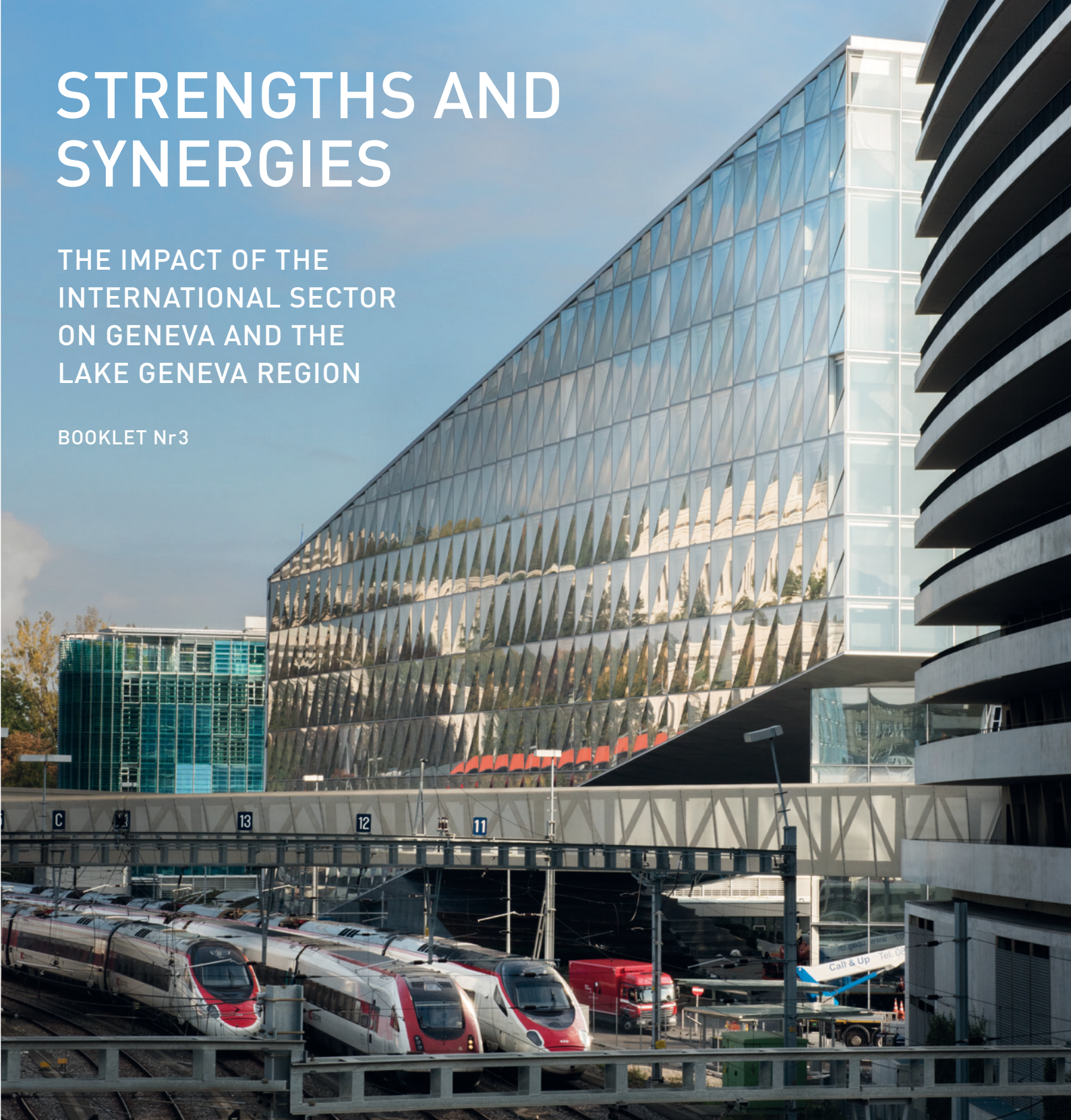


STRENGTHS AND SYNERGIES

THE IMPACT OF THE INTERNATIONAL SECTOR ON GENEVA AND THE LAKE GENEVA REGION

BOOKLET Nr3



THE OBSERVATORY OF THE FONDATION POUR GENÈVE
«IMPACT» – Booklet Nr 3

STRENGTHS AND SYNERGIES

THE IMPACT OF THE INTERNATIONAL SECTOR ON GENEVA AND THE LAKE GENEVA REGION

BOOKLET NO. 3

AN ACADEMIC STUDY
CONDUCTED JOINTLY BY



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PREFACE

BY IVAN PICTET

This third memorandum concludes the academic study conducted at the invitation of the Fondation pour Genève on the impact of International Geneva on the Lake Geneva region.

