

**ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS**

Bachelor's Thesis

**DEVELOPMENT AND WAYS OF IMPLEMENTATION OF THE
INTERNATIONAL INVESTMENT PROJECT “DANCE SCHOOL OPENING” IN
SWITZERLAND**

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Specialty: 292 International economic relations

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Dnipro, 2021

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

First (bachelor) level

Specialty 292 International economic relations

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(signature, last name, initials, scientific degree, academic status)

“ ____ ” _____ 20__ p.

The Bachelor's Thesis
Assignment

Of Kseniia Yavtushynska

1. Development and ways of implementation of the international investment project “Dance School Opening” in Switzerland.

2. Supervisor: Ph.D. Assoc. Prof. Iryna Shkura

Approved with the Order of « ____ ” _____ 20 __, No. _____

3. Deadline for submission _____

4. Aim of the paper: to design the international investment project “Dance School Opening” in Switzerland.

5. Thesis outline (list of issues to be developed):

- select the country for investment
- define why the country is attractive for investment project realization
- select the investment project theme and country-partner from where the investment is transferred;
- analysis of the real market situation in order to decide upon the form and way of investment;
- conducting the appropriate calculations based on the real numerical data analyzed.

6. Date of issue of the assignment 1.06.2021.

7. Thesis schedule

No	Stages	The deadline for submission	
		Schedule date	Actual date
1	Alignment of the topic	15.03.2021	01.03.2021
2	Chapter 1	01.04.2021	9.03.2021
3	Chapter 2	15.04.2021	1.04.2021
4	Chapter 3	15.05.2021	23.04.2021
5	The whole paper	1.06.2021	4.05.2021

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ABSTRACT

Yavtushynska K.S. Development and ways of implementation of the international investment project “Dance School Opening” in Switzerland.

In the current thesis, we have considered the phenomenon of the Swiss economy, as an attractive investment destination for doing business and provided the calculations regarding the Dance School opening in Zurich, Switzerland. We have researched the economic and social peculiarities which allow the Swiss Confederation to remain one of the richest and desirable for life and investments country, in all the fields of activity. According to various world rankings, such as The Global Competitiveness ranking, we investigated that Switzerland occupies the leading positions in the world. Moreover, we emphasized the Swiss attitude and efforts in implementing the Sustainable Development Goals of UN. Another vital issue we discussed was the process of doing business in Switzerland, which is effective and continuously improving. We took into account the fact that Switzerland is not only the desirable investment destination with a favorable investment climate, but also appears to be a significant investor in other countries, with sufficient trade policy, political and macroeconomic stability, well-developed infrastructure and moderate tax system. The last section of the project was devoted to the Dance School Opening, where we represented all the necessary requirements and calculations on revenues and expenditures. Furthermore, the key indicators were calculated, such as NPV, PP and PI, demonstrating the efficiency and effectiveness of the project.

Keywords: Swiss economy, Sustainable Development Goals, Swiss investment climate, International Investment Project, Dance School.

АНОТАЦІЯ

Явтушинська К.С. Розробка та шляхи реалізації міжнародного інвестиційного проекту «Відкриття школи танцю» у Швейцарії.

У поточній кваліфікаційній роботі ми розглядали феномен швейцарської економіки та взагалі Швейцарію в якості привабливого місця для інвестування для ведення бізнесу та провели розрахунки щодо відкриття Школи Танцю в Цюриху, Швейцарія. Ми дослідили економічні та соціальні особливості, які дозволяють Швейцарській Конфедерації залишатися однією з найбагатших і бажаних для життя та інвестицій країн у всіх сферах діяльності. Згідно з різними світовими рейтингами, такими як рейтинг глобальної конкурентоспроможності, ми дослідили, що Швейцарія посідає провідні позиції у світі. Більше того, ми наголосили на ставленні Швейцарії та зусиллях щодо реалізації Цілей сталого розвитку ООН. Ще одним важливим питанням, яке ми обговорили, був процес ведення бізнесу в Швейцарії, який є ефективним і який постійно вдосконалюється. Ми взяли до уваги той факт, що Швейцарія є не тільки бажаним напрямком для інвестування зі сприятливим інвестиційним кліматом, але також є значним інвестором в інші країни, з компетентною торговою політикою, політичною та макроекономічною стабільністю, добре розвиненою інфраструктурою та помірною податковою системою. Останній розділ проекту був присвячений відкриттю Школи танцю, де ми представили всі необхідні вимоги та розрахунки доходів та витрат. Крім того, були розраховані ключові показники, такі як NPV, PP та PI, що демонструють ефективність та результативність проекту.

Ключові слова: економіка Швейцарії, Цілі сталого розвитку, швейцарський інвестиційний клімат, міжнародний інвестиційний проект, школа танців.

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INTRODUCTION

This thesis is devoted to the sustention of the investment project in Switzerland through the full analysis of the country as one of the most prosperous and economically developed countries of Europe. Switzerland, undoubtedly, is one of the most attractive countries to invest in due to its stable economic situation, political stability and location. During last decades, Switzerland demonstrates the significant increase in developing international trade relations worldwide and has a great number of multilateral agreements with different countries. The world's leading companies in numerous industries have been established in Switzerland. The country's cultural openness to the innovations and its upward democratic political system support entrepreneurship and help succeed in business. The key factors that had a significant impact on the investment attractiveness of Switzerland are its independence and neutrality. Military conflicts in Europe have resulted in talented enterprising people being forced to leave their countries and settling in Switzerland, bringing their knowledge and experience to its economy. The Swiss government provides security, social protection and justice which makes the investment climate of the country more desired. Due to the liberality of Swiss economy, the stability of Swiss franc, moderate tax system and low capital costs, Switzerland can provide the high security of investment. Furthermore, even during the current crisis because of the COVID-19 pandemic, the economic indicators of Switzerland remain stable, and in some industries, such as pharmaceutical industry, has demonstrated insignificant growth and positive prospects for future.

The topic is relevant because we precisely considered the economic situation, main trade advantages and peculiarities of Switzerland as the most attractive investment destination, which can be used for other projects in the field. The research covers both theoretical and statistical aspects of data provided. There have been investigated the World Rankings of the Global Competitiveness, main investment directions both to and from Switzerland, as well as main macroeconomic indicators and peculiarities of doing business inside the country. Moreover, there has been considered the progress in achievements the Sustainable Development Goals of UN, the Social Progress Index. The

trade policy of the country is also supposed to be an outstanding feature of Swiss economic success; therefore, the part of the paper is devoted to this aspect.

The phenomenon of the success of the Swiss economy has been researched and described in many economic, political and environmentally-oriented articles. Also, the data from scientific articles and World Bank databases are used. A big contribution has been made by the international organizations, such as OECD, UN ("Most sustainable countries", 2021; "OECD Better Life Index", 2021; "OECD Economic Surveys Switzerland", 2019; "Switzerland implements the 2030 Agenda for Sustainable Development", 2018). Also, a lot of statistical information has been gained from different periodical reports as ("The Global Competitiveness Report", 2019; "Doing Business", 2020; "Ease of Doing Business in Switzerland | 2008-2019 Data | 2020-2021 Forecast", 2021; "SOCIAL PROGRESS INDEX Executive Summary", 2019; "IMF Data", 2020; "FOREIGN INVESTMENTS: *a success factor, not a danger for our economy*", 2021). There has also been used the financial data provided by the national banks of different countries ("Startseite", 2021; "Banque de France", 2021; d'Italia, 2021; "Bank Austria - Wir erledigen Ihre Bankgeschäfte", 2021; "Direct Investment", 2019). The economic data has been taken from different publications as ("INFRASTRUCTURE", 2021; "SWISS TRADE POLICIES BY SECTOR", 2004; "Overview of Individual Taxation in Switzerland", 2021).

The aim of this project is to design the international investment project "Dance School Opening" in Switzerland. We are going to provide the unique methods of teaching, different from the existing on the dance market.

In order to achieve the aim, we will:

1. Critically analyze the economic state of Switzerland.
2. Investigate and assess the investment climate and attractiveness of Switzerland.
3. Observe the main economic indicators, forms of investment and possibilities for doing business.
4. Provide the calculations on investment requirements, expenditures and our revenue.

5. Consider the investment effectiveness of the project and demonstrate the competitive advantages and possible risks.
6. Prove the likelihood of the success of our project by calculating the important indicators, such as Net Present Value (NPV), Profitability Index (PI) and Payback Period (PP).

The object of the research – the socio-economic situation in Switzerland as an attractive investment destination; the subject of the research – the investment project “Dance School Opening” in Zurich, Switzerland.

All the outcomes of the project may be used by Ukrainian professionals, entrepreneurs and companies interested in the investment project in the field of art, dance, in Switzerland.

The results of the Bachelor Thesis were appraised and published in the scientific and practical conference proceedings "Трансформація економічних систем та інститутів у нових геостратегічних реаліях" 20.04.2021, Alfred Nobel University. The results also formed the basis of an article submitted for publication in the journal "Journal of Modern Economic Research".

CHAPTER 1

SWISS ECONOMY: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS

1.1. General characteristics of the development of the Swiss economy over the last 15 years

Switzerland is a small landlocked European country with the scarcity of natural resources. However, it is an indisputable leader in many industries. It has common borders with Austria, Italy, Germany and Liechtenstein. Its unique political system and culture contribute to the reveal and expansion of the inner potential of individuals as well as commercial, governmental and political organizations. The hard work of many generations of entrepreneurs founded modern prosperity of the country. Not all of them were natives of Switzerland; it owes much of its success to immigrants, who now make up almost a third of the population (Switzerland, 2021).

The world's leading companies in numerous industries have been established in Switzerland. The country's cultural openness to the innovations and its upward democratic political system support entrepreneurship and help succeed in business. The key factors that had a significant impact on Switzerland's development are its independence and neutrality. The Swiss government provides security, social protection and justice. Otherwise, its interference in the privacy of its citizens is minimal. Taxes are levied by cantonal and municipal authorities, and most decisions on governmental issues are made by direct vote. The Swiss company Nestle is one of the world's largest food producers. The combination of skill, ingenuity and business acumen of Swiss watchmakers allowed them to remain industry leaders for two centuries (GOING GLOBAL EXPORTING TO SWITZERLAND, 2019).

Nowadays Switzerland provides businesses with an excellent financial and political environment for commodity wholesale. The insurance and banking services bring Switzerland up to 11% of GDP. And the current position of Switzerland on gross

domestic product (GDP) per capita in the world is among the top ten leaders, as we can see in the graph below (Fig. 1.1).

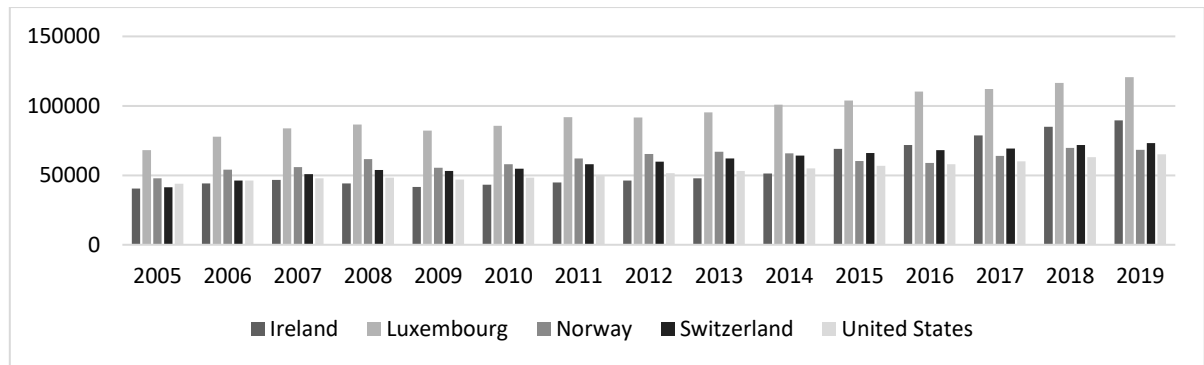


Fig. 1.1. GDP per capita (total US\$) in 5 World leading economies (2005-2019).

Source: (GDP and spending - Gross domestic product (GDP) - OECD Data, 2021)

As illustrated on the graph below (Fig. 1.2), being a developed country, the main sector that generates about 74% of Swiss GDP is a service sector for the last decades, compared to 25% generated by industry and only 1% by the agricultural sector.

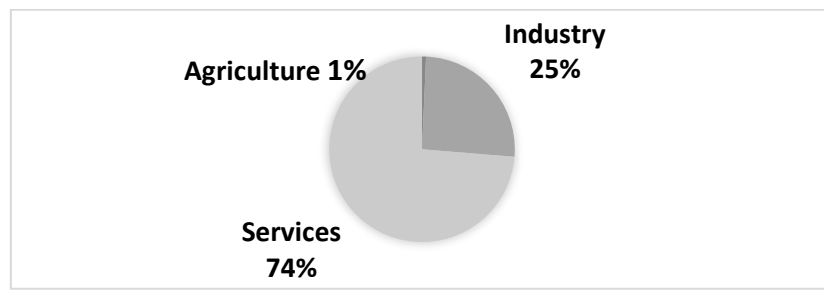


Fig. 1.2. GDP Composition, By sector of origin.

Source: (Switzerland, 2021)

The next graph shows recent decrease in the public debt-to-GDP ratio in Switzerland from 56.1 % in 2005 to 41% in 2019 (Fig. 1.3).

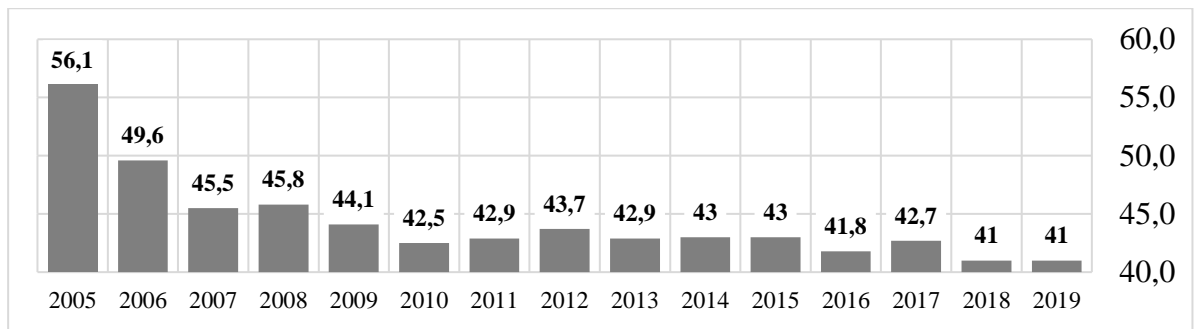


Fig. 1.3. Gross general government financial liabilities. (%)

Source: (Switzerland Government Gross Debt to GDP | 1982-2019 Data | 2020-2021 Forecast, 2021)

During the last few years, Switzerland has the lowest rate of value-added tax in Europe. In the graph below (Fig. 1.4) you may observe the percentage of VAT in some European countries. Moreover, Swiss tax transparency is largely compliant (Fig. 1.5).

