positions in Switzerland, Swiss DI positions in the US (historical cost-basis, million US $)



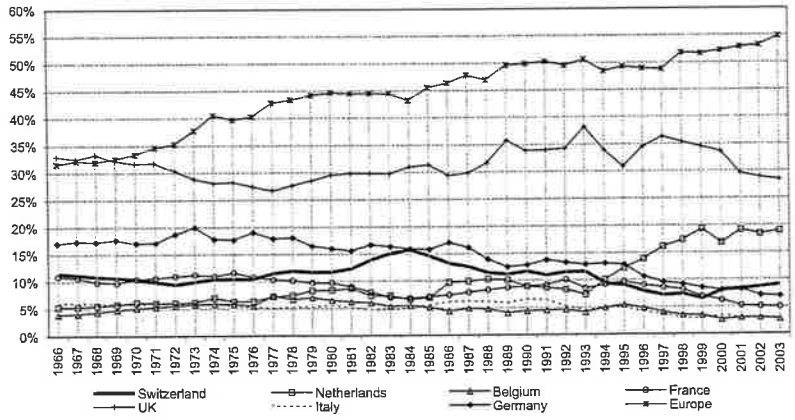
Sources: US direct investments in Switzerland, 1966-2003: U.S. Bureau of Economic Analysis: http://www.bea.gov/. Swiss direct investments in the US: 1950-1972: Henry Krägenau, Internationale Direktinvestitionen1950-1973, Hamburg, Verlag Weltarchiv, 1975, Tab. A.2.3, S. 100/1; 1973-1976: Henry Krägenau, Internationale Direktinvestitionen, Ergänzungsband 1978/79, Hamburg, Verlag Weltarchiv, 1979, Tab. A.1.2, S. 134/5; 1977-1980: Henry Krägenau, Internationale Direktinvestitionen, Ergänzungsband 1982, Hamburg, Verlag Weltarchiv, 1982, Tab. A.1.6, S. 132-135; 1980-2003: BEA: http://www.bea.gov/.

The proportion of Switzerland in total US direct investments fluctuated between 4 per cent and 6 per cent, with peaks in 1984 (7 per cent) and 2004 (5 per cent) and a marked downturn from 6 per cent

[9] According to the SNB data the proportion OFDI/IFDI is 2,0 in 1993, 2,8 in 1997 and reaches 1,0 in 2003. SNB, *Statistisches Monatsheft*, 11/2006, p. 2a. The US BEA figures are: 0.65 in 1993, 1.24 in 1997 and 1,33 in 2003.

in 1992 to less then 4 per cent[10] in 1999. The cyclical pattern is more pronounced in Switzerland's share in total US direct investments in Europe, which fluctuated between 16 per cent in 1984 and 6 per cent in 1999, with peaks in 1984 (16 per cent) and 2004 (about 10 per cent). From 1977 to 1993 Switzerland was constantly in the third or fourth position (after the UK and Germany and before or after France). The shares of the next ranking European countries (Belgium, Italy and the Netherlands) were considerably lower. Between 1993 and 1999 the share of Switzerland declined from over 11 per cent to about 6 per cent. In 2003, Switzerland was still in the third position (after the United Kingdom and the Netherlands) but the US direct investments in the Netherlands were almost twice as high and other small European countries with considerably lower positions in the 1990s (especially Ireland, Luxembourg and Sweden) were catching up. Major changes in the comparative advantages of Switzerland as location for US companies must have occurred in the 1990s. It seems plausible to assume that not having joined the European Economic Area in 1992 weakened the attractiveness of Switzerland in comparison with other small European countries.

Figure 2: Share of Switzerland and other European countries in US direct investments in Europe 1966-2003 (historical cost-basis, million US $)



Source: US Bureau of Economic Analysis BEA, http://www.bea.gov/

3. US COMPANIES IN SWITZERLAND

For this survey, we rely on two different sources: the period 1901-1975 is covered by data on the foreign subsidiaries of the 180 largest US multinational enterprises (MNEs) of the manufacturing sector. Not

[10] US Bureau of Economic Analysis BEA, http://www.bea.gov/.

covered by this database are firms of the service sector. In this respect we can only rely on some literature and on information obtained on the basis of the source used for the period 1976-2003, namely a list of US companies with subsidiaries in Switzerland contained in the *Yearbooks* edited by the Swiss-American Chamber of Commerce since 1976. Besides indicating the names of the US parent companies and their subsidiaries, further information is available on the size, the location and the activities of these firms in Switzerland.

A. US companies during an early period: 1901-1975

Measured at specific benchmark years, the number of US companies and of their subsidiaries in Switzerland increased throughout the period (Table 1). There was no decline during the interwar period, not even during the depression of the 1930s, as is often assumed in the literature. In the period from 1901-1975, about 15 per cent stayed between one and four years, a third between five and ten years and almost 50 per cent more than ten years. Of the six US subsidiaries listed in 1901, four were still present in Switzerland at the end of the period. Most companies were newly formed. The number of mergers and break-ups of older subsidiaries was low throughout the period, the number of acquired companies increased markedly in 1967 and 1975. The number of firms liquidated was extremely small, but increased considerably between 1967 and 1975. Most subsidiaries were either fully owned by the parent company or the parent had a majority holding.