It took more than two years of research at the Universities of Geneva and Lausanne, and the Graduate Institute at EPFL, to highlight the crucial importance of the international sector for our local economy. In particular for Geneva, it represents more than half of all cantonal tax revenues and jobs.

Obviously the priority of public policy should be to strengthen the sector by offering favourable framework conditions, rather than seeing it shrink. This involves to bear in mind with vigilance the vulnerability factors that could jeopardize the presence of foreign companies and international organisations in our territory. It also requires a thorough awareness of the business areas to be developed, those which already present a density in Geneva and in the Lake Geneva region of international players with a critical mass constituting a major comparative advantage. It is these which also present the most value added potential and jobs for the future.

Let us not forget the disturbing reality of a Canton of Geneva laden with debt, unlike its neighbour in the Lake Geneva Vaud region.

Without repeating the analysis or violating the three booklets, of which we can only recommend a careful reading, it is important for me to recall the origin of the Geneva Foundation process in executing this study.

For many years now, leaders of multinational companies and international organisations in Geneva have noted a negative trend in the state of mind of the local population or politicians. Welcomed with open arms a decade ago, today they feel less welcome.

Although it has been demonstrated by this study that the material interests between the locals and the internationals are totally convergent, on the other hand, the cohabitation in a region of a population nearly half of which is made up of foreigners obviously raises a number of questions in the evolution of our tradition of hospitality. We cannot therefore simply bypass the analysis of the causes of this evolution in mentalities.



Any cohabitation has its restrictions and rewards: the state of affairs established in this academic study focuses primarily on the rewards, namely the standard of living achieved. The remaining effects are considered to be restrictive and oppressive on the quality of life.

The objective of the analysis will be to develop a sociological balance that can serve as reference to a flanking policy.

Our Geneva area, with its constituent foreign component, could claim to serve as a laboratory for the use by other cities today facing problems of integration identical to our own.

Ivan Pictet

President of the Fondation pour Genève



FOREWORD

BY PROFESSOR YVES FLÜCKIGER
(UNIVERSITY OF GENEVA)

This is the third booklet published after extensive study of the international sector in Geneva conducted by a multidisciplinary team of researchers from four leading academic institutions in the Lake Geneva region, Geneva University, the University of Lausanne, the Federal Institute of Technology Lausanne (EPFL) and the Graduate Institute of International and Development Studies (IHEID). In this case it concerns the economic impact exerted by multinational companies and international organisations on Geneva's economy and its region as well as the importance and extent of the synergies they exert around them on public and private players. This question is particularly timely in view of the reform of the taxation of corporations now being discussed in Geneva, which could have a significant impact on the location decisions of multinational companies whose tax rates will be likely to grow. The cascading effects of possible departures would not in fact be simply limited to the loss of tax revenues, but might spread to other businesses and organisations that belong to the same cluster and to all those whose production depends either directly or not on the demand from the International sector.

If the first booklet of this series of publications on International Geneva, published in early 2014, had helped to dispel a number of misconceptions, the second confirmed that the employees from the international sector do not differ from the rest of the Geneva population. In particular, they share the same difficulties in finding housing that frequently forces them to look outside the cantonal district where they live. They experience the same problems of mobility that the Genevans do. They do not create these problems; they are subjected to them.

The third booklet for its part, highlights the economic weight that the international sector represents. This analysis is detailed in the first chapter of this memorandum. It shows that if we take into account the effects directly related to the presence of this sector on the indirect impact it generates, because of the wages paid to its employees and their spending, it performs within the regional economic space and when adding the effects on all the other companies that are located in the same region and that benefit from the presence of this sector, then it is no exaggeration to say that one out of every two francs is earned thanks to the international sector. While many studies in the past have highlighted its importance, this is the first time a study has been conducted which integrates the entire international sector and moreover incorporates the whole of the Greater Geneva region. A first, which helps to get everyone to agree; a consensus that has been far from being reached to date, upon the most diverse figures circulating among the circles concerned.