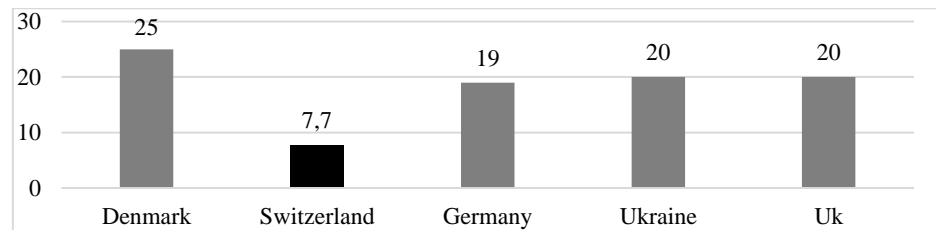


Fig. 1.4. Value-added tax; European Countries. (2019, %)

Source: (VAT Per Country | Value Added Tax Rates By Country | USCIB, 2021)

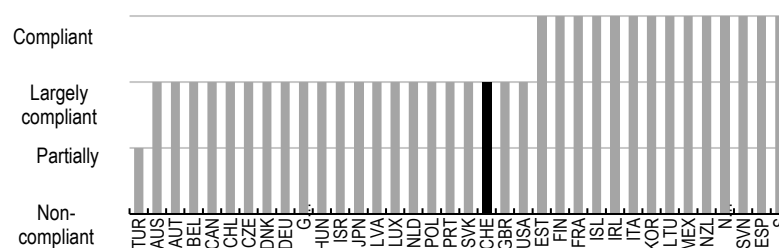


Fig. 1.5. Tax Transparency

Source: (OECD Economic Surveys Switzerland, 2019)

The Swiss labor culture and national respectfulness for education have formed a highly qualified, educated and creative middle class. Most Swiss companies (more than 90%) are small-sized and medium-sized enterprises with the staff less than 250 employees and an annual turnover less than EUR 50 million, and total annual balance

sheet not exceeding EUR 43 million. The Swiss economy is based on a highly qualified labor force performing highly skilled work (Success Factors for Swiss SMEs, 2013).

Nowadays one of the most competitive advantages of conducting business in Switzerland is the sustained and successful cooperation with foreign partners.

During the last decades, the main trading partner of Switzerland is the European Union (EU). Around 78% of Swiss imports are from the EU, while 43% of Swiss exports are destined for EU countries. The graphs (Fig. 1.6; Fig. 1.7) show the percentage of the Swiss export worldwide (The strategic focus of Swiss foreign economic policy, 2005).

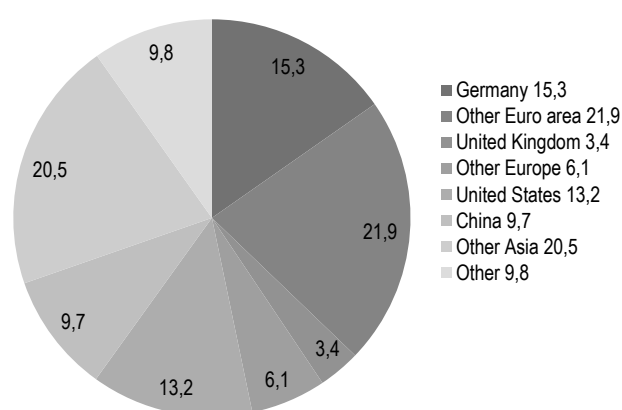


Fig. 1.6. Goods by destination

Source: (OECD Economic Surveys Switzerland, 2019)

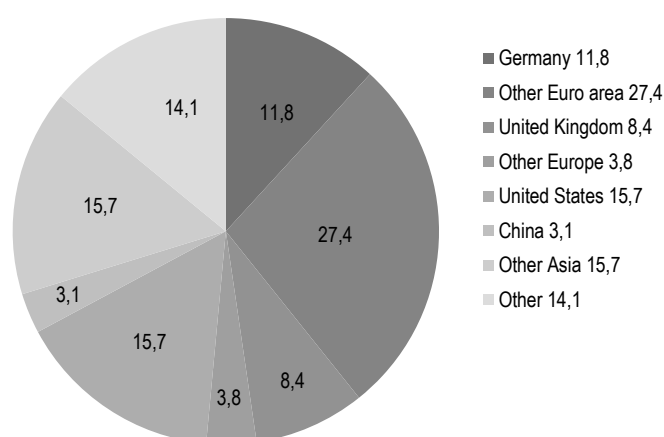


Fig. 1.7. Services by destination

Source: (OECD Economic Surveys Switzerland, 2019)

The state provides its citizens with security, social protection and justice. Otherwise, the central government does not go beyond that. Governing and tax collection in the country are decentralized and are the responsibility of local governments. The judicial system is independent as well as fair and institutionalized throughout the economy. It is free from pervasive corruption. (Swiss legal system, 2018).

Commercial and bankruptcy laws are applied consistently and efficiently. Switzerland is considered to be one of the least corrupted countries in the world. On the following graphs (Fig. 1.8-1.11) we can also observe that the anti-money laundering policy of Switzerland is effective and the control of corruption is quite efficient comparing to other countries.

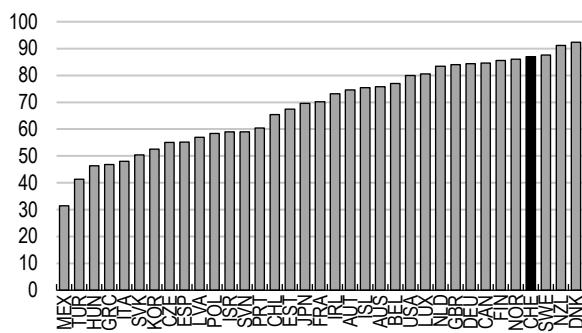


Fig. 1.8. Corruption Perception Index, 2017
Transparency International
Scale: 0 (worst) to 100 (best)
Source: (OECD Economic Surveys Switzerland, 2019)

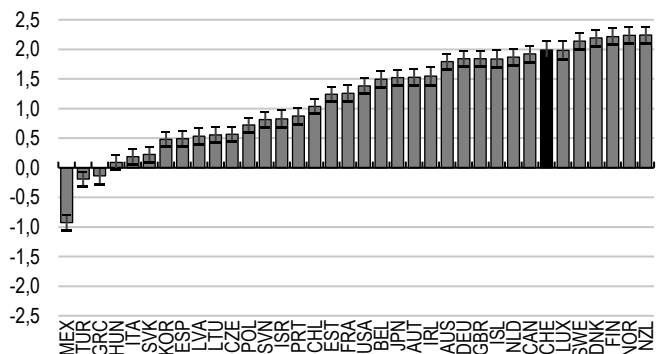


Fig. 1.9. Control of Corruption, 2017
Worldwide Governance Indicators (WGI)
Scale: -2.5 (worst) to 2.5 (best)
Source: (OECD Economic Surveys Switzerland, 2019)

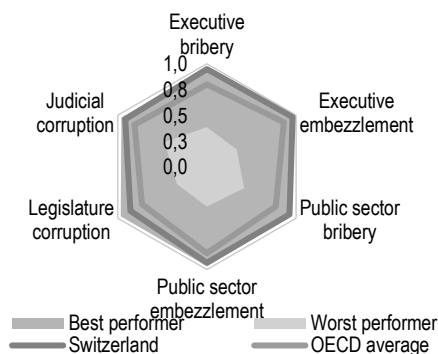


Fig. 1.10. Control of Corruption, corruption by sector
Scale: 0 (worst) to 1 (best)
Source: (OECD Economic Surveys Switzerland, 2019)



Fig. 1.11. Anti-money laundering measures
scale: 1 (low effectiveness) - 4 (high effectiveness)
Source: (OECD Economic Surveys Switzerland, 2019)

The Swiss highly appreciate their personal freedoms. The country has the principle of direct democracy, every citizen participates in referendums and plebiscites, exercising their right to vote in making governmental decisions on both fundamentally important and current issues. Switzerland's neutrality has also influenced its development. Military conflicts in Europe have resulted in talented enterprising people being forced to leave their countries and settling in Switzerland, bringing their knowledge and experience to its economy (Swiss neutrality and collective security: The League of Nations and the United Nations, 2010).

Three principal pillars of Swiss economy are its innovation methods, the country's first-class scientific research institutions and its highly qualified labor force. Switzerland is a world leader in regard to innovations. Every year Switzerland spends nearly 3% of its GDP, more than CHF 18.5 billion (around EUR 15 billion or USD 20.6 billion), on research and development that is one of the highest values worldwide. Over three-quarters of this funding come from the private sector. About 60 different kinds of universities serve as a guarantee of the high-level education. And 5 largest of them are considered to be among the hundred best in the world. The Swiss education system combines both well-established and practice-oriented apprenticeship with a prominent university education. This dual system creates the basis for the highly innovative and developed economy. The low rates of unemployment compared to other European countries, even among young people, illustrates the strength of the Swiss educational system (Swiss Economic Structure, 2018).

The graph below (Fig. 1.12) shows that the level of education influences the unemployment rate among the old job-seekers, nevertheless it is lower than in EU.

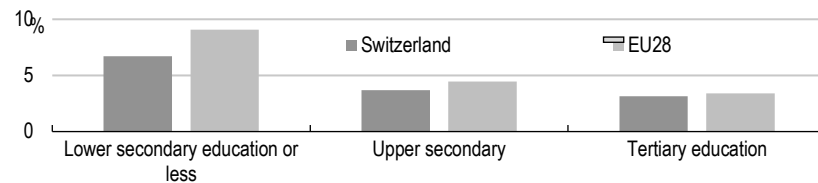


Fig. 1.12. Unemployment rate by educational attainment (As a share of labour force for 60-64-year-old, 2018)

Source: (OECD Economic Surveys Switzerland, 2019)

However, as we can see on the following graph (Fig. 1.13), the level of long-term unemployment is rather high for people up to 40 years.

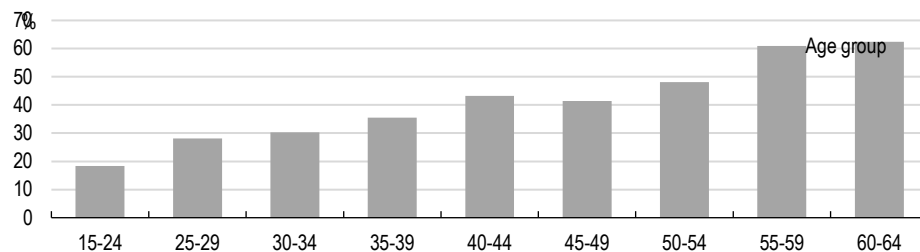


Fig. 1.13. Long-term unemployment (As a share of total unemployment by age group, 2018)

Source: (OECD Economic Surveys Switzerland, 2019)

Apparently, global companies highly represented in Switzerland have no problem in employing motivated, well-qualified, multilingual staff in Switzerland, as well as managers with international experience. As the graph indicates (Fig. 1.14), the unemployment rate decreases during the last decade.

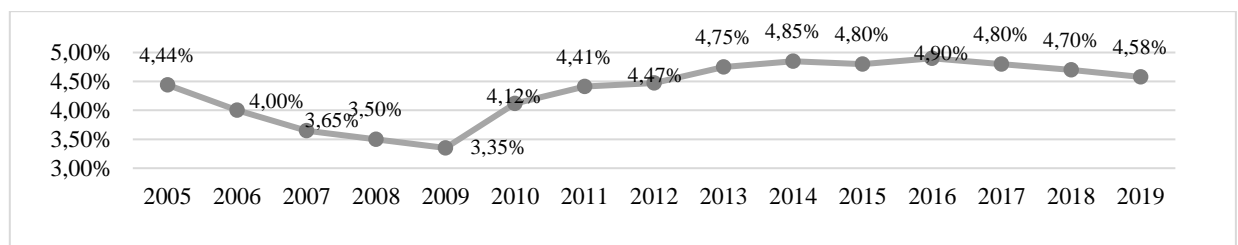


Fig. 1.14. Switzerland: Unemployment rate (2005 – 2019)

Source: (Switzerland Unemployment Rate | 1995-2021 Data | 2022-2023 Forecast | Calendar, 2021)

Swiss economy is one of the most liberal in the world. The high security of investment in Switzerland is guaranteed by the low capital costs, a solid purchasing power, currency stability, and moderate tax burden. The Swiss franc also remains one of the world's strongest currencies with the lowest inflation rate (Fig. 1.15).

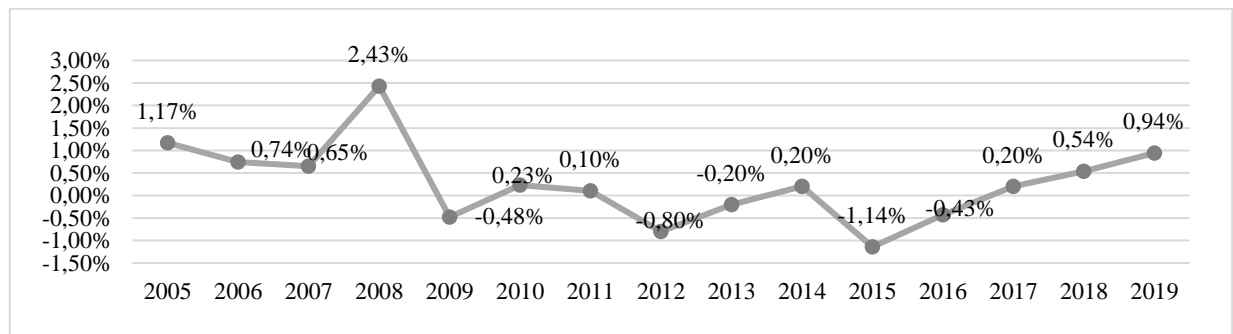


Fig. 1.15. Switzerland: inflation rate from (2005 - 2019)

Source: (Switzerland Inflation Rate | 1956-2021 Data | 2022-2023 Forecast | Calendar, 2021)

The graph showed general low inflation rate with a tendency of declining up to the negative figures and this factor is among the key ones influencing the investment attractiveness of the country. Though the **Inflation** rate in 2021 compiles **0.01%** (Switzerland Inflation Rate | 1956-2021 Data | 2022-2023 Forecast | Calendar, 2021).

The stability of the Franc can be observed from the Swiss Exchange Rate with Euro and US Dollar (Fig. 1.16).

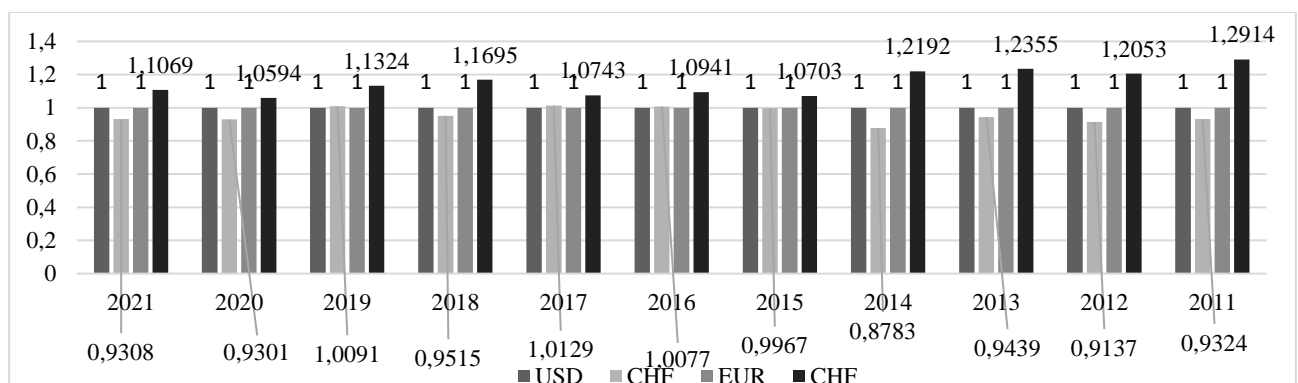


Fig. 1.16. Exchange Rate (USD to CHF, EUR to CHF), 2011-2021

Source: (Download historical exchange rates from the ECB to excel, 2021)

Switzerland is one of the small number of countries espousing neutrality which is one of the main principles of Swiss foreign policy. It declares that Switzerland is not to be involved in any armed conflicts and does not have a membership in military alliances. This policy is permanent, self-imposed and created to ensure external security and maintain peace (SWISS NEUTRALITY, 2021).

