



Fiscal Policy

Openness remains *the best resilience strategy*

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At a glance

- In their guest commentary of 22 October, Phil Baumann and Marc M. Winistörfer argue in favour of a state audit of foreign investments.
- This would strengthen Switzerland's geo-economic resilience and protect the country from the influence of the major powers, they argue.
- However, this approach falls short: investment controls are not in the interests of an open and networked Switzerland. Especially now that parliament is debating such a law, a critical assessment is called for.

Switzerland's economic success is inextricably linked to open markets and international networking. As an exporter of capital, Switzerland is one of the world's leading countries. Because domestic capital is unable to cover investment requirements, foreign direct investment is essential. It is precisely because Switzerland has been open to foreign investment - but always prudently - that it has been able to hold its own in the international competition between locations despite its small domestic market. Even the USA, with its large domestic market, recently simplified its procedures for reviewing foreign investments (Committee on Foreign Investment, CFIUS) in order to attract additional investments. Following criticism from investors, the United Kingdom also wants to relax its state review process.

A look abroad also shows that state investment controls have not yet been able to prove their efficiency and effectiveness. Despite numerous reviews, rejections of takeovers are rare in countries with corresponding control mechanisms. The high administrative costs for authorities and companies are therefore offset by limited benefits. It is not legal company takeovers that pose a threat to public safety and order, but rather illegal activities such as cybercrime, industrial espionage or the theft of intellectual property.

Even without state investment screening, Switzerland already has effective protection mechanisms against foreign investment. Its investment barriers are even higher than the average for OECD countries. In particular, Switzerland is more restrictive towards foreign direct investment than its neighboring countries, all of which have investment controls. Special legal regulations - such as merger control in competition law or reporting obligations in stock exchange law - ensure reliable protection of sensitive ownership structures in systemically important infrastructures and companies. Numerous critical infrastructures, for example in the energy and telecommunications supply sectors, are also publicly owned by the federal government, cantons or municipalities.

Finally, there are no known takeovers to date that would have endangered public order and security in Switzerland in the past. This is also confirmed by the Federal Council. Particularly in the case of the much-cited takeovers of the recent past (e.g. Syngenta or Gategroup), state intervention could hardly be justified with reference to public order and security in Switzerland.

In light of this, the current parliamentary debate is of particular importance. The Council of States has already spoken out in favor of a lean and administratively manageable scope of application. In the upcoming winter session, the upper chamber should now also keep a sense of proportion and follow the lead of the Council of States. After all, geo-economic resilience is not created through isolation, but through diversification, legal certainty and stable partnerships. Anyone who credibly demands more market opening for direct investments from partner countries must not hide behind excessive investment controls in their own country. Such an approach would increase uncertainty for investors and owners

of potential target companies and thus reduce Switzerland's attractiveness as a business location. Moreover, countermeasures by important trading partners could not be ruled out. Given the ongoing geopolitical and economic uncertainties, this would be particularly counterproductive.

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