The distribution by industry reveals that before WWII, US companies in Switzerland were engaged mainly in four industries: petroleum, fabricated metal products, industrial and commercial machinery, electrical equipment and components. From the 1950s onwards the share of firms in the petroleum industries, in fabricated metal products and industrial and commercial machinery declined while the share of US companies in other industries, especially chemicals, food and transportation equipment increased. We do no know what functions the subsidiaries fulfilled, except for some case studies presented in section 4 below, but we assume that most subsidiaries were engaged in sales and services and not in manufacturing, because for the interwar period, M. Wilkins mentions only direct investments of US firms in Switzerland in the electrical industry, but not in the other industries. Furthermore M. Wilkins mentions subsidiaries of US companies in the service sector, which are not included in the database used for Table 1: The National City Bank and American Express established branch offices. Some holding firms were located in Switzerland due to tax advantages – for example Coty Inc. set up a Swiss holding company in 1929, which consolidated

Table 1: Largest US multinational enterprises in Switzerland							
	1901	1919	1929	1939	1953	1967	1975
Number of parent companies	3	6	11	18	29	121	129
Number of subsidiaries	6	12	22	29	39	267	337
Ownership: 100%	3	8	15	21	28	222	283
≥50 %	3	3	3	2	5	23	32
<50%	0	1	3	3	2	6	7
no information	0	0	1	3	4	16	15
Entry mode: newly formed	4	9	17	20	26	159	187
acquired	1	2	2	3	5	58	108
merger or break up	1	1	1	1	1	5	5
no information	0	0	2	5	7	45	37
Exit mode: sold	0	0	0	0	0	3	28
liquidated	0	0	2	3	10	22	63
no information	0	0	0	0	0	3	6
Distribution of subsidiaries by industry							
20: Food and kindred products	0.0%	0.0%	4.5%	3.4%	2.6%	11.6%	9.8%
28: Chemicals and allied products	0.0%	0.0%	0.0%	3.4%	10.3%	21.7%	26.1%
29: Petroleum refining and related industries	66.7%	58.3%	50.0%	41.4%	28.2%	8.6%	7.1%
33: Primary metal industries	0.0%	0.0%	0.0%	0.0%	7.7%	6.4%	6.5%
34: Fabricated metal products, except machinery and transportation equipment	0.0%	16.7%	13.6%	13.8%	10.3%	6.4%	5.6%
35: Industrial and commercial machinery and computer equipment	33.3%	16.7%	18.2%	17.2%	17.9%	11.6%	12.8%
36: Electronic and other electrical equipment and components, except computer equipment	0.0%	0.0%	4.5%	10.3%	7.7%	13.9%	10.4%
37: Transportation equipment	0.0%	0.0%	0.0%	3.4%	2.6%	6.0%	6.5%
38: Measuring, analyzing, and controlling instruments; photographic, medical and optical goods; watches and clocks	0.0%	8.3%	9.1%	3.4%	5.1%	3.4%	4.2%
39: Miscellaneous manufacturing industries and other industries	0.0%	0.0%	0.0%	3.4%	7.7%	10.5%	11.0%

Source: Harvard Business School Database, USEMY (for data modifications see note 15).

its European interests[11]. There were also some minority participations in Swiss firms: Western Electric had a minority interest in a telephone and cable company with a plant in Berne, and General Electric a minority interest in Brown Boveri, which was liquidated in 1953. In the case of BBC, the Swiss firm perceived the investment of General Electric as a threat, and measures were undertaken to limit the influence of the American firm[12]: this was a typical reaction with regard to foreign firms acquiring substantial shareholdings in Swiss firms during the interwar period. On the one hand, preserving the national ownership of the firm had become important during WWI, when Swiss firms had to prove their 'nationality' in order to protect their foreign direct investments from confiscation[13]. On the other, Swiss firms feared that foreign firms might exploit their technical know-how and that they would lose their main competitive advantage.

In the Netherlands, US subsidiary companies invested in the electrical, in the food & beverage and in the petroleum industry. In Belgium, factories of Standard Oil of New Jersey and Jersey Standards are mentioned as well as a factory of Western Electrics. In Norway, US firms invested in refineries (Jersey Standard), in the paper and pulp industry (Alcoa, Union Carbide) and in the production of carbide (Union Carbide). In Sweden they invested in a high power radio station (Radio Corporation of America) and in the production of matches (Diamond Match Company)[14]. Apart from direct investments in the electrical, the petroleum and the car industry as well as in business machines (later computers), where US firms had a pronounced competitive advantage, US firms also invested in those branches with highly competitive firms in the host country, the machine and chemical industries and the service sector in Switzerland, the food & beverage and the electrical industries in the Netherlands, the paper and pulp industry in Norway, the production of matches in Sweden. In Table 2, the number of US MNEs and their subsidiaries in Switzerland are compared with those in other small European countries. With regard to the number of US parent companies and subsidiaries, the position of Switzerland is comparable to that of the Netherlands, but in the years 1929, 1939 and 1953 the number is lower and in 1967 somewhat higher. The continuous expansion throughout

[11] M. Wilkins, *The Maturing of Multinational Enterprise*, pp. 79, 136, 139.

[12] M. Wilkins, *Ibidem*, p. 295. See also Sibylle Veigl, *"Heute ist eben gar nichts mehr sicher". Das Unternehmen BBC Brown Boveri & Cie. Von 1927 bis 1938*, unpublished thesis, Philosophical Faculty of the University of Zurich, 2000, pp. 38-42.

[13] Martin Lüpold, *Schutz vor wirtschaftlicher Überfremdung oder Abwehr unfreundlicher Übernahmen*, unpublished thesis, Philosophical Faculty of the University of Zurich (2004), pp. 54 ff.

[14] M. Wilkins, *The Maturing of Multinational Enterprise*, pp. 7, 8, 63, 70, 85, 93, 112, 129, 130, 139, 153, 295.

the interwar period and the rapid expansion from 1953 onwards are confirmed for all the countries.

Table 2: Largest US MNE in small European countries

	Switzerland		Netherlands		Belgium		Sweden		Norway	
	MNE's	SUB's	MNE's	SUB's	MNE's	SUB's	MNE's	SUB's	MNE's	SUB's
1901	3	6	3	6	7	8	1	3	3	4
1919	6	12	6	9	14	18	3	9	4	7
1929	11	22	21	28	24	30	13	18	10	14
1939	18	29	32	42	40	50	19	34	14	22
1953	29	39	40	57	50	65	25	46	16	26
1967	121	266	107	230	121	214	78	136	38	69
1975	129	336	128	348	140	351	104	210	56	97

Source: Harvard Business School Database, USEMY[15].