Switzerland is in Top 10 list of the most sustainable countries in the world (Table 1.1.). It is also essential to consider the Swiss position in the Global Competitiveness ranking. Table 1.2 shows that Switzerland is the fifth in the world, when considering the Global Competitiveness Index. The Table 1.3 shows Swiss scores in different fields. As it may be observed it ranks the highest positions, as, for instance, it is the first in terms of Skills and Macroeconomic stability, so it is among the most successful countries in the world.

Table 1.1

The most sustainable countries in the world

Sweden	1	Luxembourg	8
Finland	2	Canada	9
Norway	3	Netherlands	10
Denmark	4	Germany	11
Iceland	5	Australia	12
Switzerland	6	Ireland	13
New Zealand	7	Austria	14

Source: (Most sustainable countries, 2021)

Table 1.2

Switzerland in Global Competitiveness Rankings

1. Singapore	84.8
2. United States	83.7
3. Hong Kong	83.1
4. Netherlands	82.4
5. Switzerland	82.3

Source: (The Global Competitiveness Report, 2019)

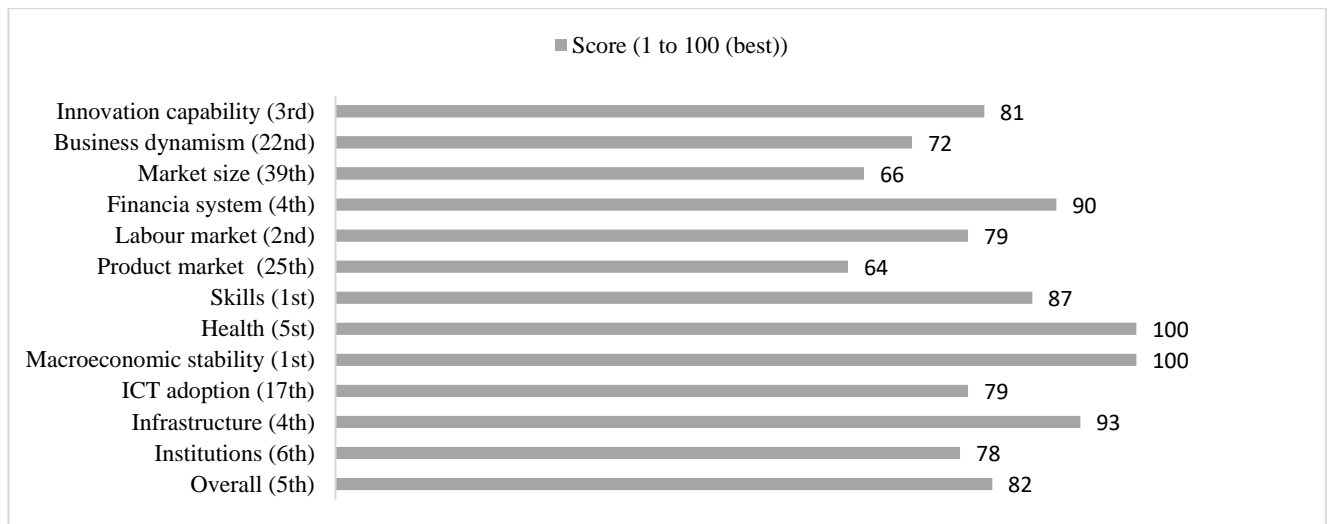


Fig. 1.17. Performance overview

Source: (The Global Competitiveness Report, 2019)

So, as it may be observed, Switzerland one of the most developed countries in the World.

1.2. Leading industries in Swiss economy

Starting from XIX century Switzerland is the one on the list of the countries with constantly appearing new firm worldwide competitive in a range of different fields. Being a developed country, the main economic income of Switzerland is generated by the services. Meanwhile, a lot of well-known companies are originated from Switzerland.

The Swiss high quality products including high technology products, motors and even water and strong industry run by large exporting companies are well-known worldwide. Swiss chocolate is considered to be the best in the world. For instance, chocolate factory Lindt remains the country's largest independent chocolate manufacturer to this day. Another well-known company Nestle itself is not related to chocolate. Baby food from Nestle has become a life-saving solution, it has gained incredible popularity first in Europe and then around the world. Nestle continued to evolve and invent. In 1938, the company offered customers instant coffee, so the Nescafe brand was born. In general, Switzerland today produces and exports more

coffee than chocolate and cheese. But Nestle does not stop and its share of the food market is growing through the development of new areas - animal feed, mineral water, ice cream and diet products for weight loss (Food Sector Study Figures, Structure, Forces of Change, and Development Potential of the Swiss Food Industry, 2015; A Historical Review of the Swiss Chocolate Industry, 2021; Nestlé in Switzerland, 2018).

The first Swiss organization to engage in intercontinental trade was the Basel Mission, founded in 1815 to ‘spread civilization through charity’ (BM Archives, 2021). Its offices were opened first in West Africa and then in India. However, by the middle of the century, the organization was already actively trading, importing industrial goods from Germany and England and exporting coffee from Ghana. In 1917 it was renamed the Basel Trading Company (BHG). BHG did business through its subsidiary, Union Trading Company. For most of the twentieth century, the company was accompanied by success, employed many people and successfully operated in this sphere till nowadays.

In the middle of the XIX century, the company Volkart Brothers (Volkart Brothers (1851-1926), 2021; STSA, 2021) was founded carrying out import of cotton from India, at first, and then it began to import dyes, tea, coffee and spices to Europe. At the same time, trade of Swiss goods such as watches and textiles was organized in Bombay. Over time, the company opened offices in London, Shanghai, New York and Brazil. Other world-famous Swiss trading houses were Siber, Hegner & Co., W.H. Diethelm & Co. and E.A. Keller & Co. Each of these companies has its own eventful history, and in 2008 they consolidated into a single DKSH holding. In 1974, Mark Rich, an American businessman of Belgian descent, founded a commodity wholesale company. Marc Rich & Co is headquartered in Zug. Rich was one of the first to feel the need for the commodity market to intercede between buyers and producers of steel, iron ore and coal. With its help, oil-producing countries were able to establish oil trade bypassing the ‘big seven’ of major oil companies. At the peak of its development, the value of Rich's company, which had offices in 125 countries, reached \$60 billion (Switzerland and the Commodities Trade, 2016).

Today, Switzerland is a perfect place to trade in commodities. Market participants choose it for the following reasons:

- 1) The country's transparent and efficient legal system avoids lengthy and costly litigation;
- 2) Local legislation requires the disclosure of a minimum of information on commercial activities;
- 3) Taxes are low, and local banks provide large and inexpensive loans;
- 4) The Swiss have extensive experience in selecting and providing profitable logistics solutions (Openness and Productivity of the Swiss Economy, 2018).

The textile industry also takes one of the most important places in economic development of the country. The chemical and pharmaceutical industry is presented by two main companies Novartis and Hoffman-la-Roche. Electrical engineering is presented by the Swedish-Swiss concern ABB, while mechanical manufacturing is focused mostly on high-precision metalworking machines and forging equipment. It is vital to mark that the number of large enterprises in Switzerland is very small (SECO, 2018).

The Swiss industry was seriously influenced by the Covid-19 pandemic and manufacturing output in 2020 decreased by 25% of total economic value added compared to 2019 according to the Swiss State Secretariat for Economic Affairs. The most suffering fields are watchmaking and machinery; however, the pharmacy of the country has to increase its sales.

Among the agricultural and dairy products, Switzerland is renowned for its wineries. Dairy products are the main part of agricultural field and compose around 78% of the total number of products and Swiss farmers are granted lots of different subsidies to comply with strict ecological demands, for instance soil protection (Food Sector Study Figures, Structure, Forces of Change, and Development Potential of the Swiss Food Industry, 2016).

The gold is an essential part of Swiss turnover and purifies grossly 70% of the world's gold that compiles two-thirds of the world's gold. Four out of six gold refiners on the LBMA Good Delivery list located in Switzerland (Expert Study on the Swiss Gold Sector and related Risks of Human Rights Abuses, 2017).

Below (Fig. 1.18) there is a share of gold in the total volume of goods and services exported by different countries to Switzerland.

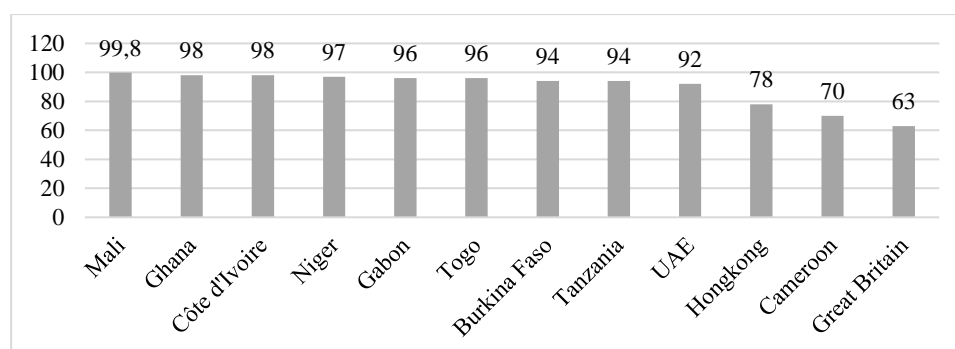


Fig. 1.18. Share of gold in the total volume of goods and services exported by these countries to Switzerland (%)

Source: (Рикардо Франчиолли (Riccardo Francioli), 2021)

Also, Geneva firms operates at least a third of world oil trade. A share of transactions for grain sales, sugar and oilseeds is at the same amount. Winterthur operate with traders' cotton harvest and buy and resell one-sixth of the world's, and Zug is engaged in global coffee deals and is a home city for the head office of Glencore, the largest trader in aluminum, copper and zinc in the world (Switzerland and the Commodities Trade, 2016).

The service sector represents 70.9% of Swiss GDP occupied by the services, out of which 9% are in banking industry. Financial services in Switzerland such as banking, wealth management and insurance account for an impressive 11% of Switzerland's GDP. More than 300 banks are registered in this small country. Private banking and wealth management still maintain its secrecy and exclusivity. Over the past seven years, 50 billion Swiss francs (approximately \$54 billion) have grown in wealth management. Credit Suisse, Union Bank of Switzerland (UBS) and Swiss Bank Corporation took the lead in the world in the second half of the twentieth century, but hundreds of years ago the cities at the crossroads of international trade such as Basel, St. Gallen and Bern were the centers of banking. Geneva bankers financed the Dutch West India Company. By the early 19th century, Swiss bankers had become the chief financial advisers to the aristocracy and monarchs. From the Middle Ages until World War II, when Europe was torn apart by political conflicts and wars, Switzerland's stable banking system provided

safety for money from all over the continent. The Swiss franc remains an attractive form of investment today (Switzerland: A Financial Market History, 2017).

The tradition of maintaining banking secrecy was formed under the influence of the necessity to be protected from political persecution and provided with physical and financial asylum. This respectfulness for privacy combined with a condescending attitude towards tax evasion has made Switzerland a secure destination both for legally earned fortunes and for unconfirmed income. However, lately the legislation has been imposed prevent international money laundering and to limit tax evasion which has undermined the famous Swiss banking secrecy, making the country less of a tax hideout but still a desirable financial destination (Financial center and capital market, 2017).

Nevertheless, Switzerland is a popular investment destination for a number of reasons. The Swiss banking system consists of the National Bank, cantonal state banks, major banks, regional mortgage banks and private banks, which are significant employers in Switzerland as well as abroad. The Swiss financial center is a first and foremost market for capital and wealth assets (BANKING IN SWITZERLAND, 2017).

Historically, Swiss banking offers a stable and strong economy, privacy for investors, very low corruption and an advantageous and moderate tax policy (Swiss banking secrecy and taxation, 2009).

Also, Switzerland is a world leader in asset management and private banking for individuals and is known for its discreet banking services, but opening a bank account in Switzerland may be more difficult for non-residents and recent laws have changed the basis of Swiss banking secrecy (Switzerland: Financial system stability assessment, 2002).

Both banks and financial institutions in Switzerland are essential for the economy of the country. The Swiss franc is considered to maintain stability being one the strongest currencies in the world, and the two largest Swiss banks such as UBS and Credit Suisse are on the list of the world leading banks. The great number of investment groups and private banks along with branches of different international banks and cantonal banks are located in Switzerland. The main part of Swiss banks is investment banks which are

focused completely on wealth management (Swiss Banking Business Models of the future, 2015; Banks in Switzerland 2019, 2020).

Swiss Environmental governance can also be considered as one of the most vital issues because of the scarcity of natural resources of the country. It is represented by two organizations. The Federal Department (Ministry) of the Environment, Transport, Energy and Communications (DETEC) is responsible for the environment. Meanwhile, implementing of environmental policy is under the control of The Federal Office for the Environment (FOEN). It provides residents with the protection from harmful substances and organisms, excessive exposure to noise, natural hazards and non-ionising radiation. Moreover, sustainable use of natural resources such as land, water, climate and remediation of damage (Systemic risks and environmental governance, 2017).

About 75% of the operable population of Switzerland occupied in tourism services. However, current situation with COVID19 Pandemic significantly influenced this particular sector. The tourism industry in Switzerland was heavily influenced by Covid-19 because of travel restrictions around world. The lack of tourists and the other restrictions in entertaining sector led to 54 % drop in economic output in accommodation and food services. Below (Fig. 1.19) you can observe the losses in revenue due to COVID-19.

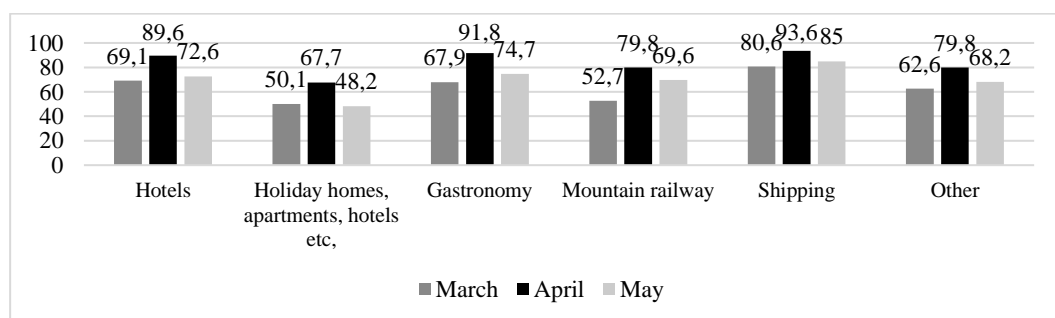


Fig. 1.19. Estimated tourism revenue loss due to coronavirus (COVID-19) in Switzerland 2020

Source: (Coronavirus (COVID-19) in Switzerland 2020: tourism revenue loss | Statista, 2021)

Nevertheless, the main achievement of Swiss economy is a principle of distribution of the wealth created in the country among the members of society which is realized much fairer than in other industrialized countries.

1.3. Social Progress Index of Switzerland and its attitude to UN's Sustainable Development Goals

The Social Progress Index is a complex indicator of the international research project The Social Progress Imperative, which measures the achievements of countries around the world in terms of social prosperity and social progress.