The second chapter of this booklet is itself dedicated to the issue of the strengths and synergies of International Geneva examined, in this case, in terms of centres of excellence meant to unite the players in the private and public sectors around areas that attract them to Geneva and encourage them to stay. If the cluster concept is frequently mentioned by the media as one of the strengths of International Geneva, it has rarely, if ever, been put to the test in view of the facts. Now it has been, for the first time, as part of this study commissioned by the Fondation pour Genève through an extensive survey of a sample of international organizations, governmental or not, and of multinational companies. This survey identified in particular the attractiveness factors of Geneva for the businesses and organizations from the international sector and their sensitivity to the presence in the canton of other organizations or companies. Above all, this study probed the reality of the synergies that may exist between and among private and public players of the international sector in quite specific areas. The aim in particular was to identify the relationships between these players, to measure their frequency and especially their significance in relation to the choice of location. Finally, and where such clusters were identified, the aim then was to determine which organizations or company in the final analysis plays role of network catalyst.

This booklet ends with a general conclusion summarizing the main results obtained during this mandate from the Fondation pour Genève. They allow us to extract a series of political recommendations for the federal and cantonal authorities.

Yves Flückiger

Rector of the University of Geneva



STUDY 1

IMPACT OF THE INTERNATIONAL SECTOR ON THE GENEVA AND REGIONAL ECONOMY

BY DÉLIA NILLES AND DYAI CONDE
(UNIVERSITY OF LAUSANNE)

1 INTRODUCTION¹

■ Chapter objective

This chapter's main objective is to assess the economic and social impact of the presence of the international sector in the Canton of Geneva and the entire Franco-Vaud-Geneva agglomeration. Some semantic definition is required to clarify the statistical and geographical scope of the study.

Definitions

Multinationals and international organisations

The multinationals constitute the international private sector. There may be multiple definitions of a multinational company and they may vary according to context. In this study, we adopt the definition used by the Cantonal Office of Statistics (OCSTAT)², which has also provided us with the basic data necessary for various estimates:

- Multinational company: the business is conducted in several countries (at least 3), with centralized management or control;
- Foreign multinational: the head office is based abroad;
- Swiss multinational: the head office is based in Switzerland.

Under the above name are multinational companies or groups of companies that have subsidiaries they control completely or in part, in several countries or even globally, but the management and administration is centralized, at least to some extent. This definition also includes the concept of direct participation or financial investment as a fundamental condition for the existence of any multinational corporation. Therefore, portfolio companies, investment or financing companies are excluded.

The international public sector considered here consists of international organisations, permanent missions and international non-governmental organisations. International organisations result from an intergovernmental agreement involving at least three states and create lasting institutions with representatives of Member States to perform functions of international interest. Since 1 January 2008, international organisations are distinguished depending on whether they have signed a headquarters agreement, a fiscal agreement or an agreement on privileges and immunities.³ Non-governmental organisations (NGOs) are non-profit associations, independent of governments and organized internationally. Permanent Missions are representatives of their countries within the UN system. By definition, international organisations are not included in the calculation of gross domestic product, as they belong to no specific economic territory. As for the permanent missions and consulates, they are recorded in the GDP of their countries of origin.

¹ This text is a condensed version of the full report, which can be obtained from the Fondation pour Genève.

² See *Multinationals in Geneva At a Glance*, No. 47, OCSTAT, January 2011.

³ See the *Swiss Host State Act (LEH)* and the *Host State Ordinance (OLEH)*, Federal Department of Foreign Affairs, June 2007.



2 METHODS

If the international Geneva has motivated many people to immigrate without which it could not have experienced the expansion it has seen over the last decades, it also contributes significantly to the cantonal and regional economy.

■ *Economic impact*

This impact can be apprehended through three mechanisms:

1. A direct impact initially, which measures wealth creation for the canton through the value added that is created and taxes generated by the activities of international organizations and multinationals.
2. An indirect impact, which assesses the increase of the value added enjoyed by the Geneva-based and regional economy through the expenditure incurred by national and international organizations as well as by the multinational employees in Geneva and its region.
3. Finally, an induced impact, which captures the multiplier effect caused by the successive expenditures that are related to the direct and indirect increase in expenditures related to the international Geneva.

The total impact is the sum of the above three impacts and makes it possible to estimate the multiplier effect, i.e. the additional creation of value added and the creation or maintenance of jobs associated with the primary activities of multinational and international organizations. If the direct impact and to a lesser extent the indirect impact happen quickly enough in the economy, the induced impact may take much longer to materialize, since it is the result of successive expenditures over time.