B. US investment during the period 1976-2003

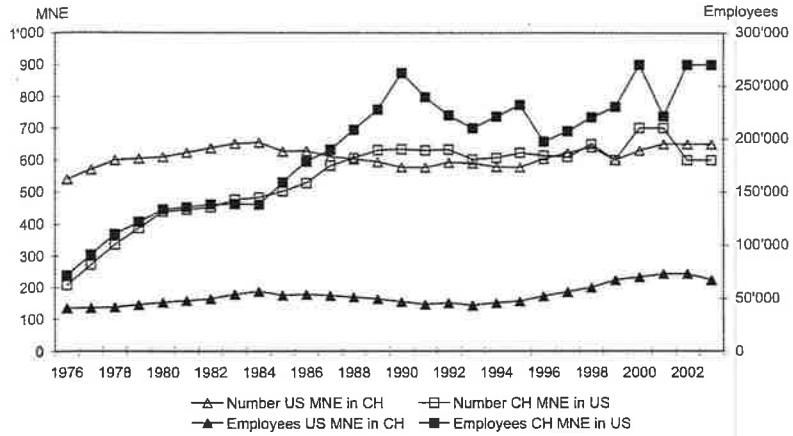
According to the Yearbooks of the Swiss-American Chamber of Commerce, the number of US companies present in Switzerland has been surprisingly constant, fluctuating around 600 since the late 1970s (figure 3)[16]. This number is considerably higher than the figures resulting from the database for the earlier period, because the Yearbooks include all and not only the largest US MNEs of the manufacturing sector. In comparison, the number of Swiss firms with subsidiaries in the United States is lower up until 1988, subsequently it is about the same; the total number of employees is considerably higher already at the beginning of the period[17]. This is a rather puzzling result, because it implies that the invested capital per employee of US companies in Switzerland is considerably higher than that invested by Swiss firms in the USA.

[15] In this database a few subsidiaries without entry year have been cancelled, and the subsidiaries without exit year (most of them entering in the 1950s and 1960s) were assumed to be still present at the end of the period in their respective host countries. The total number of subsidiaries may therefore be somewhat underestimated at the beginning and overestimated at the end of the period.

[16] Defined as companies in which American undertakings or individuals have a substantial financial interest or are affiliated with an American company. Firms operating under a license or on a commission basis with an American firm and non-commercially oriented enterprises are not included. Swiss-American Chamber of Commerce, *Yearbook*, Zurich, 1997/08, p. 173. The numbers for the years 1977, 1979, 1981 and 1988 were calculated as an average of the previous and following years.

[17] SNB figures are available since 2003: in that year the US companies employed about 52,800 persons or 17,5 per cent of the total number of employees of foreign companies. With 67,000 the number published by the Swiss-American Chamber of commerce is considerably higher than that of the SNB.

Figure 3: US companies in Switzerland, Swiss companies in the US
(total number of firms and employees, 1976-2003)



Sources: Swiss-American Chamber of Commerce: Yearbooks 1978/79-2003/04, Zürich.

If we compare the entry and exit movements of US companies with that of the earlier period the rate of fluctuation increased considerably: Almost half the companies stayed only between one and four years, over a fifth were present between five and ten years and almost a third more than ten years. A total of 107 American firms (about 18 per cent of all firms) were present in Switzerland throughout the period 1976-2004; almost a quarter of these long-lived firms were founded before 1950 and about half until 1960. Firms founded before the 1920s were Exxon Mobil Corporation (1908), Eastman Kodak Company (1918), Bulova Watch Company Inc. (1912), NCR Corporation (1918); other important early foundations were IBM in 1927, American Express Company in 1921, Sperry Corporation in 1925, ITT in 1935; General Motors established an assembly hall in Switzerland in 1935. The distribution by industry and the location of US companies within Switzerland has been analysed at two benchmark years[18]: 1980 and 2000. By far the preferred location to settle into has been the Canton of Zurich, followed by Geneva and, with a much lower number of companies, Zug and Vaud. Clearly, US companies have preferred to settle in the urban centres of the German and the French part of Switzerland. The distribution by industry shows that US companies were concentrated in the branches: chemicals, IT and computers, wholesale trade, finance and insurance, scientific services,

[18] Swiss-American Chamber of Commerce, *Yearbook*, Zurich, 1980/81, 2000/01.

administration and consulting[19]. In all these industries – except in finance and insurance and chemicals – the number of companies increased considerably during the twenty years period. The strong decline in the chemical industry must have been due to mergers and acquisitions, because the number of employees increased (see section 4 below).

The distribution by industry of the number of US companies is confirmed by the distribution of direct investments (Table 3); the figures for the year 2000 are only partly comparable with the earlier period, but they reveal an interesting point: the high US investments in the category 'finance, insurance and real estate' must have been mainly due to 'real estate'. As we shall see in section 4 below, the investments of US companies in the financial sector are not very important compared with the investments of other countries.

Table 3: US direct Investment positions in Switzerland by industry (at historical cost, million US $)

	Manufacturing	Finance, insurance, real estate	Banking	Wholesale trade	Other industries	Total
1980	8%	26%	5%	52%	9%	100%
1990	5%	53%	6%	31%	6%	100%
1996	12%	45%	7%	25%	11%	100%
2000	6%	(1) 8%	9%	16%	61%	100%

Note (1): excl. real estate
Source: Yearbook, Swiss-American Chamber of Commerce, 1993/94, 1997/98, 2004/05.