The concept of the social progress has become one of the most important research areas in psychology, sociology, economics and public administration, therefore, the indices of social development can be often demonstrated as a definite alternative to economic development indices, which is a necessary but insufficient condition for the social progress. This index does not include indicators of economic development of the world (such as the GDP and GNI level), but serves to assess the welfare of a country. As the research mostly evaluates social achievements apart from economic indicators, this allows a deeper study of the relationship between economic and social development.

The index covers the countries with reliable indices and is based on a combination of poll data (12%), development experts' assessments (25%) and international organizations statistical data (61%). The cross-country analysis of social development factors provides information for comparison and provides detailed profiles of each country, including details of the final ranking, as well as guidance on their key strengths and weaknesses.

More than 50 indicators are taken into account determining the success of a country in the social progress sphere, divided into three main groups:

1. Basic human needs such as food, available to basic medical care, housing, pure water, electricity and sanitation, level of personal safety.

2. Fundamentals of human prosperity such as basic knowledge availability and the level of literacy of the population, access to information and means of communication, the level of health care, environmental sustainability.

3. Opportunities for human development such as the level of personal and civil liberties, human rights and opportunities to make decisions and realize their potential.

The index (Fig. 1.20) measures the achievements of each country on a scale from 0 (lowest degree of resilience) to 100 (highest degree of resilience) based on the data obtained in the three above-mentioned basic categories (SOCIAL PROGRESS INDEX Executive Summary, 2019).

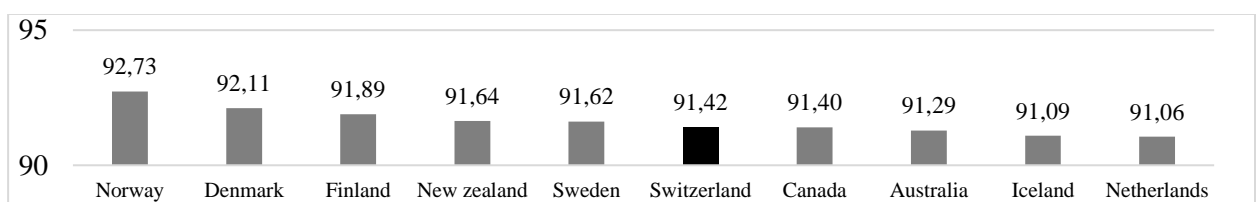


Fig. 1.20. Social Progress Index 2020

Source: (Social Progress Index 2020 | Statista, 2021)

Switzerland is on the top 10 list of the most prosperous and socially progressive country. Many of Switzerland's wealth is very high relatively to most other countries in the Better Life Index. Switzerland scores above the average on subjective prosperity, job indicators and wages, income and well-being, health level, social bonds, environmental quality, education and skills, work-life balance, housing and personal safety, but the civil activities are below the average. These results are based on available sample data and are shown in the graph below (Fig. 1.21).

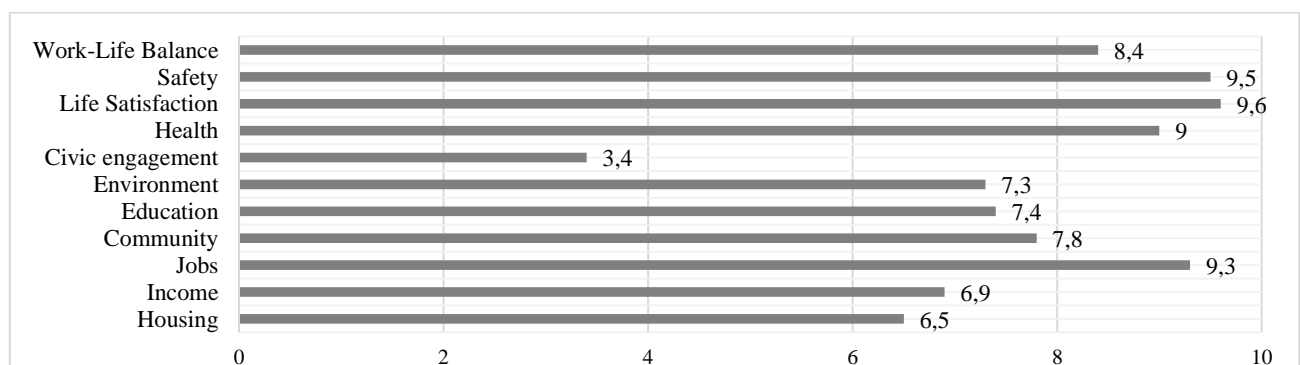


Fig 1.21. Better Life Index

Source: (Switzerland: betterlifeindex, 2021)

It is essential to mention the net adjusted family income after taxes per capita in Switzerland which amounts averages \$ 37,466 per year, and is higher than the OECD average (\$ 33,604 per year).

In terms of the population employment, 80% of Swiss people aged 15 to 64 have a paid job, which is higher than the average employment rate in OECD countries (68%) and is one of the highest among OECD countries. About 84% of men and 75% of women have paid work. In Switzerland, only 0.4% of workers have very long hours, which is one of the lowest in the OECD, where it averages 11%. About 1% of men have long hours, while women have almost no such working time. From the population health point of view, it should be noted that life expectancy in Switzerland is 84 years, which is four years longer than the OECD average (80 years). In the public sphere, Switzerland is characterized by a strong sense of belonging to society and a moderate level of civic participation: 93% of the Swiss population believe that they have someone to rely on in a difficult moment, which is higher than the OECD average (89%). In general, Swiss people are more satisfied with their lives than the OECD average. When respondents were asked to rate their overall life satisfaction on a scale of 0 to 10, the Swiss gave it an average of 7.5 points, well above the OECD average of 6.5 (Selected indicators for Switzerland, 2021).

For Switzerland, the 2030 Agenda for Sustainable Development (2030 Agenda) can be considered as a vital guiding framework. According to the Agenda the country definitely succeeds and is among the top countries of the different global rankings in really vital areas, such as social cohesion, sustainable economy, quality of life, protection against natural hazards. Yet some significant challenges remain the most difficult to overcome is Switzerland's scarcity of resource and polluting processes which have increasingly switched to countries in the supply chain. Reducing the harmful effect of domestic consumption on environment and people in other countries remains one of the challenges Switzerland faces. By adopting the 2030 Agenda for Sustainable Development since 2015, Switzerland has increased the commitment of sustainable development, internationally and nationally. It thereby underpins the obligation to keep environmentally sustainable economic enhancement within planetary borders, as well as

to maintain peace and respect human rights, because the sustainable development is indissolubly linked with these issues. Right after the acceptance of the 2030 Agenda, the Federal Council has increased the commitment of sustainable development and gap analysis of the implementation status at federal level. The research comprised both Switzerland's international and domestic contributions and involves all 169 targets. Basing on the current national system, researching and controlling was extended for the 2030 Agenda. The gap analysis shows that, among 85 indicators which were shown, 39 of them indicate the positive tendency, 12 remain on the same level without any evolvement, and only 14 of them indicate a negative tendency, while 20 indicators don't show any possibility to be assessed. Swiss Confederation manages to have progress in achieving different Sustainable Development Goals and has already implemented numerous targets. For instance, Switzerland can be considered as a country free from hunger (target 2.1) and there is no extreme poverty (target 1.1) there. Moreover, Education in Switzerland (target 4.1) is free and of an excellent quality. Though, the baseline assessment stresses that in order to reach SDGs, some areas with other efforts at international and national level are needed. Those particular efforts, which are beyond current policies, for instance, Consumption of natural resources (SDG 12), has a tendency to raise pervasively. The usage of natural resources for consumption by Swiss people is diminishing. However, the utilization of foreign resources is growing unsustainably. The following precautions are to take for implementation. The challenges the country is to deal with will generally be directed in the context of current policies by sectors which use every possibility of mutual cooperation, monitoring the principles of efficiency and effectiveness, both nationally and internationally. The 2030 Agenda is implemented at all governmental levels, considering current obligations, competencies and established division of tasks. The federal government provides the intense dialogue with the cantons and assist them in accomplishing the 2030 Agenda, as to through the platforms for exchange and networks. All the governmental scientific organizations along with the private sector community have also been committed to sustainable development for a long time.

The 2030 Agenda is a vital terms and conditions for Switzerland's international cooperation, which illuminates its activities with the SDGs. The country also continues the supporting of the partner-countries in implementing the 2030 Agenda and in achieving the SDGs around the globe (Switzerland's initial steps towards the implementation of the 2030 Agenda for Sustainable Development, 2016; Switzerland implements the 2030 Agenda for Sustainable Development Switzerland's Country Report 2018, 2018).

CHAPTER 2

FOREIGN ECONOMIC ACTIVITY OF SWITZERLAND: INTERNATIONAL GOODS AND CAPITAL MOVEMENT

2.1. Export-import activity of Switzerland

Besides high economic development and political stability, Switzerland has a high percentage of exports and a high trade balance. This is due to the large-scale development of various industries. The state's economy is based on high-tech and high-quality products. The industry of the Swiss Confederation is characterized by non-mass production for the export of goods of the highest quality. The country's main products do not require increased consumption of raw materials. These are high-quality products with excellent consumer characteristics. In the global market, they have almost no worthy competitors, that makes them extremely popular. The production of high-quality and popular goods is possible due to the fact that the state has a large number of highly qualified employees, who in turn appear thanks to a developed education system (Switzerland, 2021).

Since 2007, there has been a worldwide positive trend in exports. The slight declines are more likely due to the unstable economic situation on the world market, as well as a drop-in demand for some of the exported products. Table 2.1 shows that the trade balance has grown significantly since 2007, and this indicates the effectiveness of the country's foreign economic activity. The main indicators that characterize the dynamics of foreign trade activity of any country are: turnover, export, import, trade balance. Foreign trade turnover is the sum of a country's exports and imports. This indicator allows to calculate indicators of the country's share in the region's trade, and in world trade. The following table demonstrates some important indicators of the country's trade activity for 2012-2019.

Table 2.1

Dynamics of Swiss foreign trade in 2012-2019

	2012	2013	2014	2015	2016	2017	2018	2019
Foreign trade turnover (mln.\$)	395,471	397,597	405,134	399,254	399,112	392,481	406,730	410,268
Export (mln. \$)	200,368	201,587	208,459	204,996	202,517	203,697	208,112	209,203
Import (mln. \$)	195,103	196,010	196,675	194,258	196,595	188,784	198,618	201,065
Trade balance (mln.\$)	5,265	5,577	11,784	10,738	5,922	14,913	9,494	8,138
Coverage ratio (%)	102,699	102,845	105,992	105,528	103,012	107,899	104,780	104,047
Country's share in world exports (%)	3.8412	3.9634	4.1876	4.0578	4.0173	3.7954	4.1956	4.2371
Country's share in global imports (%)	2.9214	3.0487	3.0587	3.0511	3.0496	2.8410	3.0782	3.1560
Country's share in the region's foreign trade (%)	8.521	8.6947	9.2475	8.7201	8.6994	8.3947	9.3102	9.5478

Source: (MBS Monthly Bulletin of Statistics Online, 2021)

The obtained figures show that Swiss trade in 2012-2019 was relatively stable, with a positive coverage ratio. The region's share in trade also remained stable, but as new members joined the European Union, this indicator decreased, as new States began to participate in trade within the region. In this period, the export indicator was consistently higher than the import indicator, creating a positive foreign trade balance. The coverage ratio did not exceed 110 %, reaching a maximum of 107.899 % in 2019. The foreign trade coverage ratio is the ratio between the value of exports and that of imports between two countries (or two zones). It may concern a product or a set of exchanges of products (goods and services). The difference between these two values is called the foreign trade balance.

Switzerland is one of the main exporting countries for mechanical engineering, electronics and chemical products. It is on they account for about half of the country's total export revenues.

The following table (Table 2.2) demonstrates the favorable conditions inside the country during the period under review. For this purpose, indicators such as the price index, the index of physical volume of imports and exports, as well as import and export cost indices calculated using price and physical volume indices are used.

Table 2.2

Swiss foreign trade indices for 2014-2019

	2014	2015	2016	2017	2018	2019
Export:						
Cost (mln. \$)	208,459	204,996	202,517	203,697	208,112	209,203
Cost index	102.0	101.0	102.0	103.0	104.0	106.0
Average price index	100.0	100.0	108.0	101.0	103.0	105.0
Physical volume index	101.0	103.0	105.0	102.0	104.0	106.0
Import:						
Cost (mln. \$)	196,675	194,258	196,595	188,784	198,618	201,065
Cost index	99.0	98.0	99.0	96.0	100.1	104.0
Average price index	102.0	101.0	103.0	104.0	103.0	109.0
Physical volume index	99.0	98.0	101.0	102.0	103.0	105.7

Source: (MBS Monthly Bulletin of Statistics Online, 2021)

From the table above index of physical volume of exports is consistently higher than the same indicator of imports, and the increase in the cost of exports occurred faster than imports, although in 2019, the gap between them is narrowing. The import value index rose above 100% only in 2016, after the country's economic recovery, while the export value index was consistently above 100% and was constantly growing. An increase in the export value index occurred until 2016 due to an increase in the physical volume index, but then the average volume index began to play a major role.

The commodity structure of any country's foreign trade depends on various factors. Among them there are the historical features of trade, political reasons, the availability of certain types of products, and the availability of production resources for the production of goods within the country itself. Switzerland is a country with a developed market economy, so the structure of foreign trade is focused on finished goods, but the share of heavy engineering, electronics and chemical industries is also high, as it is shown in the Table 2.3.

Table 2.3

Commodity structure of Swiss imports in 2012 and 2019

Groups	2012		2019	
	cost (mln. \$)	% of total	cost (mln. \$)	% of total
In total	195,103	100	201,065	100
1. Food products and live animals	32,453.5	16.63	35,610.2	17.71
2. Beverages and tobacco products	3,424	1.75	3,541	1.76

3. Non-food raw materials (except fuel)	18,243.8	9.35	19,007.4	9.45
4. Mineral fuels, lubricants and similar materials	38,527.2	19.75	38,647.2	19.22
5. Chemical products	17,628.5	9.04	18,528.1	9.21
6. Processed products classified by materials	26,259.4	13.46	26,972.4	13.41
7. Machinery, equipment and vehicles	27,382.7	14.03	28,173.5	14.01
8. Various processed (finished) products	22,907.3	11.74	24,008.3	11.95
9. Goods and transactions not included in the relevant sections of the SMTC	8,276.6	4.25	6,576.9	3.28

Source: (UN Comtrade | International Trade Statistics Database, 2021)

The table shows that Switzerland actively imported mineral and fuel products, although their share in total imports decreased by 0.53% in seven years. Also, Switzerland's main import item is non-food products and animals, their share in the total volume of imports increased by 1.08% during the study periods. Switzerland is also actively importing machinery and equipment.

Table 2.4

Commodity structure of Swiss exports in 2012 and 2019

Groups	2012		2019	
	cost (mln. \$)	% of total	cost (mln. \$)	% of total
In total	200,368	100	209,203	100
1. Food products and live animals	41,685.3	20.8	43,541.5	20.81
2. Beverages and tobacco products	568.8	0.28	597.2	0.29
3. Non-food raw materials (except fuel)	1,896.2	0.95	2,048.6	0.98
4. Mineral fuels, lubricants and similar materials	896.1	0.44	732.5	0.35
5. Chemical products	48,486.5	24.2	51,028.6	24.39
6. Processed products classified by materials	28,694.7	14.32	30,678.3	14.66
7. Machinery, equipment and vehicles	44,954.3	22.44	46,529.4	22.24
8. Various processed (finished) products	29,357.6	14.65	30,689.7	14.67
9. Goods and transactions not included in the relevant sections of the SMTC	3,828.5	1.91	3,357.2	1.61

Source: (UN Comtrade | International Trade Statistics Database, 2021)

According to the Table 2.4, the chemical products occupy the first place in Switzerland's exports. During the study periods, its share in total exports increased by 0.19%. Another important place in the export of Swiss goods is occupied by a group of food products (these are well-known cheeses, chocolate, etc.). The share of this group in the country's exports increased by 0.01% over seven years. Although this increase is not significant at first glance, its positive dynamics is consistently observed in all the studied

periods. Although in the investigated ones although the share of exports of Swiss-made machinery and equipment decreased by 0.2%, they still enjoy stable demand in the world.