■ *Value added*

Value added is one of the variables commonly used to assess the weight of the activities of a business or of a branch in an economy. According to an international definition, value added is the increase in the value of products resulting from the production process. It corresponds to the difference between the production value (wholesale sales) and the value of the goods and services used in production (intermediate consumption). The value added of an economy is obtained by multiplying the unit value added of each of the branches of economic activity with the number of corresponding jobs in full time equivalents (FTE) and by adding them. Thus the sum of the value added of all economic sectors gives the gross domestic product, estimated in this case according to the actual production approach.



3 RESULTS

3.1 Multinationals

The 931 multinationals rely 46,096 jobs in the Canton of Geneva, which represents 27.7% of total jobs in the canton. The weight of multinationals in terms of jobs significantly exceeds its weight in terms of institutions, which only reaches 4.3% of the total number of institutions in the canton.

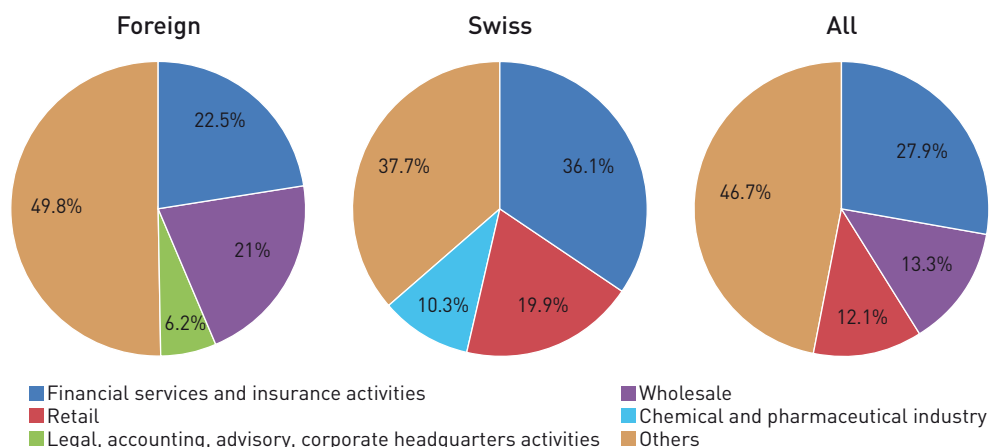
■ *Business sectors*

The multinationals are mostly active in the tertiary sector, where 91.2% of the multinationals are located, this figure reaching 93% for foreign multinationals and 83.6% for Swiss multinationals (Table 1). In terms of jobs, 86.1% of multinational jobs are in the tertiary sector (90.2% for foreign multinationals and 79.8% for Swiss multinationals).

In the tertiary sector, there is a preponderance of branches from wholesale trade (including trade), financial and insurance activities and legal, accounting, consulting and corporate headquarters (Table 1). The three above-mentioned categories account for half of all the multinationals alone. We note, however, a difference between foreign multinationals and Swiss multinationals. Whereas foreign multinationals are very active in the wholesale trade sector (21% of jobs) and in that of financial and insurance activities (22.5% of jobs), the Swiss multinational companies are active primarily in the sector of financial and insurance activities, with 36.1% of their jobs (Chart 1), and with wholesale trade accounting for only 1.6% of their jobs. By contrast, Swiss multinationals are much more present in the secondary sector (mainly the chemical and pharmaceutical industries), as the share of their jobs there reached 20.2%, whereas this was only 9.8% for foreign multinationals.



Chart 1
Multinationals: Distribution of jobs for three main branches



■ *Direct, indirect, induced and total impacts*

Direct impact

The impact of multinational companies is assessed in terms of value added, the latter being seen in relation to the Geneva GDP without international organizations and bodies, which, as mentioned, represent the offshore business sector. Since the value added is calculated from the number of jobs from multinationals established in the Canton of Geneva, the direct impact is limited by definition to the Geneva economy. The distribution of the impacts on the region (Canton of Vaud and neighbouring France) can only be estimated from the indirect and induced impacts.