According to these figures Switzerland has been an attractive market for sales and service activities of US firms, but not for manufacturing. US firms in Switzerland invested only a small fraction in manufacturing, while Swiss firms in the US invested mainly in the manufacturing sector (about 60 per cent in 1980 and still 46 per cent in 2000), with a share in chemicals increasing from 23 per cent in 1980 to 28 per cent in 2000, and in insurance and finance from 15 per cent in 1980 to 35 per cent in 2000[20]. Both trends point to an increasing disadvantage of Switzerland as a location for production. With regard to services, the traditional advantages in the financial sector have rather lost strength for US companies, but Switzerland has become an attractive location for US companies in other sectors (see also section 4 below).

The size of the US companies, measured by the number of persons employed in Switzerland, was rather small. Table 4 contains some information on the largest fifteen firms (*) in the years 1976, 1988, 1993

[19] In the *Yearbook* 1980/81 it was possible to identify the branch for a total of 513 companies, in the *Yearbook* 2000/01 for a total of 490 companies.

[20] Swiss-American Chamber of Commerce, *Yearbooks* 1993/94, 2000/01, 2004/05.

and 2003. These companies employed 47 per cent of total employees of US companies in Switzerland in 1976, 34 per cent in 1988 and around 40 per cent in 1993 and 2003.

Table 4: Largest US Companies in Switzerland by number of employees

Firms of the manufacturing sector

Name	Employees in CH				Industry	Presence in CH
	2003	1993	1988	1976		
Allen-Bradley Co. / Rockwell Automation	840	*1,563	(n.s.)	(n.s.)	Electrical, electronic machinery, etc.	1956-
American Standard Inc.	31	13	90	*760	Oil/gas burners, air brake systems, etc.	before 1976-
Brown & Sharpe (div. of Hexagon Metrology)	300	495	*760	509	Machinery (except electrical)	1966-
Bulova Corporation	(n.s.)	3	6	*900	Watches	1912-
CPC International Inc.		*1,153	*1,350	*1,367	Food	1970-
Digital Equipment Corp. (DEC)		*1,850	*1,790	260	Computer	1972-
Dow Chemical Company	*850	*780	*881	515	Chemicals, Pharmaceuticals	1959-
E.I. Du Pont de Nemours & Co.	700	1,000	1,001	*1000	Chemicals, Plastics	1959-
Eastman Kodak Company		*560	724	*973	Chemicals, Photographic Equipment	1910-
Firestone Tire and Rubber Co.	(n.s.)	(n.s.)	85	*1300	Rubber/Plastics Products	1935-
General Electric	*980	131	31	105	Electrical, electronic machinery, etc.	before 1976-
General Motors Corp.	264	393	469	*522	Transportation Equipment	1935-
Hewlett-Packard	*1,000	*1,050	*900	374	Computer	1958-
Honeywell Inc.	5	*527	*790	180	Computer	1947-
IBM	*3,400	*2,440	*2,780	*2,537	Computer	1927-
ITT		55	60	*3,447	Communication	1935-
Johnson & Johnson (Cilag, other Companies)	*2,010	*803	*774	*591	Chemicals, Pharmaceuticals	1969-
3M	276	515	514	*710	Paper, Chemicals, Measuring Instr., etc.	1945-
AEA Investors (Mettler-Toledo)	*1,300	-	-	-	Measuring Instr., etc.	1996-
NCR Corporation	220	*1688	*1979	*1350	Computer	1918-
Philip Morris/Altria Group	*2,800	*2,544	*1,400	*1,600	Tobacco	1964-
Procter & Gamble	*1,450	323	234	235	Chemicals	1953-
Sperry / Unisys	330	*700	*910	*1,495	Computer	1925?-
Total employees	17,656	18,586	17,528	20,730		

Firms of the service sector						
American Express Bank	45	290	886	250	Banking	1921-
American Medical International Inc. (AMI)		(n.s.)	*878	(n/a)	Health Services; Hospitals	1978-
Battelle Memorial Inst.	65	150	200	*610	Business Services	1952-
Citibank / Citicorp	770	*994	*855	500	Banking	1960-
Electronic Data Systems (EDS)	*1,170	96	(n.s.)	-	Inform. technology services	1985-
Ernst & Young	*2,400	(n/a)	(n.s.)	25	Accounting etc.	1960-
HCA Healthcare	*950	-	-	-	Health Services; Hospitals	2000-
Hilton International Co.	710	*740	*1,582	340	Hotels	1969-
McDonald's	*7,440	*2,350	*980	-	Restaurants	1980-
NTL (Cablecom)	*1,400	-	-	-	Communication	2000-
PricewaterhouseCoopers	*2,400	(n/a)	224	88	Accounting etc.	1957-
Texas Pacific (Bally, Gate Gourmet)	*1,620	-	-	-	Holding and Investment Companies	2000-
Total employees	18,970	4,620	5,605	1,813		

Sources: Employees: Swiss-American Chamber of Commerce, *Yearbook*, Zurich, 2003/04, pp. 52, 94; *Yearbook* 1993/94, pp. 76,165; *Yearbook* 1989/90, pp. 143-222; *Yearbook* 1988/89, pp. 93, 151; *Yearbook* 1976, pp. 109-159. Year of foundation: *Schweizerisches Ragionenbuch 1976, offizieller Firmenführer*, Zurich, Orell Füssli. Industry: *Yearbook* 1976 or if younger 2003.