Exports and imports of goods and services from Switzerland and to Switzerland fell by a combined 40 billion Swiss francs, putting the Covid-19 pandemic backward by three years. Switzerland experienced a historic decline in both exports (down 7.1% to CHF 225.1 billion) and imports (down 11.2% to CHF 182.1 billion) in 2020. This trend affected all export-oriented sectors of the country's economy, with the exception of the chemical and pharmaceutical industries, whose exports grew by 1.6% or 1.8 billion francs. The jewelry and watch sector was affected mostly with the sales drop by one third (minus 4 billion francs) and one-fifth (minus 4.7 billion francs), respectively (Swiss Trade During the COVID-19 Pandemic: An Early Appraisal, 2020; Büchel, Legge, Pochon and Wegmüller, 2020).

2.2. The scope and main directions of foreign direct investment in Switzerland

The Government of the Swiss Confederation implements a consistent investment policy aimed at creating favorable conditions for attracting investment from both national and foreign companies. Foreign direct investment is the net inflow of investment for a sustainable management stake (10% or more voting shares) of an enterprise. It is the sum of equity, reinvested income, long-term capital and short-term capital, as shown in the balance of payments. These figures show the net inflow of foreign direct investment (FOREIGN INVESTMENTS: a success factor, not a danger for our economy, 2021).

The following graph (Fig. 2.1) shows the Investments via observing the Financial Account of Swiss Balance of Payment. FDI is quite high comparing to other investments.

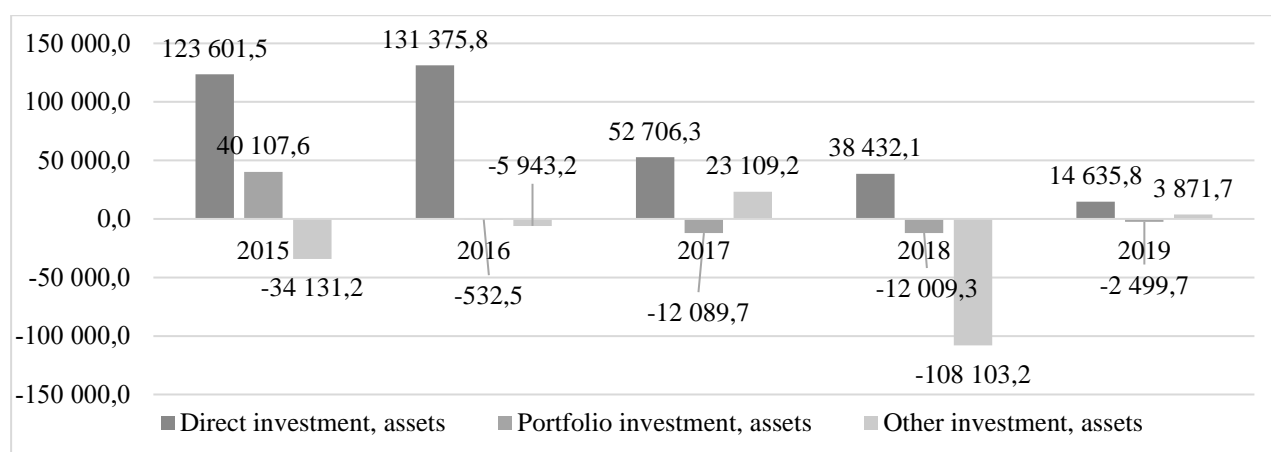


Fig. 2.1. Switzerland, BOP Analytic Presentation (Millions of U.S. Dollars)

Source: (IMF Data, BoP Analytical Presentation, 2020)

Meanwhile, the following table (Table 2.5) shows the amount of FDI. The Graph (Fig. 2.2) shows the Main Invested Sectors.

Table 2.5

Foreign Direct Investments

Foreign Direct Investments	2017	2018	2019
FDI Inward Flow (million USD)	107,322	-53,151	-21,74
FDI Stock (million USD)	1,352,536	1,354,535	1,350,682
Number of Greenfield Investments*	138	129	115
Value of Greenfield Investments (million USD)	1,903	2,249	2,048

* 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.

Source: (SWITZERLAND: FOREIGN INVESTMENT, 2020)

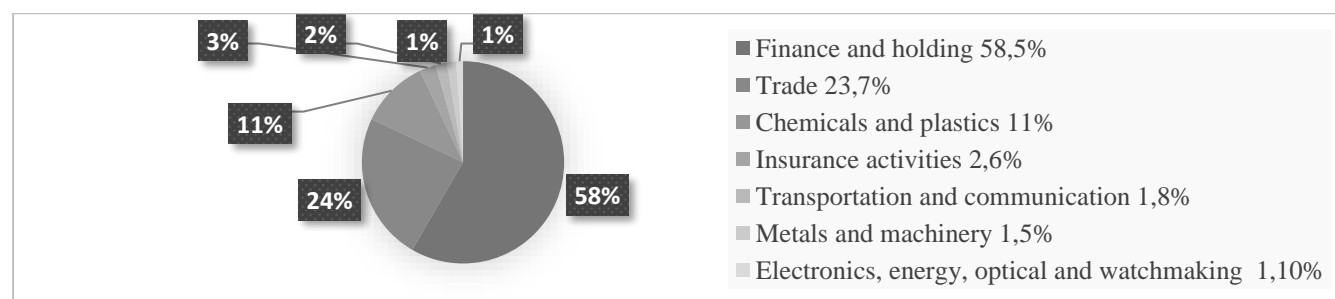


Fig. 2.2. Main Invested Sectors 2018 (%)

Source: (SWITZERLAND: FOREIGN INVESTMENT, 2020)

The volume of Swiss foreign direct investment (FDI) in neighboring countries, and more generally throughout Europe, has grown steadily over the past few years. In France, for example, in 2019 it reached an unprecedented level, increasing its attractiveness for foreign investors, in particular for Swiss ones. Last year, 76 new investment decisions announced in France were made by Swiss companies (plus 6% compared to 2019), placing Switzerland in fifth place among investment projects. Of course, the coronavirus pandemic influenced many economic prospects, but more than two-thirds of all investment projects listed in the 2019 French survey have already been implemented (Banque de France, 2021).

In terms of total FDI, Switzerland is the fourth largest investor in France. By the end of 2019, total Swiss FDI exceeded 81 million euros (87 million francs), according to the Banque de France. According to Business France, Swiss investors control over 1,000 French companies employing over 265,000 people. (Fig. 2.3)

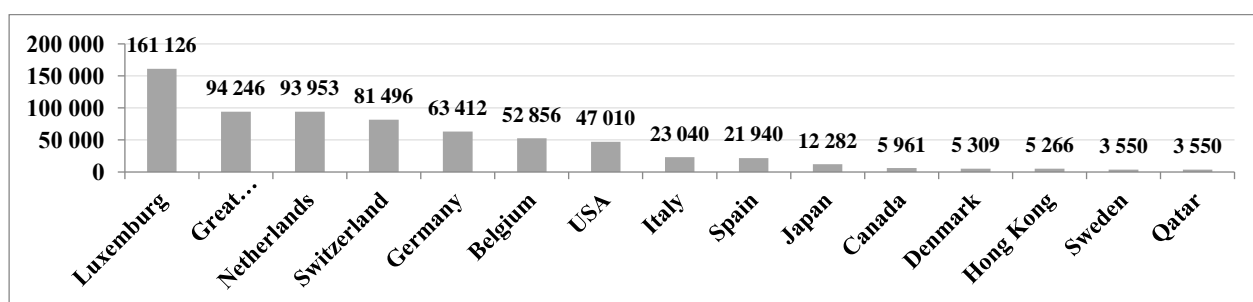


Fig. 2.3. Foreign direct investment reserves by supplier country in 2019 (in millions of euros)

Source: (Banque de France, 2021)

Switzerland also has a significant weight as a country-supplier of investments in other bordering countries. By the end of 2019, Switzerland became the 4th foreign investor in Germany (89.5 million euros invested) (Fig. 2.4), 5th in Austria (11 million) (Fig. 2.5) and 6th in Italy (20 million) (Fig. 2.6). These are the data provided by national banks of these countries. During five years, the total amount of Swiss direct investment in these four countries has grown steadily, 15% in France, 14% in Germany, 14% in Austria and 12% in Italy.

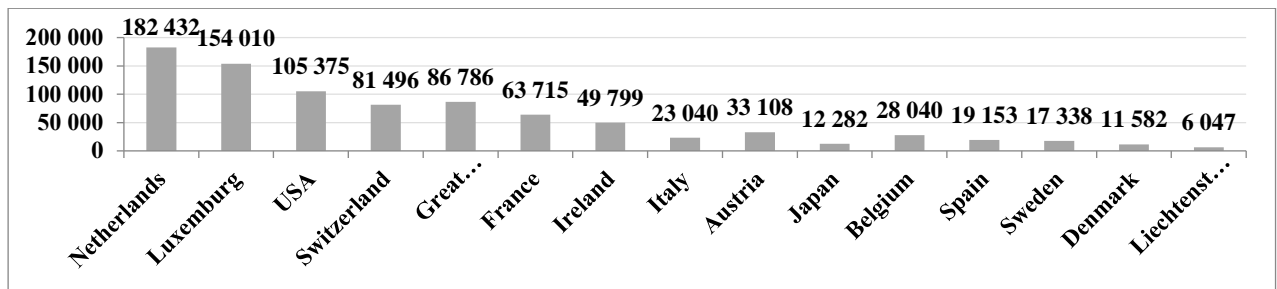


Fig. 2.4. Foreign direct investment reserves by supplier country in 2019 (in millions of euros)

Source: (Startseite, 2021)

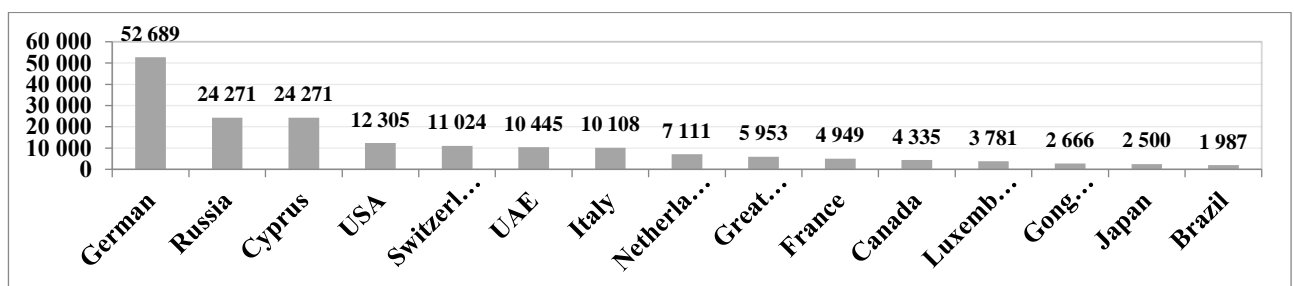


Fig. 2.5. Foreign direct investment reserves by supplier country in 2019 (in millions of euros)

Source: (Bank Austria - Wir erledigen Ihre Bankgeschäfte, 2021)

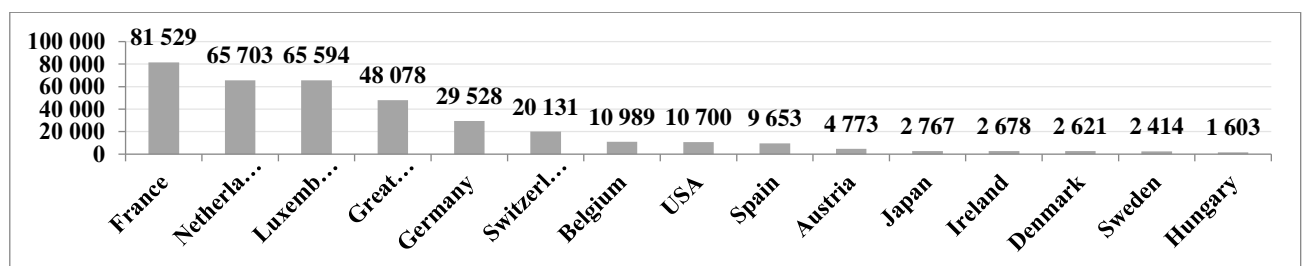


Fig. 2.6. Foreign direct investment reserves by supplier country in 2019 (in millions of euros)

Source: (d'Italia, 2021)

The FDI growth generally reflects the overall increase in investment outside Switzerland. According to the Swiss National Bank, at the end of 2018, the total amount of Swiss direct investment abroad made 1,467 million francs, up 5% over the previous year and almost 40% over 2013 (SNB). Having invested a total of 36 million Swiss francs

in their foreign branches in 2019, Swiss companies returned 3 million Swiss francs to the country in 2019. This trend affected almost the entire service sector, with the exception of insurance, financial companies and holdings, and was most noticeable in the retail sector. Swiss industry, on the other hand, invested more abroad than a year earlier: the chemical industry alone accounted for 15 million francs in 2019 (Direct Investment, 2018; Direct Investment, 2019).

In 2019 Asia became the main destination of Swiss investment, receiving about 10 million francs of foreign direct investment (FDI). One of the Confederation's main trading partners, the European Union, accounted for about six billion francs, while about nine million francs were repatriated from other European countries. The reverse flow of outbound FDI also affected North America, Central and South America (-4 million francs each) and Oceania (-2 million francs) (Direct Investment, 2019).

Thus, by the end of 2019, the total volume of Swiss FDI reached the level of 1056 million francs, with 90% of this amount being invested in the authorized capital of foreign companies and 10% as loans issued within one group. Financial companies and holdings account for the most significant part of investments in the amount of 363 million francs. In 2019 such activities brought Swiss companies revenue of 82 billion francs, which is 25 million francs more than a year earlier. This progress is explained, in particular, by an almost twofold increase in the return on capital in foreign branches of industrial enterprises. While outbound FDI was negative in 2019 (-3 million Swiss francs), inbound FDI reached six million Swiss francs, which is almost ten times more than a year earlier. The reason for this is the growing investment of foreign financial companies, holdings and banks in their Swiss branches. Industry, on the other hand, has reduced its investment in units located on the territory of the Confederation (Direct Investment, 2018; Direct Investment, 2019).

According to the SNB data, 79% of incoming FDI is accounted for by European investors and 13% by American investors. In 2019, foreign investors earned 64 million Swiss francs in Switzerland, which is 31 million Swiss francs more than a year earlier. This growth is due to increased revenues of Swiss branches of foreign-registered financial companies, holdings and retail businesses. In 2019, 1.96 million people worked

in branches of Swiss companies abroad, and representative offices of foreign companies in Switzerland paid salaries to 445 thousand employees, which is about 11% of the population employed in industry and services (Direct Investment, 2019).

2.3. Assessment of Switzerland's investment climate and the degree of its attractiveness to Ukrainian investors

Switzerland is one of the most attractive countries to invest in and some reasons for such a positive investment climate are described below.