The value added of multinationals in Geneva's economy amounted to 19.4 billion (Table 2), representing 41.2% of the total value added of the canton. The contribution of foreign multinationals to the cantonal value added was 26.3% and 14.9% for that of the Swiss multinationals. It follows that the weight of the multinationals is much greater in terms of value than it is in terms of jobs, as multinationals as a whole represent 27.7% in terms of jobs, but 41.2% in terms of value added. The reason lies in the type of business sectors in which the multinationals are active. Indeed, 90.3% of the total value added of multinationals is realised in the tertiary sector. For foreign multinationals that share reached 93.1% and 85.4% Swiss multinational. For the Geneva economy as a whole, the share of the tertiary sector amounted to 83.1%, which is lower than the figures for multinationals.

We noted earlier the preponderance of the branches of chemistry, watchmaking, manufacturing of precision instruments (secondary sector), wholesale trade and financial and insurance activities (tertiary sector). However, these are branches whose unit value added (i.e. by full time job equivalents) far exceeds that of other branches. This preponderance of branches with high unit value added thus reinforces the weight of multinationals in Geneva's economy.



TABLE 1

Multinationals: Distribution of institutions and jobs by main business sector, in %

	Institutions			Jobs		
	All	Foreign	Swiss	All	Foreign	Swiss
Secondary sector	8.8	7.0	16.4	13.9	9.8	20.2
Food industry, beverage, printing	0.4	0.3	1.1	0.2	0.1	0.2
Chemical and pharmaceutical industry, refining	1.7	1.5	2.8	4.8	1.3	10.3
Manufacture of rubber products, plastic	0.4	0.4	0.6	0.1	0.2	0.1
Metallurgy and metal products manufacturing	0.4	0.5	0.0	0.3	0.4	0.0
Watchmaking, electronics, optics, computer	2.4	2.0	4.0	3.6	5.0	1.6
Manufacture of machinery and electrical equipment	1.1	0.8	2.3	1.5	0.2	3.5
Construction	1.5	0.9	4.0	2.2	1.9	2.5
Other industries	0.9	0.7	1.7	1.2	0.6	2.0
Tertiary sector	91.2	93.0	83.6	86.1	90.2	79.8
Retailing and automotive and motorbike repair	8.4	8.4	8.5	12.1	6.9	19.9
Wholesale (including trading)	15.9	17.8	7.9	13.3	21.0	1.6
Transport and related activities	8.4	8.2	9.0	6.7	5.9	7.9
Telecommunications, postal and courier activities	2.3	2.1	2.8	1.8	2.1	1.4
Accommodation and food service	2.5	2.8	1.1	3.9	5.9	0.9
Publishing, film production, programming and broadcasting	0.9	0.8	1.1	0.3	0.2	0.4
Information services, consulting and IT activities	6.1	5.8	7.3	3.2	3.5	2.7
Financial services and insurance activities and auxiliary services	22.8	21.2	29.4	27.9	22.5	36.1
Legal, accounting, advisory, corporate headquarters activities	11.5	12.3	7.9	4.4	6.2	1.7
Architecture, engineering, technical analysis activities	1.6	1.3	2.8	1.2	0.9	1.6
R&D, professional, scientific and technical activities	1.7	2.1	0.0	1.7	2.8	0.0
Advertising and market research	1.1	1.2	0.6	0.3	0.4	0.1
Investigations, security, business support activities	1.4	1.2	2.3	2.9	1.8	4.6
Education, health, public service and paragonovernmental	2.1	2.7	0.0	2.8	4.6	0.0
Other services	4.6	5.0	2.8	3.6	5.4	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: OCSTAT for the database, and our own calculations.



TABLE 2

Multinationals: Value added and contribution to the same branches in the Geneva economy, in millions CHF and %