About a third belonged to the service sector. The firms of the manufacturing sector were mainly active in the branches 'computers and communication', 'chemicals', 'instruments, equipments and machinery'. In 1976 only seven and in 2003 only five companies were actually producing goods in Switzerland. Most manufacturing companies concentrated on sales and other services. Between 1976 and 2003 the number of companies with their European or international headquarters in Switzerland increased from five to eight. Of the thirty-five firms listed in Table 4, twenty-eight were established before 1976, thirteen even before 1950; twenty-four firms were active throughout the period 1976-2004 (73 per cent compared with 18 per cent of all companies). Obviously, the largest US companies, once located with subsidiaries in Switzerland, tended to stay, even when the parent firms changed hands in the course of mergers and acquisitions. But also among these largest firms there was considerable up- und downgrading, several exits and some new entrants, mainly acquisitions of Swiss companies. If we compare the number of entries and exits of all US companies during the two periods 1984-1990 and 1993-2000, the overall pattern is largely the same, but the number of employees in the manufacturing sector remained about the same between 1976 and 2003, while the number of employees in the service sector increased considerably, especially since 1993. By 2003 over 50 per cent of total employees were employed in companies of the

service sector, compared with about 17 per cent in 1976. This shift of employment from the manufacturing to the service sector is even more pronounced for the largest companies listed in Table 4 above.

Rather surprising is the result of an analysis of the functions fulfilled by the US manufacturing companies, which moved in and out of the country between 1993 and 2000: According to these figures, Switzerland has become more attractive as a location for production (35 entering and 19 exits). This reversed trend must be due to acquisitions of Swiss manufacturing firms by US companies. The analysis also reveals that Switzerland has become less attractive for European and international headquarters: Of the 148 subsidiaries leaving Switzerland 42 had fulfilled the functions of European and 11 of international headquarters of US companies, while among the 224 subsidiaries entering into Switzerland only fourteen assumed the functions of European and four of international headquarter[21]. The ownership structure has been analysed at three benchmark years (1983, 1989, 2000) based on another source. As had been the case for the earlier period, the large majority of companies (in this period between two thirds and three fourth) were totally owned by the US parent, and only 6 to 9 per cent were owned at less than 50 per cent[22].

4. INDUSTRY AND CASE STUDIES OF US COMPANIES IN SWITZERLAND

In this section, we shall concentrate on sectors where US companies had a competitive advantage compared with Swiss firms – the petroleum industry, the automobile and the IT & computer industry – and sectors where Swiss firms were highly competitive themselves on an international level – chemicals and pharmaceuticals, watches, finance and insurance. Other branches with a considerable number of US companies in Switzerland during the last decades of the twentieth century have been 'administration & consulting' and 'accommodation & food services' or 'health care'. Well-known US hotel and restaurant chains have established subsidiaries in Switzerland. Hilton is listed among the fifteen largest US companies (see Table 4 above). Outstanding is the rapid expansion of McDonalds, now the company with by far the largest number of employees. Initially, the firm encountered strong opposition from consumers and competitors, from employees and their unions and

[21] Swiss-American Chamber of Commerce, *Yearbooks* 1993/94 and 2000/01.

[22] Hansjürg Sager (*et alii*), *Who Owns Whom. Der Schweizerische Beteiligungsatlas*, Zurich, U.Bär Verlag, 1981, 1989. Ulrich Bär (*et alii*), *Who Owns Whom. Der Schweizerische Beteiligungsatlas*, Zurich, Orell Füssli, 2000.

also from the environmentalists, but McDonalds adapted its business practices to tastes, norms, social and environmental standards prevailing in its host environment and protests ebbed away[23]. Rather surprising and difficult to explain is that one of the largest US companies in Switzerland already in the 1970s – Philip Morris – has expanded its activities and continues to produce cigarettes (see Table 4 above). Switzerland has a long history and good reputation as a tobacco manufacturing country, but nowadays this reputation is rather related to cigars and not to cigarettes.

A. The US petroleum industry in Switzerland

Compared with other European countries, foreign direct investments in the petroleum industry – one of the leading US industries with regard to FDI – were rather delayed. US multinationals were present in Switzerland since the beginning of the twentieth century, but the first refineries were built only in 1962. The industry was completely dominated by foreign firms, leaving little incentives and opportunities for domestic firms to enter into the market. Only Migros, the leading Swiss retail chain store, has successfully challenged the foreign MNEs by compensating its disadvantage as a latecomer with its strong position in the domestic market and continues to occupy a share of the market[24].

B. The automobile industry and the case of General Motors in Switzerland

By the early 20th century there was quite a remarkable and innovative automobile industry in Switzerland, but the firms were unable to adopt mass-production techniques and compete with the large foreign firms. The high-quality profile of industrial production in Switzerland turned into a disadvantage in those products where mass production prevailed. In the Great Depression of the 1930s, some communities in the regions most affected from the fall of exports attempted to attract FDI in order to procure jobs for the large number of unemployed. When it became known that the General Motor Corporation from Detroit wanted to establish an assembly plant in Switzerland, several towns offered favourable conditions in order to attract this investment[25]. Biel, a town heavily affected by the crisis in the watch industry, offered the most generous conditions, which were supported by all political parties and

[23] Romeo Regenass, "Kritiker machten McDonald's Schweiz stark", *Tages-Anzeiger*, 13 April 2007, p. 27.

[24] Manuel Hiestand, "Der Markteintritt der Migrol – Der Benzinkrieg in der Schweiz Ende der Fünfziger-Jahre", seminar paper, University of Zurich, 2003.

[25] Tobias Kästli, *Das rote Biel 1919-1939. Probleme sozialdemokratischer Gemeindepolitik*, Bern, Fagus Verlag, 1988.

an overwhelming majority of the population although the number of jobs that GM promised to create was rather limited.

The reason for establishing an assembly plant in Switzerland was the increase of customs duties on finished cars, mainly intended to protect the domestic market for trucks. The GM plant in Biel was founded in May 1935, production started in 1936, and subsequently about 2,000 cars were assembled every year. The plant procured jobs for about 300 workers. The large display windows on one side of the assembly hall allowed to observe work at the assembly line and fascinated the population not used to this kind of manufacturing process. During WWII, the plant was kept going with the manufacture of other products. After the war production was rapidly expanded. In 1968 the number of employees reached a maximum of 1,400 and the number of cars increased to 17,740 per year; GM had become the largest consumer of electricity and the largest taxpayer in Biel, but the boom was short-lived. In May 1975, GM informed the political authorities that the assembly plant was to be closed because of inefficiencies. Due to the new customs conventions agreed within the GATT the tariff burden on imported finished cars was almost the same as for the components: the high customs duty on finished cars had been the main reason for establishing an assembly plant in Switzerland in the 1930s, and obviously it was still the main reason forty years later. The surprising point is that no other location-specific or firm-specific advantages had been created during this long period. Whether there had been a positive impact on related industries, especially the considerable number of Swiss firms supplying components to foreign car manufacturers, is unknown.