Among increasingly vital factors of the success of Swiss economic competitiveness is its well-developed transportation infrastructure, particularly in the fields of rail and road transport as well as energy transmission. Also, more than 60 airdromes compile the Swiss air infrastructure. Switzerland is an important transit territory, through which a significant portion of the EU's freight and energy flows passes. Since Switzerland is surrounded by the Eurozone countries and the EU is its most important trading partner, the euro plays an important role in the Swiss economy. Although the official currency of Switzerland is the Swiss franc, the euro is often accepted in the border areas. Switzerland is an important transit country on the trade route between Italy, France and Germany. As a result, the Swiss government pays attention to the state of the Swiss transport network and considers transport logistics one of the most crucial factors in enhancing the country's economic potential and security. What is more, due to the geographical location of the Swiss Confederation, other European states are heavily dependent on its infrastructure for the transit of passengers, goods, energy and electricity (INFRASTRUCTURE, 2021).

Other attractive figures in the Swiss economy are the following macroeconomic indicators. The policy rate is very beneficial, comparing, for instance to Sweden and Euro Area in general (Fig. 2.7). During the last years, interest rates declined and the real exchange rate appreciated (Fig. 2.8-2.9). Moreover, in order to prevent currency appreciation, SNB purchased a large amount of foreign currency during the last decade before the crisis, which counted 111% of GDP (Fig. 2.10).

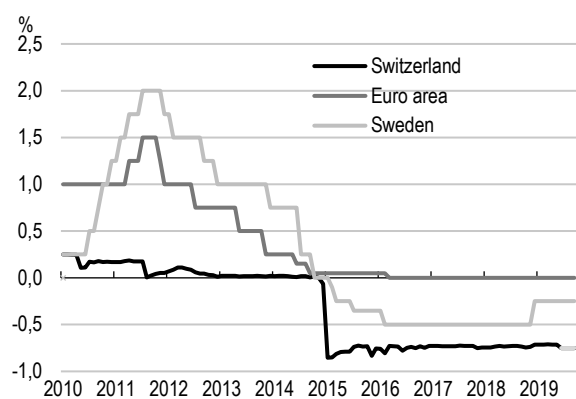


Fig. 2.7. Policy rates

Source: (OECD Economic Surveys Switzerland, 2019)

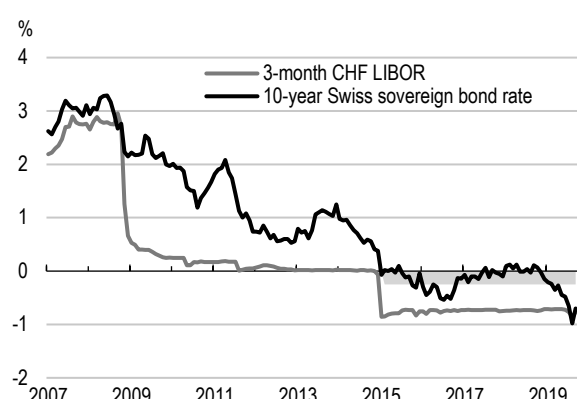


Fig. 2.8. Interest rates

Source: (OECD Economic Surveys Switzerland, 2019)

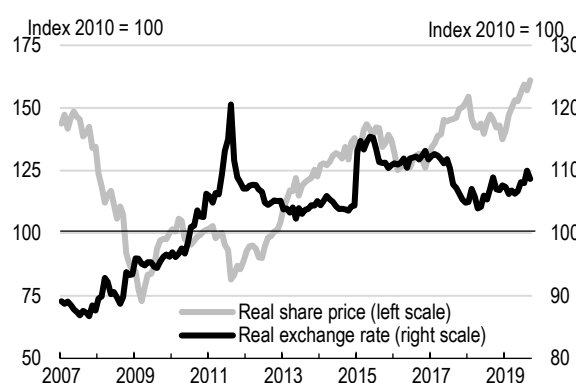


Fig. 2.9. Financial conditions

Source: (OECD Economic Surveys Switzerland, 2019)

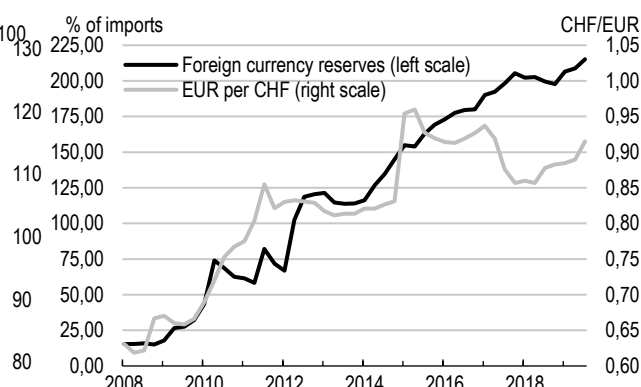


Fig. 2.10. SNB's balance sheet

Source: (OECD Economic Surveys Switzerland, 2019)

Also, the following table (Table 2.6) shows that Switzerland is the most attractive country as a location for talent in the world.

Table 2.6

Level of attractiveness for recruiting talent to a country, 2020

Switzerland	1	The Netherlands	6
USA	2	Finland	7
Singapore	3	Luxemburg	8
Sweden	4	Norway	9
Denmark	5	Australia	10

Source: (Global Indices | INSEAD, 2021)

The average salary in Switzerland is quite substantial. In the following tables (Table 2.7, 2.8), average gross monthly is considered for different job sectors and occupations.

Table 2.7

Average gross monthly wage(CHF) for different job sectors

Job sector	Average gross monthly wage(CHF)
Accommodation and food service	4,413
Administrative and support service	5,238
Arts, entertainment and recreation	6,655
Construction	6,200
Financial and insurance activities	9,402
Human health and social work	6,178
Information and communication	8,705
Manufacturing	6,436
Professional, scientific and technical	7,843

Source: (Swiss minimum wage and average salary in Switzerland | Expatica, 2021)

Table 2.8

Annual and monthly wage (CHF) for different occupations

Occupation	Annual Salary (CHF)	Monthly Salary(CHF)
Teacher	87,500	7,292
Marketing officer	90,500	7,542
Product manager	105,000	8,750
Nurse	68,000	5,667
IT systems specialist	117,000	9,750
Account manager	95,550	7,963
Postal worker	66,600	5,550
Graphic artist	55,000	4,584

Source: (Swiss minimum wage and average salary in Switzerland | Expatica, 2021)

Regarding the occupation of a dance instructor, the average annual gross salary compiles CHF 95,000, together with the 13th salary and a bonus, which is sufficient enough for the average salary in educational and service sector (Swiss minimum wage and average salary in Switzerland | Expatica, 2021).

Swiss employment process is also favorable (Table 2.9).

Table 2.9

Employment process in Switzerland

Hiring	
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	120.0
Maximum length of fixed-term contracts, including renewals (months)	120.0
Minimum wage applicable to the worker assumed in the case study (US\$/month)	0.0
Ratio of minimum wage to value added per worker	0.0
Maximum length of probationary period (months)	3.0
Working hours	
Standard workday	8.0
Maximum number of working days per week	6.0
Premium for night work (% of hourly pay)	25.0
Premium for work on weekly rest day (% of hourly pay)	50.0
Premium for overtime work (% of hourly pay)	25.0
Restrictions on night work? Yes	Yes
Restrictions on weekly holiday?	Yes
Restrictions on overtime work?	No
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	20.0
Redundancy rules	
Dismissal due to redundancy allowed by law?	Yes
Third-party notification/ approval if one worker is dismissed?	No
Third-party notification/ approval if nine workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	No
Priority rules for employment?	No
Redundancy cost	
Notice period for redundancy dismissal for a worker with 1-5 year of tenure (weeks of salary)	8,7
Notice period for redundancy dismissal for a worker with 10 years of tenure (weeks of salary)	13
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in weeks of salary)	10.1
Severance pay for redundancy dismissal for a worker with 1 year of tenure (weeks of salary) 0	0
Severance pay for redundancy dismissal for a worker with 5 years of tenure (weeks of salary)	0.0

There are lots of reasons for Switzerland to be an attractive place for the investments.

Switzerland is renowned for its high level of intellectual property protection, so starting business activities in Switzerland, companies with intellectual property are advisable to consider registering it in this country. The Federal Institute of Intellectual Property (IGE/IPI) is responsible for the registration, examination and management of intellectual property in Switzerland. it is responsible not only for registering trademark, design rights and patents, but also certifying the geographical origin of a product. The protection of intellectual property in Switzerland is governed by various federal. The acquired intellectual property rights can be exploited (State Secretariat for Education, 2021).

Swiss commercial and business activities are governed by the 'Foreign Trade Policy Act' of June 25, 1982. It defines the powers of the government to implement measures in foreign economic activity, legal criteria and responsibilities of legal entities. In addition, it stipulates that the government may take measures in the foreign trade area in emergency situations abroad that can harm Switzerland's economic interests. Since 2002 the 'Law on the Application of International Sanctions' has empowered the government to cease exports of goods and services, capital flows, and restrict scientific and technical exchange. Current restrictions on exports from Switzerland are mainly related to its obligations under multilateral agreements and relate, in particular, to weapons, dual-use technology, rare species of animals and plants, as well as goods that can be used to produce weapons of mass destruction. The Swiss Confederation has a whole network of bilateral agreements providing the freedom of trade in goods and services, freedom of movement of capital and labor with various countries. Switzerland promotes the reduction of trade restrictions around the world and has been a member of the European Free Trade Association (EFTA) since 1960 and of the GATT/WTO since 1966. In addition to the EFTA and the free trade agreement with the EU, Switzerland has signed over 20 bilateral free trade agreements with other countries within the EFTA. Moreover, Switzerland is in favor of reducing tariff and non-tariff trade barriers. Switzerland currently does not apply any customs and tariff measures to protect domestic goods from international competition with an exception of agricultural and food products. Nevertheless, goods are subject to customs clearance. Though, it is not a major obstacle. Imports of goods from the countries without free trade agreements (third-world countries) are subject to customs tariffs under the Customs Tariff Act of 9 October 1986 (SWISS TRADE POLICIES BY SECTOR, 2004).

The process of launching a company in Switzerland is comparatively less complicated than in other well-developed European countries such as England, Germany, France or Italy. Joint stock companies and limited liability companies can be considered as the most suitable forms of incorporation. Foreign citizens are required to have one of the categories of residence and work permit (WORK AND RESIDENCE PERMIT) in order to launch a business in Switzerland. This permit is provided by the cantonal

authorities at the request of the foreigner (or at the request of his or her employer in Switzerland) after being approved and registered by the Aliens' Registration Office. Other individuals do not have any legal rights to conduct business in Switzerland. Another option for setting up a foreign-owned company is a designation of at least one Director or Manager with signatory rights, who must reside in Switzerland. Except for the certain individual claims, a lasting positive impact on the Swiss labor market is also essential for the business. This means that the company promotes the industry-specific diversification of the regional economy, creates working places for local people and provides essential investments. Swiss companies can be registered for trading or investment holding activities, management and consulting services, financial and other activities not prohibited by Swiss law. The objectives of the company are reflected in the Memorandum (memorandum of association). Getting a general business license is the next step after the Registration of a business in the Commercial Register. To run a company as a director or employee in LLC or Corporation or to work as a self-employed person in Switzerland you must be a resident. In case of the excepted application, the business owner is provided with a short-term residence permit. It is different within the terms of staying: short-term residence (L permit), which is valid up to one year and can be renewed only in exceptional cases up to 12 months or a residence permit (B permit), which is valid for a year and can prolonged annually. This permits imply the fact that you do not move out of the canton, where the permit was provided. Both of them are subject to annual quotas defined by the Swiss cabinet. There is also a C permit, which may be given after ten years uninterrupted residence in the country (VISAS, RESIDENCE PERMITS, AND WORK PERMITS, 2019).

In Switzerland, there is a possibility of setting up different types of businesses, such as a branch office, a joint venture, a strategic alliance or buying an existing company in Switzerland, for instance.

For the project, it would be great to consider a single-owned company (sole proprietorship). After the standard corporation or joint-stock company, this is the most common form of business. It is ideally suited for sole proprietors or other self-employed

people, such as freelancers, small companies, and individual entrepreneurs. They usually apply to companies operated by a single person who must be a Swiss citizen.

It should be considered that in case if annual sales exceed CHF 100,000 it is obligatory to register the company in the Chamber of Commerce. The organization of business in Switzerland involves the following:

- To make the articles of association of the company at a notary public.
- To open an escrow account to hold paid-in capital.
- To register the articles of association in the local commercial register to get a legal right to provide the business activity.
- To pay a stamp duty in amount of 1% of capital including first CHF one million free.
- To register for VAT.
- To provide the social insurance for employees

In case of a sole proprietorship as a form of business on Switzerland, the process of registration can be carried out online (A guide to setting up a company in Switzerland, 2020).

The Swiss federal government follows a policy of non-interference in business, creating a favorable investment climate for foreign investments, including the maintenance of economic and political stability, transparent and fair legislation, developed infrastructure and highly efficient capital markets. Cantons can carry out their own investment policies, many of them provide fiscal and other incentives to attract foreign investment. The main law on investments in Switzerland is the ‘Swiss Code of Obligation’, which permits the creation of joint stock companies (AG) and limited liability companies (GmbH). The right of non-residents to acquire land in Switzerland is legally limited. It also imposes restrictions on foreign acquisition of real estate.

Though, in order to purchase land with the professional, commercial or industrial purpose, with the exception of land for building, trade or residential rental purposes, no special permissions are required. The definition of commercial purpose implies commerce, industry and crafts as well as the service and financial sectors.

In some Swiss regions, there exist some privileges for certain types of businesses, within the necessity to attract certain types of industries or services in particular regions to increase revenues to local budgets (SWITZERLAND AS A BUSINESS LOCATION, 2020).

The entrance to the Swiss market requires a high-level quality products complied with Swiss standards. However, the high level of prices in the domestic market (on average, the price level in Switzerland exceeds the average European level by 20-30%) remains one of the major internal challenges in Switzerland. The existence of technical barriers can be considered as a main reason for these challenges (Doing business in Switzerland, 2011).

In comparison with other industrialized countries Switzerland has an attractive and competitive tax system for both corporate and individual taxpayers (Fig. 2.11).

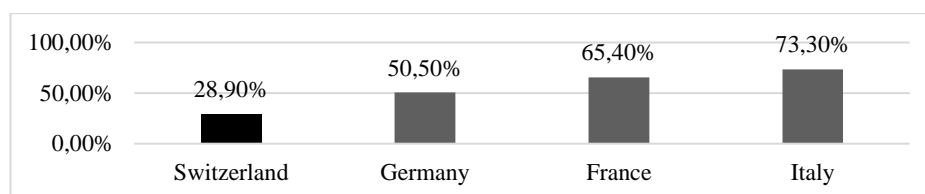


Fig. 2.11. The overall tax rate payable after tax deductions and exemptions

Source: (Living and working in Switzerland 2020-2021, 2021)

Unlike most other countries with ad valorem tariffs Switzerland applies specific customs duty depending on the weight of the imported goods. Swiss customs duties are generally lower than those of other countries. Thus, the importation of high-tech products, which usually have a low weight, but high value.

Switzerland implies a three-level tax system: federal, cantonal and municipal. The main taxes include income tax, property tax and value added tax. In the case of non-resident companies, only profits from Swiss sources are taxed.

Corporate tax

Federal income tax is charged at a proportional rate of 8.5%, while cantons and communities apply their own taxes imposed and in force in their territory. The corporate tax varies from 11.9% and 21.6% (in Zurich it is **12.32%**) and all the state taxes have been cut down as part of corporate tax changes in 2020. Though, the final rate is often

different, for example, the federal corporate tax rate can be reduced for some entities companies can deduct the federal corporate tax which means they will only end up paying 7.83%.

