

Global Industry Competitiveness Index (GICI) 2023

Competitiveness analysis of the Swiss
chemical and pharmaceutical industry

BAK Economics study commissioned
by scienceindustries, the Association
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In this publication, persons and positions are referred to in the generic masculine instead of the double form. The terms used refer to both men and women.

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Editorial

Accounting for almost half of Swiss exports, the chemical, pharmaceutical and life sciences industry is one of the main pillars of our country's economy. This is due in no small part to our globally recognized competitiveness as a business location. In this year's Global Industry Competitiveness Index (GICI), Switzerland ranks third behind Ireland and the USA. Unfortunately, this is a setback compared to the previous year's ranking, and we should do all we can to turn the situation around!

Among the factors influencing competitiveness is the role of regulations and their impact on our global positioning. Regulations are critical to the business environment, but when they become overly restrictive, they can impede a company's ability to operate and hinder competitiveness. This phenomenon is particularly noticeable in Switzerland, where specific solutions tend to be adopted.

It is therefore essential that the newly-elected Swiss Parliament understands and acknowledges the importance of fostering a business-friendly environment. For the chemical and pharmaceutical industry, it is vital that regulations do not constrain companies, but rather empower them to make a meaningful contribution to the major challenges of our era. This is why we aim to focus specifically on this aspect in this year's edition of our study.

Switzerland has the opportunity to continue to play a leading role in the global chemical and pharmaceutical industry, as long as we create an environment that encourages innovation and entrepreneurship. Let's embrace this opportunity together!



A handwritten signature in blue ink, appearing to read 'M. Leuenberger'.

Dr. Matthias Leuenberger
Präsident scienceindustries

Executive Summary

The competitiveness of the Swiss chemical and pharmaceutical industry is one of the highest in the world. According to the Global Industry Competitiveness Index (GICI) 2023, Switzerland ranks third behind Ireland and the USA. Compared to the previous year, Switzerland has dropped one place but has still managed to increase its lead over the closest pursuers, Denmark and Sweden. In terms of innovative capability, Switzerland has improved compared to 2022. However, its position in the ranking remains unchanged in the other three categories. An important factor for competitiveness is the regulatory framework, which is the focus of this year's edition. The analysis highlights the potential for improvement in this area.

The Global Industrial Competitiveness Index (GICI) has been computed by BAK Economics since 2020 on behalf of scienceindustries, the Association of the Chemical, Pharmaceutical and Life Sciences Industries. It measures competitiveness along four dimensions: "Performance", "Market position & efficiency", "Innovation & technology leadership" and "Location quality". Since the first version of the GICI, the Swiss chemical and pharmaceutical industry has always ranked in the top 3. Compared with last year, Switzerland has dropped from second to third place.

Compared with the USA (2nd place) and Ireland (1st place), Switzerland has an exceptionally balanced profile, with no weaknesses in any of the four dimensions. Switzerland is well placed in "Performance" (1st place), "Innovation & technology leadership" (3rd place) and "Location quality" (2nd place). The improvement of one place in the field of innovation is particularly encouraging, since it improved in most indicators, apart from digitization. In terms of "Market position and productivity", Switzerland maintains its fourth-place ranking, beaten only by Ireland, the USA and China, just as in 2022.

In 2023, Ireland tops the ranking thanks to its growth dynamic and productivity. However, it cannot compete with the best countries when it comes to innovation, which is the great strength of the USA. In terms of growth dynamics, however, the USA is only in the mid-tier.

The most competitive locations in the chemical and pharmaceutical industry



Quelle: BAK Economics

Focus 2023: Regulations

Regulations are an important aspect of the business environment. They create favorable conditions for economic development and innovation if they address market failures and are enforced effectively. However, overly restrictive regulations can impede business capacity and hinder competitiveness. Stringent regulations in foreign markets can also encourage future investment if companies choose to relocate their activities to Switzerland. On the other hand, regulations can pose a risk to Swiss companies' business models if they can no longer export certain products to foreign markets due to product bans or compliance issues. In this study, we have analyzed 1) general regulations that apply to all companies, as well as those specific to the 2) pharmaceutical and 3) chemical industries.

1. Switzerland's general regulatory environment can be considered satisfactory so far. Within our sample, Switzerland performs well in areas such as tax policy, labor market, intellectual property protection and regulations related to the trade of digital services. There is still room for improvement in product markets, FDI (direct investment) regulations, E-government, and aspects related to the ease of doing business such as the time required to establish a business or the protection of minority investors.

2. In the pharmaceutical sector, pricing and drug authorization hold significant importance. The integration of Swissmedic into the international project "Orbis" and the "Access" Consortium have accelerated the authorization procedures for new substances. In the field of ATMPs (Advanced Therapy Medicinal Products), Switzerland does not yet have specific general regulations, unlike the EU. The implementation of appropriate legislation in the future could grant patients access to innovative therapies. A similar situation exists for veterinary medicines, where there is no established legal basis for authorization, whereas ATMPs are already commercially approved in the EU. Additionally, there is a pressing need for action in the field of digitization, particularly concerning the utilization of patient data in digitized research and development. The regulatory conditions for clinical trials – especially concerning their decentralized execution – currently put Switzerland at a disadvantage compared to other countries.

3. Given the heavy reliance of the Swiss chemical industry on foreign markets, companies must ensure that their products align with foreign regulatory requirements. As part of the European Green Deal, the EU is planning general bans on chemicals based on the precautionary principle, which could prove problematic for the Swiss chemical industry. A large number of these chemicals are present in production plants and processes, and some are also found in finished medical products, biocides and crop protection products. The analysis indicates that enhancing the competitiveness of the Swiss chemical industry would be best served by adopting a multi-level, risk-based approach.