For the community of Biel the closing of the GM factory was a hard blow because it coincided with the general economic depression in Switzerland. With over 500 employees General Motors was still among the largest US companies in Switzerland (see Table 4 above) in 1976, but until 2003 the number of employees declined by half. Still, the functions remaining in Switzerland were extended from "sales in Switzerland and in Europe" to "European headquarter".

C. The computer and IT industry and the case of IBM

In this branch US companies disposed of a considerable competitive advantage and were in a better position to exploit the research capacities and market opportunities in Switzerland than any of the domestic firms venturing into this sector. Domestic firms were either unable or unwilling to exploit the location-specific endowments, mainly the innovative research going on at the Swiss Federal Institute of Technology in Zurich, the highly qualified workforce, the considerable strength of domestic firms in related areas (such as precision instruments) and highly qualified

potential users capable of adopting new technologies and used to keep up with technical progress. The distribution by industry of the subsidiaries of the largest US MNEs shows that 'Industrial and commercial machinery and computer equipment' had an important share in the total number of subsidiaries since the beginning of the twentieth century (see Table 1). Several of the main US computer and IT companies are listed in Table 4, but in 2003 only two of these companies – IBM and Hewlett-Packard – still were among the fifteen largest US companies. Both companies have increased the number of employees considerably since 1976 and have located international headquarters in Switzerland.

The case of IBM in Switzerland is a remarkable success story, with regard to the duration of stay in the country, the continuous expansion, the high acceptance by the host environment and the activities pursued: a sales and service centre for business machines was established already in 1927, but in 1956 IBM founded its first research laboratory outside the US in Switzerland near Zurich[26]. The number of employees in the research laboratory increased continuously from 110 in 1976 to 310 in 2003. In the case of IBM sales and services, there was a massive reduction of employees in the early 1990s, when IBM had to cope with a serious crisis. But the subsidiaries in Switzerland were able to successfully defend their position within the IBM group and in 2003 the number of employees was higher than in 1990. The high acceptance of the firm in its host environment was to a considerable extent due to the strategy of internationalisation pursued by IBM. As a rule, the personnel and especially the top managers had to be nationals of the host country, and the declared aim of the US parent firm was that its subsidiary companies were perceived as national firms in each of the host countries. Up to the crisis of IBM in 1992 the strategy of internationalisation can be defined as 'multidomestic' in contrast to the 'global' strategy pursued subsequently[27].

The positive impact of the strong presence of US firms of the 'IT & computer' industry on the Swiss economy can hardly be overstated. Notwithstanding the weakness of domestic firms in this branch, Switzerland had the second highest density of computer applications (after the USA) in the 1970s and 1980s, and in 1991 it was even described as having the highest density[28]. Furthermore, domestic firms were unable

[26] The IBM research laboratory celebrated its 50th anniversary in 2006. For that occasion, the firm has granted access to its archives for research on the history of the IBM companies in Switzerland: Pascal Schär, "Die IBM in der Schweiz", seminar paper, University of Zurich, October 2005; Pascal Schär, "Die Internationalisierung von F&E am Beispiel des IBM Forschungslaboratorium Rüschlikon", Diplomarbeit, University of Zurich, 2006.

[27] Michael Porter, *The Competitive Advantage of Nations*, London and Basingstoke, MacMillan Press, 1990, pp. 53 ff.

[28] Andy Bantel, "Schweiz hat grösste EDV-Dichte", *Schweizer Handels-Zeitung*, 1st May 1991, p. 33.

to compete in the 'hardware' of the industry, but specialised in 'software' and have created a considerable location-specific advantage that recently induced the US company Google to establish its European research and development centre in Zurich[29].

D. US companies in highly competitive branches of the host country

In this sub-section we shall focus on a case study of a US company in the watch industry, where foreign firms have been extremely rare until quite recently, on the chemical pharmaceutical industry and on the financial sector.

a. The case of Bulova watches

Since 1887 Joseph Bulova, a Czech immigrant to the USA, imported Swiss watches for sale in his shop in New York, which he had established in 1875. In 1911 the firm opened offices in Biel, a centre for watch and clock manufacturing in the northwest of Switzerland, in order to assure deliveries of watches 'made in Switzerland'. It started manufacturing watches in various workshops in Biel in 1920 and built its first factory in 1927. In 1970, Bulova Watch & Co. comprised twenty factories in eight countries, of which four in Switzerland (two in Biel, one in Neuchâtel and one in Geneva). Of the total of 8,000 employees, 1,700 were employed in Switzerland[30]. Clearly, the direct investment in Switzerland was important for the parent firm and had developed successfully during a period of more than forty years.

We suppose that the motives for expanding manufacturing in Switzerland in the interwar period were linked with the protectionist policies in the USA and in Switzerland. In that period the US market became the main sales outlet for the Swiss watch industry. The US watch industry was about half the size of the Swiss one, and although it was a small industry in the US context, it was a strong lobbying group for import protection. When the US government increased the customs duty for finished watches, Bulova and other Swiss producers turned to exporting components, for which customs duties were much lower, and assembled the watches in the USA. But this practice was understood as a first step towards the 'expatriation' of the Swiss watch

[29] *Neue Zürcher Zeitung*, „Internet-Suchdienst Google baut Standort in Zürich aus", 18 January 2007, p. 55.