Although in order to stimulate business activity the legislation of Switzerland provides the possibility of granting special tax incentives, such as:

- tax incentives for newly created companies. Most cantons provide partial or full tax exemption for up to ten years;
- partial exemption is granted in case of company restructuring;
- depending on the purpose of the activity the company can be provided with a special tax regime including full or partial exemption from taxation.

In addition, Switzerland has signed agreements on avoidance of double taxation with many countries around the world, including Ukraine.

There should also be mentioned the possible deductions for expats, who are defined as executives appointed to work in Switzerland temporarily for up to five years.

Among the deductions there can be some costs spent for moving, accommodation costs (if the permanent residence place is in the country of origin), costs spent for travel between Switzerland and home country, expenses for children education in private school, unless there is an offer to study on their native language in public schools and the sum that may be paid is up to CHF 1,500 a month (Corporate tax in Switzerland: a guide for expats | Expatica, 2021).

Dividend tax

Also, the company pays the dividend tax from its profit after tax, and they are not subject to the contribution of Swiss social security and AHV pension.

To prevent double taxation there are some reduction in the amount of the dividends taxable for the shareholder. At the federal tax level, they are reduced by 40%, and even more at a cantonal level (Overview of Individual Taxation in Switzerland, 2021).

Withholding tax

On such payments as different deposits at Swiss banks, Swiss bonds, dividends, which are paid by a Swiss Corporation, there is levied a 35% withholding tax. However,

quite often Swiss residents and entities may be partially refunded this withholding tax. In some cases, even wholly. Moreover, foreign shareholders, whose home countries have double-taxation Treaties with Switzerland (Ukraine is in this list) may get a partial refund while receiving dividend payments from companies in Switzerland (Overview of Individual Taxation in Switzerland, 2021).

Issuance stamp tax

An issuance stamp tax may be applied if a Swiss corporation increases its equity. Its rate compiles 1% on the market value of the assets (the first CHF one million is free of taxation) (Overview of Individual Taxation in Switzerland, 2021).

Securities transfer tax

If the ownership of Swiss and foreign taxable securities are exchanged (being purchased, sold or exchanges) and the Swiss securities deal as an intermediary, the securities transfer tax may be charged. Except for the banks, bank-like financial institutions and the companies with the assets more than MCHF 10, the Swiss security dealers include individuals, corporate entities and branches of foreign companies involved in trading of securities on accounts of the third party, or brokering securities as portfolio managers. The securities transfer tax rate is of 0.15% on Swiss securities, and 0.3% on foreign securities (Overview of Individual Taxation in Switzerland, 2021).

Real estate capital gains tax

Income tax or real estate capital gains tax is charged on capital gains earned from selling real estate and depends on the canton of the property (Overview of Individual Taxation in Switzerland, 2021).

The foreigners and companies conducting business in Switzerland that send their profits to their home countries usually make a return on foreign investment. However, there exist some risks of foreign exchange and these profits are usually taxable (Taxation and Investment in Switzerland 2015, 2015).

All in all, the moderate tax system, the governmental policy of non-interference, sufficient trade policy allows to consider Switzerland as an attractive investment destination.

According to a World Doing Business Ranking, Switzerland ranks 36, its DB score is 76.6. The following graph (Fig. 2.12) shows which places Switzerland occupies in different fields.

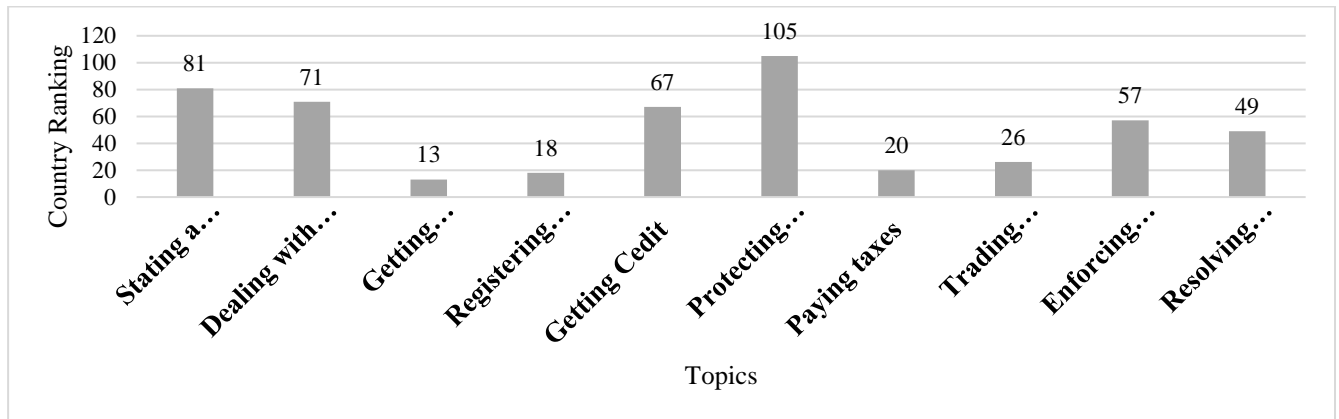


Fig. 2.12. World Doing Business Ranking
Source: (Economy Profile Switzerland, 2020)

Another graph shows which place in ease of doing business ranking Switzerland has been occupying during past ten years (Fig. 2.13).

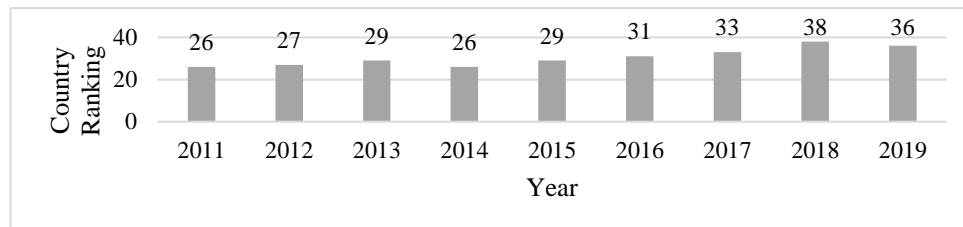


Fig. 2.13. Ease of doing business, Switzerland

Source: (Ease of Doing Business in Switzerland | 2008-2019 Data | 2020-2021 Forecast, 2021)

Another illustrated indicator (Fig. 2.14) is demonstrating us that still there is a scope to ease entry and strengthen competition in Switzerland. Some regulatory norms should be implemented in order to provide more favorable conditions for competition. For instance, administrative burden should be lowered for start-ups.

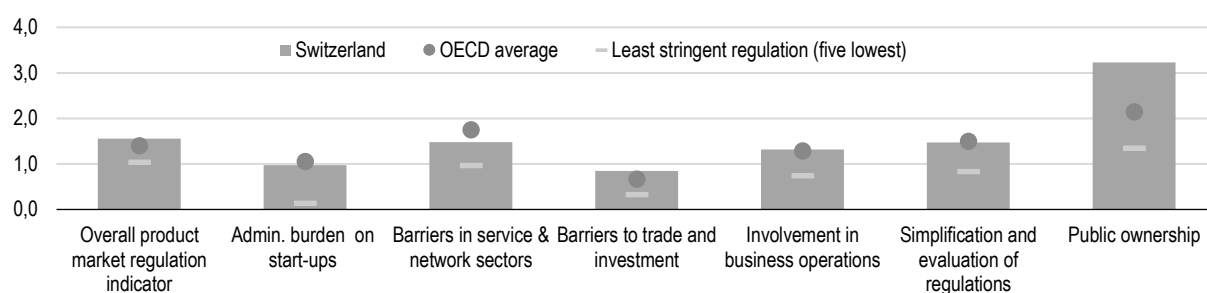


Fig. 2.14. A scope to ease entry and strengthen competition (Product market regulation indicators, from 0 (best practice) to 6 (most stringent), 2018)

Source: (OECD Economic Surveys Switzerland, 2019)

To sum up the information and data researched and analyzed above, it is possible to conclude that the investment climate of Swiss Confederation is favorable in all the spheres of economic activity and the political and economic situation in the country attracts the global investors, meanwhile the country itself is an active investor for EU zone and globally. Moreover, the infrastructure and high level of education in Switzerland allows investors to employ highly qualified staff and to conduct business easily.

CHAPTER 3

DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT TO ESTABLISH AN INTERNATIONAL DANCE SCHOOL

3.1. Analysis of the service market in Switzerland

The stability of Switzerland, which attracts investors from all over the world makes the service sector of the country the leading field of Swiss economy, which compounds around 72% of GDP. Banking industry, insurance and tourism guide this sector, although the other directions are also developed enough.

Our research is related to the development and implementation of the international investment project “Dance School Opening” in Switzerland. The city we have chosen is Zurich, the largest city in Switzerland, which is located in the North-central part of the country. The population of Zurich is almost two million people.

Being the busiest and the most densely populated city, the infrastructure and the service sector of Zurich is completely developed in all the spheres, including educational and entertaining ones.

Researching the competitive environment in dancing sphere we considered the main directions in dance education and main dance schools in Zurich. The most popular direction in dance sphere is appeared to be the ballet, which is presented in most schools of the city. The main ballet and modern dance schools are STAGE SCHOOL ZURICH, Zurich Dance Academy, Tanz Akademie Zürich, Ballet School Zurich – Ballettschule, Ballet for everyone. The second most popular direction is ballroom dancing, with some more successful styles, such as salsa and tango dancing: SALSA PEOPLE TANZSCHULE, Dancers Tanzschule, Atelier:tanz, Arthur Murray Dance Center Zürich. Some folk dances as in Éirinn Irish Dance School and Pole dance schools and Pilates or stretching schools as Mystique Pole Dance are also represented in the city (atelier-tanz, 2021; Arthur Murray Dance Center, 2021; stageschoolzurich.ch | Stage School Zurich, 2021; Dancers - Tanzschule und Dancing Zürich Wallisellen, 2021; *Tanz Akademie Zürich*, 2021; Mystique Pole Dance, 2021; Salsa Tanzschule Zürich, 2021; Éirinn Irish

Dance School Zürich - Irish Dance in der Schweiz, 2021; Kurse der Ballet School Zurich, 2021; Ballet for everyone, 2021).

One of the most important advantages and peculiarities of our Dance School is that we provide children with a complex and sufficient studying process, comparing to other Zurich studios which provide only hobby time spending or dancing colleges with full-time course. Our school is going to be an after-school education, which will complement basic school with full dance studying. This is going to be in the middle of dance studio and college and that will be our school's unique feature. The location, which is not going to be in the very center of Zurich, provides us with other advantages. We suppose to pay a relatively low rent. Another undoubted advantage is the fact that among the visitors there might be also some middle - aged women who prefer dancing not in the 'busy' evening hours, but in the daytime, when the dance halls are almost empty. Meanwhile, their children can attend the evening classes. Also, there is a lighter traffic, cause the location is not a city center. The competition here will not be that high, considering the fact that in such areas there are usually few dance schools. In addition, lower parking costs will serve as a benefit and will be among the competitive advantages.

The following competitive advantage of our dance school is that we are going to have excellent, experienced and knowledgeable teachers, so we may claim that the location of the school and advertising is not going be the decisive factor.

Another interesting way to attract attention to our project is the dance reporting concerts, which will be held twice a year in winter and in summer. There the students will be able to show themselves and show new skills, spending time with their mates with pleasure. People around could get a desire to join, looking at the results our students have and, as a consequence, the school may acquire new students.

What is more, the attendants of our school can self-express on the stage, as being able to perform on the stage is incredibly vital for the dancers. Children are constantly going to have aims (to perform perfectly), which will increase the satisfaction and diligence during the education process.

One more competitive advantage of our project is the fact that, for instance, in ballroom dance, it is usually difficult to organize couples for all participants: as a rule,

such dances are more popular among the girls, so to find a young male partner will not prove that easy. Therefore, the dance, which is performed alone, is much more profitable from the commercial point of view.

We are planning to take contemporary dance styles as a main direction. Contemporary is considered as a theater of dance, the art of movement, which is born from the innermost thoughts and feelings of the dancer. This direction of modern choreography absorbed a little bit of Western dance culture (modern, classical dance, jazz), a little bit of Eastern art (such as yoga), and in this fusion of styles and techniques there appeared beautiful, harmonious, natural dance as an expression of personal self.

Among the features of Contemporary dance, we can specify the possibility to look inside the human soul, get to know yourself better, learn to accumulate emotions, thoughts and energy in order to give them to the audience. That's why the special attention is paid to the ability to breathe, to be aware of your body, your weight, your voice and emotions during the classes. Special techniques are used to teach how to coordinate the mind and body.

And if in the classical dance school, you need years of training to develop muscle strength, contemporary dance does not acquire that tearing work. Of course, you should have some comprehensive skills, but the process is smoother and more delightful, than in ballet. The process of learning Contemporary dance is built with a concept from simple to complex. A large part of the lessons is dedicated to parterre exercises (work with the floor), relaxation techniques (release Technique) and stretching. Height, weight and equipment of the dancers does not matter because Contemporary dance is based on the knowledge of the human body. This dance style is also characterized by alternation of tense muscles and sudden relaxation, sudden stops (often on straight legs), falling and rising, balancing. Contemporaries seem to gravitate down toward the floor, but their movements remain light and expressive.

Improvisation is an integral part of the class. It is a synthesis of everything a dancer has learned and his or her inner world, the ability to express yourself when you dance, to feel themselves and their body. Dancers learn the technique of contact and free

improvisation, which brings pleasure and a sense of flight in an easy, beautiful, free Contemporary dance.

Therefore, our dance school is going to be really outstanding. That is because of the fact that there is an enormous number of diverse studios in Zurich, which provide you with only one style you choose and during the education process students are not provided with a base at all. It can be considered as some kind of just keeping fit. However, our SCHOOL will provide children 5-18 years old with an excellent and full dance education. This means that elder students have three (in ordinary daily routine) or four (before the concerts) classes a week, which last about three hours. The younger ones have two-three trainings a week. For girls, the obligatory study is a classical dance class once a week, a contemporary dance class three times a week, hip-hop and jazz-funk classes once a week and gymnastics, acrobatics also once a week. Meanwhile, boys have some contemporary classes with girls, a hip-hop, break-dance, acrobatics and martial arts classes separately. The duration and the number of trainings will be defined in terms of the age of children in the groups. And the groups are to be formed mostly on the age basis. Besides the concerts, we are also going to create annual performances, where students may express themselves through the improvisation and it may also be a great team work, because performances are usually based on the improvisation whether it is structured or not.

In general, we want to make the educational process very pleasant and smooth. Children and adults are going to feel their involvement in the creative team process. They not only learn to dance, but also feel themselves as a part of a big family. That is our main competitive advantage, because the dance world is full of individual performers, no team spirit is in this kind of activity. We are planning to do our best to ensure a healthy competition environment inside the school.

Undoubtedly, we are planning to attend classes and festivals in different countries to have a new experience and acquaintances. During such trips, students are going to have a possibility not only to develop their dancing skills, but also, to communicate and have fun. That is an inseparable part of a learning process.

We are using a variety of training methods. We provide a creative individual approach to each student, regardless of his age, gender and level of training. We are aware

of the importance of preparing the body and spirit for dancing and therefore we include the best and most necessary fitness and health programs in the training process. We don't just show and teach. We are constantly learning ourselves. Our coaching staff is constantly improving their professional skills, both as teachers and dancers. We are a team of dance coaches. We use the best, the newest and most unique techniques.

Considering the possible foreseeing changes in the market we discovered the possibility of decreasing demand in ballet dancing due to the constant and hard physical burden, which is nowadays becomes less popular among the youngsters and is difficult to acquire for the middle-aged. The Latina dances, such as salsa, samba and tango are still supposed to remain popular especially among the middle-aged women. So, our direction of contemporary dancing which is not so high demanding to physical fitness as ballet, is very mild and allows to start dancing at any age and any fit and is considerate to remain popular and demanding during the following decade. The most important factor of the success is a desire and love to dance.

With the view of global crisis connected with the COVID-19 pandemic we should consider the possibility of some financial, economic and organizational risks. First of all, there can appear inability of the attendants to pay, instability in demand for the service provided and the price reduction caused by the competitors, as the dance education is not considered as a basic need. The financial risk also includes the increase of inflation and the possibility of inefficient investment financial strategy. Otherwise, being an economically and politically successful, open to innovations and cultural development, the risks mentioned above are unlikely and should be considered mostly in the view of current unpredictable pandemic situation.

One more vital issue to consider is the source of investments. As the currency importation to Switzerland is free of restrictions in amount and is not taxable, for our project we suggest taking money from Ukraine (with the help of a sponsor).

3.2. Substantiation of the investment project for the creation of an International Dance School, assessment of the need for investment resources and identification of sources of their involvement

The calculations provided below demonstrate the possible way of the successful implementation of the project. All the costs are close to that one in Zurich, Switzerland, the city that was chosen.

The Table 3.1. shows the calculations for investment Requirements for the project. All the costs are close to that one in Zurich, Switzerland, the city we chose.

Table 3.1.

Investment requirements

No	Name	Amount (CHF)
1	Rent 1 month 320 m2	6,933
2	Office Deposit	6,000
3	Legal consultations	1,000
4	Registration of company (All in fee)	300
5	Advertising expenses (billboards, social networks)	10,000
6	Mirrors 50m x 2m * CHF 90	4,500
7	Redecoration of the dancing halls (3 dancing halls)	20,000
8	Mats small 30pcs * CHF 10, big 10 * CHF 100	1,300
9	Cubes small 5pcs * CHF 100, big 3 * CHF 150	950
10	Fitballs 5pcs * CHF 10	500
11	Banches 12pcs * CHF 50	600
12	Ballet barre (in one dance hall) 20m, 2 m = CHF 60, 10 pcs x 2m	600
13	Ballet braket 11pcs * CHF 30	330
14	Pags for 3 changing rooms 1m pc = CHF 10, 15m * CHF 10	150
15	Audio equipment 3 pcs* CHF 1000	3,000
16	WC renovation	2,000
17	Printer and computer	1,300
18	Webpage	1,200
19	Stationary	100
20	Set of cups, cattle etc.	100
21	Litter bins 6 pcs* CHF 6	36
22	Water dispensser	50
23	Fan 3 pcs * CHF 100	300
24	Delievery	2,000
25	Cleaning company per one month	1,500
26	Wardrobe for clothes 6m * 170	1,020
27	Headhunter expenses	20,000
	Total	85,769.00

Total investment requirement equals 85,769 CHF.

Actually, the investments to advertising, especially at the beginning are going to be significant. To inform the residents of the neighborhood about the opening of the studio it is convenient to use the leaflets distribution in public places. The large-scale advertising on radio or television is probably unnecessary in our case, but we are considering the billboards in the neighborhood and the online regional advertisements as essential. We are also going to create the professionally operated site of our dancing school, as nowadays The Internet is the most important channel of advertising and people search for the dance education through the search engines. And it will be very beneficial for us if on the top lines of the search there will be information about our theatre-school. Other expenses are quite clear and obvious.

The next step would be to calculate Depreciation charges, which are shown in the table 3.2. Printer and computer – three years of depreciation, Audio equipment – three years of depreciation, Wardrobe for clothes – five years of depreciation.

Table 3.2

Depreciation

Equipment	Total Cost, CHF	Depreciation per year
Printer and computer 3 years	1,300	433
Audio equipment 3 pcs* CHF 1000 3 years	3,000	1,000
Wardrobe for clothes 6m * 170 5 years	1,020	204
Total		1,637

The following step is to define expenditures. The Table 3.3 demonstrates the number of people to be employed and their salary.

Table 3.3

Salary

	Job position	Number of people	Wage, GBP/month	Total, GBP/month
1	Managing director and head teacher	1	9,000	9,000
2	Deputy head teacher	1	7,300	7,300
3	Other teachers	7	6,655	46,585
4	Costume designer	1	5,000	5,000
5	Administrator (Hall administrator-cashier, Social-network manager)	2	5,238	10,476
6	Cleaner	1	1,500	1,500
7	Total payroll:	13	34,693	79,861

In order to fill premises with classes optimally, we need 7-9 teachers working on a schedule. Also, we need two administrators, to communicate with visitors, answer the phone, sell subscriptions. To maintain order in the room we need to hire a cleaner. What is more, the costume designer should also be employed.

Table 3.4

Social Security Payments

Employer payroll tax in Zurich	Percent
Pension Old age and survivors (OASI)	4.35%
Disability Insurance (DI)	0.7%
Income Compensation (IC)	0.25%
Unemployment Insurance	1.1%
Supplemental Unemployment Insurance	0.5%
Family Contribution	2.45%
Total Employment Cost	9.35%

Source: (Switzerland Zurich: Benefits, Payroll & Taxes Info | Papaya Global, 2021)

Total payroll with social security payments (Table 3.4; 9.35%) = $79,861 \times 1.0935 = 87,328$.

The Table 3.5 emphasizes operating costs. Salary costs, communal payments, stationary, rent costs, accounting outsourcing and other costs are included into the list.

Table 3.5

Operating costs

	Name	Amount, (CHF)	Period
1	Salary	87,328	Monthly
2	Utility payments (600 CHF water, electricity 2240 CHF, rubbish 20 CHF, Internet 50 CHF)	2,910	Monthly
3	Stationary	30	Monthly
4	Rent	6,933	Monthly
5	Other costs (toilet paper, soap, tea, coffee etc.)	150	Monthly
6	Accounting Outsourcing	700	Monthly
	Total	98,051	Monthly
	98,051 *12	1,176,612	Yearly

The Table 3.6 indicates operating costs for the following years (2021, 2022, 2023). The growth of the costs can be considered as an expert estimate.

Table 3.6

Operating costs for 2021, 2022, 2023

	Name	2021	2022	2023
1	Salary	1,047,936	1,100,332.8	1,166,352.76
2	Utility payments (600 CHF water, electricity 2240 CHF, rubbish 20 CHF, Internet 50 CHF)	34,920	36,666	38,865.96
3	Stationary	360	378	400.68
4	Rent	83,196	87,355.8	92,597.148
5	Other costs (toilet paper, soap, tea, coffee etc.)	1,800	1,890	2,003.4
6	Accounting Outsourcing	8,400	8,820	9,349.2
7	Depreciation	1,637	1,637	1,637
	Total	1,178,249	1,237,079.6	1,313,229.16

The Table 3.7 shows estimated earnings. In this table, we indicated different groups, hours of studies and payments for the services.

Table 3.7

Earnings

	Services	Expected number of students in class	Price for week for 1 student (25 CHF per hour for people 13-18, 22 CHF for people between 6-12 and adults)	Total for all the students for week	Total per month	Total per year
1	Girls 16-18 (12 hours per week)	15	300	4,500	18,000	216,000
2	Girls 13-15 (12 hours per week)	15	300	4,500	18,000	216,000
3	Girls 10-12 (9 hours per week)	15	198	2,970	11,880	142,560
4	Girls 6-9 (7 hours per week)	15	154	2,310	9,240	110,880
5	Boys 6-9 (7 hours per week)	15	154	2,310	9,240	110,880
6	Boys 10-12 (9 hours per week)	15	198	2,970	11,880	142,560
7	Boys 13-18 (12 hours per week)	15	300	4,500	18,000	216,000
8	Adults (7 hours per week)	10	154	1,540	6,160	73,920
					102,400	1,228,800

The Table 3.8 shows the estimated revenue of sales for the following years (2021, 2022, 2023). The growth of the earnings can be considered as an expert estimate.

Table 3.8

Revenue of sale for 2021, 2022, 2023

Revenue of sale (CHF)	2021	2022	2023
Girls 16-18 (12 hours per week)	216,000	228,960	244,987.2
Girls 13-15 (12 hours per week)	216,000	228,960	244,987.2
Girls 10-12 (9 hours per week)	142,560	151,113.6	161,691.552
Girls 6-9 (7 hours per week)	110,880	117,532.8	125,760.096
Boys 6-9 (7 hours per week)	110,880	117,532.8	125,760.096
Boys 10-12 (9 hours per week)	142,560	151,113.6	161,691.552
Boys 13-18 (12 hours per week)	216,000	228,960	244,987.2
Adults (7 hours per week)	73,920	78,355.2	83,840.064
Total	1,228,800	1,302,528	1,393,704.96

So, all the necessary information is provided.

3.3. Estimated income calculation and assessment of the economic attractiveness of the investment project

For the final assessment, it would be feasible to calculate important indices, which define the effectiveness and profitability of the project.

The Table 3.9 demonstrates the calculations of Investment Effectiveness of the project.

Table 3.9

Investment Effectiveness

Indicators		2021	2022	2023
Investment, CHF	85,769.00			
Revenue of the sale, CHF		1,228,800	1,302,528	1,393,704.96
Expenditures, CHF		1,178,249	1,237,079.6	1,313,229.16
Profit before taxation, CHF		50,551	65,448.4	80,475.8
Tax 12,32 %, CHF		6,227.8832	8,063.24288	9,914.61856
Net profit		44,323.1168	57,385.1571	70,561.1814

Profit before taxation = Revenue of the sale – Expenditures.

2021: $1,228,800 - 1,178,249 = 50,551$

2022: $1,302,528 - 1,237,079.6 = 65,448.4$

2023: $1,393,704.96 - 1,313,229.16 = 80,475.8$

Corporate Tax in Zurich, Switzerland is 12.32%. Therefore, to calculate Net Profit, we subtract 12.32 % from the Profit before taxation.

$$2021: 50,551 * 12.32\%/100\% = 6,227.8832; 50,551 - 6,227.8832 = 44,323.1168$$

$$2022: 65,448.4 * 12.32\%/100\% = 8,063.24288; 65,448.4 - 8,063.24288 = 57,385.1571$$

$$2023: 80,475.8 * 12.32\%/100\% = 9,914.61856; 80,475.8 - 9,914.61856 = 70,561.1814$$

Services that are provided by the dance school are not subject to VAT in Switzerland.

The following tables (Table 3.10, 3.11) shows the calculation of a discount rate and discount index.

Table 3.10

Necessary data

Inflation rate 2021 = 0.01%
Inflation rate 2022 = 0.27%
Inflation rate 2023 = 0.75%
Risk adjusted (expert estimate) = 10%
Deposit rate Italy = 0.57%

Table 3.11

Discount Rate and Discount Index

Discount rate 2021	0.106	Discount Index 2021	0.904
Discount rate 2022	0.109	Discount Index 2022	0.815
Discount rate 2023	0.115	Discount Index 2023	0.731

We decided to take a deposit rate in Italian bank, being profitable for us.

$$\text{Discount Rate} = (1 + \text{Inflation rate}) * (1 + \text{Risk Adjusted}) * (1 + \text{Deposit rate}) - 1$$

$$2021: DR = 1.0057 * 1.0001 * 1.1 - 1 = 0.106; DI = 1 / (1 + 0.106) = 0.904$$

$$2022: DR = 1.0057 * 1.0027 * 1.1 - 1 = 0.109; DI = 1 / ((1 + 0.106) * (1 + 0.109)) = 0.815$$

$$2023: DR = 1.0057 * 1.0075 * 1.1 - 1 = 0.115; DI = 1 / ((1 + 0.106) * (1 + 0.109) * (1 + 0.115)) = 0.731$$

The Table 3.12 shows the efficiency of the project.

$$\text{Cash Inflow} = \text{Net Profit} + \text{Amortization}$$

$$\text{Cash Inflow 2021: } 44,323.1168 + 1,637 = 45,960.1168$$

$$\text{Cash Inflow 2022: } 57,385.1571 + 1,637 = 59,022.1571$$

$$\text{Cash Inflow 2023: } 70,561.1814 + 1,637 = 72,198.1814$$

Discounted Cash flow = Cash Inflow * Discount Index

Discounted Cash flow 2021 = $45,960.1168 * 0.904 = 41,540.9631$

Discounted Cash flow 2022 = $59,022.1571 * 0.815 = 48,092.612$

Discounted Cash flow 2023 = $72,198.1814 * 0.731 = 52,781.69775$

Table 3.12

Efficiency of the Project

Year	Investment, CHF	Net profit, CHF	Depreciation, CHF	Cash Inflow, CHF	Discount Index	Discounted Cash flows
0	85,769					
2021		44,323.1168	1,637	45,960.1168	0.904	41,540.9631
2022		57,385.1571	1,637	59,022.1571	0.815	48,092.612
2023		70,561.1814	1,637	72,198.1814	0.731	52,781.69775
Total		172,269.4553	4,911	177,180.4553		142,415.2728

In the following table (Table 3.13) there are shown some important indicators, which define, whether our project is effective or not.

Table 3.13

Efficiency of the project

NPV	56,646.27	Average annual DC	47,471.76
PI	1.66	PP	1.81

NPV (Net Present Value) = Total Discounted Cash Flows – Investments

NPV = $142,415.2728 - 85,769 = 56,646.27$ CHF, NPV is more than 0, then the project should be profitable.

PI (Profitability Index) = Total Discounted Cash Flows / Investments

PI = $142,415.2728 / 85,769 = 1.66 > 1$, then the project should be accepted.

PP (Payback Period) = Investments / Average annual Discounted Cash flow = $85,769 / 47,471.76 = 1.81$ years. Payback Period is also quite realistic for this project.

All these figures may serve as an evidence of the attractiveness of our international investment project 'Dance School Opening'.

CONCLUSION

Within the project, we examined the investment climate of Switzerland and considered its attractiveness for the investors. Indeed, Switzerland is one of the most prosperous and developed economies with one of the lowest risk rates in the world and favorable conditions for doing business in this country. Economic indicators are stable and effective, which can be reflected in high GDP level, low unemployment and inflation rate, together with a strong currency and well-developed infrastructure. Also, we should mention a moderate tax system, low corruption, substantial average salary and high living standard. What is more, the process of launching business is mild and smooth both for residents and non-residents of the country. The indicators of doing business in Switzerland are also very impressive. And first of all, due to the high skilled workforce, that is achieved by the high level of education and attractiveness for recruiting talent to the country. In terms of our investigation process, we chose Zurich as the best city for our project due to its location, infrastructure and the density of population. We demonstrated the advantages and peculiarities of our Dance School, described the detailed strategy of the working process and eventually marked the uniqueness of our school in comparison with the existing competitors. This research allowed us to consider possible ways of implementation of the investment project in the chosen field. Moreover, according to our calculations the Net Present Value of the project is very substantial, Profitability index which is more than 1 also demonstrates the high probability of the successful opening of the Dance School. Furthermore, the payback period of our project is very realistic and compiles less than two years.

While doing the project, we researched the economic situation in Switzerland, critically analyzed and assessed the attractiveness of the investment climate in Switzerland. Moreover, we considered the most important economic indicators, forms of investment and doing business peculiarities. At the end of the project we represented the calculations on investment requirements, expenditures and revenue, considering the investment effectiveness of the project which demonstrates the competitive advantages and possible risks, as well as proves the likelihood of the success of our project.

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