[30] Christophe Koller, "L'Affaire Bulova Watch et les États-Unis au temps du protectionnisme. Stratégie d'entreprise «migrations» de l'industrie horlogère Suisse", in Hans-Jörg Gilomen, Margrit Müller, Béatrice Veyrassat (eds.), *Globalisierung – Chancen und Risiken. Die Schweiz in der Weltwirtschaft*, Schweizerische Gesellschaft für Wirtschafts- und Sozialgeschichte, Band 19, 19. Jg., Zurich, Chronos, 2003, pp. 235-250.

industry: exporting components and also watch-making machinery were prohibited. The authorities even introduced measures against the emigration of specialised workers, notwithstanding the large number of unemployed. In such a context it was feared that the American firm Bulova could put at risk the successful implementation of the various protective measures introduced. In effect, official sources indicate that there were several investigations based on the suspicion that the firm did not adhere to the rules, that it continued to export components to the USA or watch-making machinery to its subsidiary company in France. But it soon also became clear that other important Swiss companies made use of their relations with Bulova in order to promote exports of watches to the US market. So, the authorities were confronted with a mixture of positive and negative effects and, consequently, their attitude towards Bulova was rather ambiguous. Thorough measures were not undertaken, because important domestic interests could have been damaged.

The expansion of Bulova in Switzerland continued until 1970, we may assume that a major change in the relative costs of producing in or importing from Switzerland occurred only in the 1970s. The reason for reducing manufacturing in Switzerland may have been the same as those mentioned for GM, namely the liberalisation of trade with the GATT agreements, possibly enforced by the crisis of the Swiss watch industry in the early 1980s. In the perspective of the US parent firm Switzerland must have lost its specific advantage as a location for manufacturing watches. By 1976 the number of employees had decreased to 900 (from 1,700 in 1970) and the factories in Neuchâtel and Geneva had been closed. The number of employees continued to decline, and between 1980 and 1988 manufacturing in Switzerland was given up altogether (see Table 4 above). Bulova became the European headquarter for the import and export of watches[31].

b. Chemicals-pharmaceuticals and the case of Cilag

Chemicals-pharmaceuticals became one of the leading Swiss export industries during the interwar period. The industry had an important share of subsidiaries of the largest US MNEs since the 1950s (see Table 1 and Table 4 above). Between 1977 and 1984 the number of US companies increased from over 40 to a maximum of 62, then declined to about the same level again by 2002. As has been mentioned above, measured with the number of companies the share of this industry declined, but employment continued to increase from 3,500 in 1976, to 6,200 in 1984 and almost 7,400 in 2002. Until 1995 between 35 per cent and 40 per cent

[31] Swiss-American Chamber of Commerce, *Yearbooks*, 1976, 1980/81, 1988/89, 1990/91, 1993/94, 2004/05.

of these firms were located in the Canton of Zurich, in 2002 this share was still 24 per cent, but the proportion of firms located in the Canton of Basle (the main centre of the chemical industry in Switzerland) increased from an average of about 6 per cent until 1987 to over 12 per cent in 2002, and of those located in the Canton of Zug to about a fifth in 1990. The other preferred location was the Canton of Geneva with 18 per cent in 1977 and 12 per cent in 2002.

The size of these firms with regard to the number of employees was rather small – only about 10 per cent had more then 250 employees –, but a few of the most well-known US chemical companies still belong to the largest US companies in Switzerland (see Table 4 above). A case study giving interesting insights into the development of a Swiss firm acquired by the US company Johnson & Johnson is the history of Cilag. At the time of the take-over in 1959 it was a medium-sized, highly specialised and innovative company, with subsidiaries in several European countries, but in serious financial difficulties. With the acquisition of Cilag, the parent company diversified into the new product line pharmaceuticals[32]. As a subsidiary of Johnson & Johnson, Cilag continued to prosper at its home base, where it became one of the largest industrial firms. After the take-over it had to give up its research activities, but maintained a strong position in development and manufacturing, and gradually Cilag reassumed an important role as a centre for research and development within the group. With hindsight, the integration of Cilag into one of the large US MNEs had very positive consequences for its further development. The decentralised governance structure of Johnson & Johnson granted sufficient freedom of initiative, and Cilag exploited its room for manoeuvre successfully: it was able to maintain and expand its activities at its home-base, Schaffhausen, as well as in foreign countries and gradually assumed tasks for a wider European area within the group. The history of Cilag also shows the positive impact Johnson & Johnson derived from acquiring a much smaller foreign firm with different know-how and competencies. In its specialised area Cilag had a clear competitive advantage, and this advantage was linked with its home base in the sense that it was embedded into the grown structure of the firm and its capabilities. It can be understood as a firm-specific endowment that is still bound to the location in Switzerland. In the Canton of Schaffhausen, Cilag is one of the largest firms with more than 1,000 employees.

[32] *Cilag 1936-2006, Geschichte eines Schaffhauser Pharmaunternehmens*, Zurich, Chronos, 2006. Johnson & Johnson took over 90 per cent of the share capital in 1959 and by 1963 it owned 100 per cent. The company history has been written by Hans Ulrich Wipf, a business historian, and is carefully documented.

c. US finance and insurance in Switzerland

Switzerland established its position as an international financial centre mainly in the second half of the twentieth century and especially since the 1970s. As has been mentioned in the third section, the presence of US banks can be traced back to the 1920s. Two US banks with branch offices in the interwar period – National City Bank and American Express – are still present in Switzerland (see Table 4). According to the yearbooks of the Association of the foreign banks in Switzerland, out of a total of 97 banks in 1972, 23 were US and Canadian banks, compared with 55 from all European and 8 from all Asian countries[33]. Until 1995 the total number of foreign banks reached a maximum of 160. The number of European banks had increased to 83, the number of Asian banks reached a maximum of 46 in 1993, the number of the US and Canadian banks did not change. At the turn of the century, the number of foreign banks had increased to 150: 102 from European countries, 13 from Asian countries, 25 from the USA and Canada, and 10 from other regions. Between 1972 and 2000, the share of the US and Canadian banks in total assets of foreign banks was 21 per cent at the beginning and 18 per cent at the end of the period, while the share of the banks from European countries increased from 55 per cent to 75 per cent. With 5 per cent in 2000, the share of the Asian countries was well below the level of 1972 (10 per cent), and the maximum reached in 1994 (23 per cent). Based on these figures we conclude that Switzerland has been an attractive location for European banks, and temporarily for Asian banks, but much less so for US banks.

An analysis based on the yearbooks of the Swiss American Chamber of Commerce confirms these results. Between 1976 and 2003 a total of 141 US firms can be assigned to the financial sector, of which about 70 per cent can be defined as banks and about 10 per cent as insurance companies. The banks employed between 80 per cent and 95 per cent of all employees in the financial sector. Almost 10 per cent of all firms in the financial sector (13 banks) were present throughout the period 1976-2004, compared with 18 per cent of all US companies. There were quite a large number of entries and exits of firms in this branch: 30 new firms compared with 27 exits in the 1980s, 20 new firms and 33 exits in the 1990s. The share of the financial sector in the total number of firms declined from over 11 per cent in 1976 to 7 per cent in 2002. The number of the employees in this sector fluctuated similarly to the total number of employees in US firms, but the fluctuations were more pronounced. The financial sector employed a maximum of 5700 employees between 1982

[33] Verband der Auslandbanken in der Schweiz, *Jahrbuch 1972-2001*. The large majority of the Northamerican companies were from the USA. Until 1978 there were no Canadian banks.

and 1986, than declined to 3,430 in 1995, increased rapidly to 5,600 in 2001 followed by a drop to 3,600 employees in the following two years. With an average of 40 employees in the late 1970s and 80 employees in 2002, the size of these firms was rather small. Most firms employed less than 50 employees. The share of companies with over 250 employees fluctuated around 5 per cent. The preferred locations were Zurich and Geneva (between 80 and 85 per cent) and the canton Ticino (about 10 per cent).

CONCLUSION

The development of US companies in Switzerland during the twentieth century has been analysed at different levels: the available aggregate data on direct investments and employment cover a rather short period and diverge to a considerable extent, but largely conforms to the broad picture derived from the quantitative analyses of US companies with subsidiaries in Switzerland. The available data on the number of US parent companies covers the whole twentieth century: According to the number of subsidiaries of the largest US MNEs in the early period (1900-1975), Switzerland's position was comparable to that of the Netherlands, but in the years 1929, 1939 and 1953 the number is lower and subsequently it is somewhat higher (Table 2). We may conclude that Switzerland became less attractive as a host country for US companies in the interwar period and up to the early 1950s. From then on it has been one of the preferred locations for US direct investments Europe.

The distribution of investments by industry and the industry case studies reveal that there has been a remarkable accumulation of firms in the IT and computer industry, a branch where there was practically no domestic competition. Another industry with a relatively large number of companies is chemicals-pharmaceuticals. In this branch, Swiss firms have been quite strong, but specialised on particular product lines, leaving ample room for US companies with a different specialisation to participate in the domestic market. A rather surprising result was the comparatively low participation of US companies in the expansion of Switzerland as an international financial centre since the 1970s. Large investments were made in the wholesale trade. For most US companies of the manufacturing sector, Switzerland has been an attractive market for sales, but not for production. There have been exceptions, and in some cases they can be related to special causes, for example to the increase of customs duties and import quotas in the case of General Motors, to protectionist policies in the case of Bulova or to the take-over of Swiss manufacturing firms in the case of Cilag. Switzerland has also been able to

take advantage of its 'centrality' within Europe: Several of the largest US companies have established their European headquarters in Switzerland, but if the number of new headquarters established between 1993 and 2003 is compared with those that disappeared, the country seems to have lost some of its advantage in this respect. Being less integrated in the European Union may have weakened its competitiveness compared with other European countries.

Until quite recently foreign firms have received little attention in Switzerland. Even on the local level the impact of US subsidiaries was felt only exceptionally, and these firms were seldom contested. This was probably due to the rather small size of the firms, to the fact that they were located in a few urban centres of the country and that they assumed mainly complementary functions as importers and distributors of finished goods in sectors where competition of domestic firms was weak or non-existent. The rather difficult relationship with Bulova was a special case in a special period of time, mainly due to the protectionist policies applied in the watch industry. In the same town and same period the presence of GM was highly welcomed. Only exceptionally cultural differences were clearly apparent for quite a large population, for example in the case of McDonalds. In this and in other cases it has been possible to show that the high acceptance of US companies in their local environment was mainly due to the strategy of internationalization pursued by their parent companies, leaving ample room for the subsidiaries to adapt to the host environment and become or remain in important aspects similar to the domestic firms. The attitude of US companies towards their foreign subsidiaries has changed in the 1990s: The large MNEs – and not only those of US origin – increasingly adopt a global strategy implying that the subsidiaries have less autonomy. This new trend may largely explain the considerable repositioning of the largest US companies in Switzerland since the 1990s.

Switzerland has become an attractive location for US companies of the service sector. Their expansion has compensated the declining attractiveness as a location for production. But this trend – in the direction of services and away from manufacturing – has been somewhat reversed since the middle of the 1990s: since then there has been quite a large number of firms engaged in production among the newly entering US subsidiaries. Further investigations will be needed to explain this phenomenon, but we assume that it is due to a particular type of location-specific advantage, namely competitive and innovative Swiss manufacturing firms, which US companies relying primarily on their own strength and competitive advantage have – with some exceptions – rather neglected as investment opportunities in the past.