	All		Foreign		Swiss	
	million	%	million	%	million	%
Secondary sector	1,885	27.8	859	12.7	1,025	15.1
Food industry, beverage, printing	18	4.7	9	2.3	9	2.3
Chemical and pharmaceutical industry, refining	728	92.9	136	17.3	593	75.6
Manufacture of rubber products, plastic	16	23.3	12	18.5	3	4.9
Metallurgy and metal products manufacturing	35	16.9	35	16.9	0	0.0
Watchmaking, electronics, optics, computer	645	25.7	532	21.2	113	4.5
Manufacture of machinery and electrical equipment	162	54.5	12	4.1	150	50.5
Construction	162	11.2	86	6.0	75	5.2
Other industries	120	10.8	37	3.3	83	7.5
Tertiary sector	17,537	43.5	11,519	28.6	6,017	14.9
Retailing and automotive and motorbike repair	964	38.0	341	13.4	623	24.6
Wholesale (including trading)	4,963	62.6	4,721	59.5	242	3.0
Transport and related activities	553	36.2	299	19.6	254	16.6
Telecommunications, postal and courier activities	306	61.2	185	37.1	120	24.1
Accommodation and food service	229	20.5	210	18.8	19	1.7
Publishing, film production, programming and broadcasting	26	8.8	9	3.1	17	5.8
Information services, consulting and IT activities	459	44.3	307	29.6	152	14.7
Financial services and insurance activities and auxiliary services	8,616	75.5	4,305	37.7	4,311	37.8
Legal, accounting, advisory, corporate headquarters activities	482	26.9	409	22.8	73	4.1
Architecture, engineering, technical analysis activities	135	19.3	65	9.3	70	10.0
R&D, professional, scientific and technical activities	274	57.3	274	57.3	0	0.0
Advertising and market research	19	20.4	15	16.4	4	4.0
Investigations, security, business support activities	163	57.0	61	21.5	101	35.5
Education, health, public service and paragonmental	157	6.2	157	6.2	0	0.0
Other services	191	2.4	161	2.0	30	0.4
Total	19,421	41.2	12,379	26.3	7,043	14.9

Source: our own calculations.



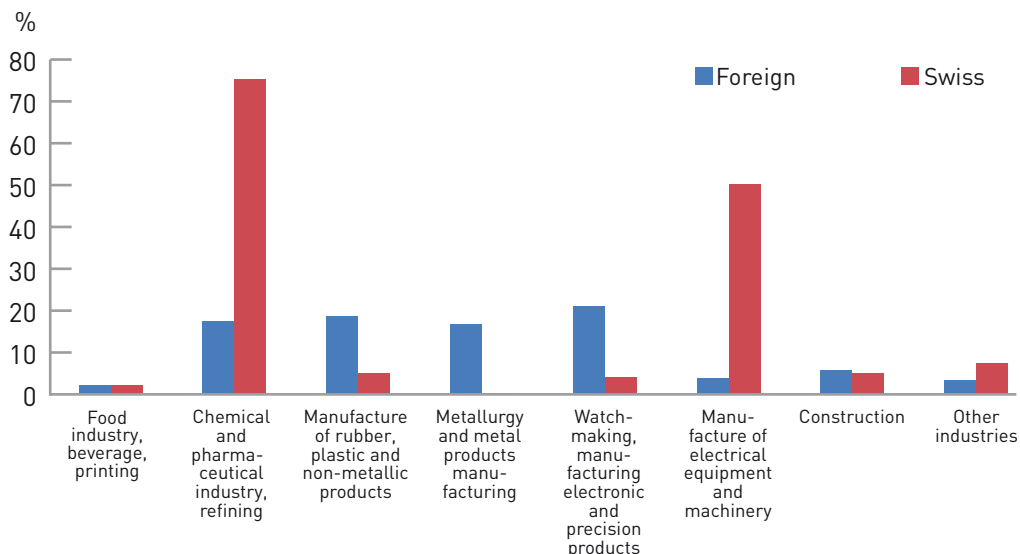
Secondary sector

We have already noted that in the secondary sector, Swiss multinationals are more active than foreign multinationals. This observation is reflected at the value added level. The Swiss multinational realise 14.6% of their total value added in the secondary sector compared to 6.9% for foreign multinationals. Multinationals as a whole contribute about 92.9% of the value added of the chemical and pharmaceutical industry, the bulk coming from Swiss multinationals with 75.6% (Chart 2).value added This strong contribution of Swiss multinationals should hardly be surprising, as the chemical and pharmaceutical industries have a strong presence in foreign markets and it can therefore be assumed without further they are virtually all multinationals.

Multinational companies also contribute for more than half (54.5%) of the value added of the manufacture of machinery and electrical equipment branch. Here again, it is the Swiss multinationals that contribute most significantly, with 50.5%.

Finally, we can point out that a quarter of the value added of the branch of watchmaking and manufacture of electronic and precision products is provided by the multinationals and especially by foreign multinationals, which contribute more a fifth of the value added of this branch. Chart 2 shows in a clear way that, among the Swiss multinationals, two branches clearly stand out; whereas among the foreign multinationals, the distribution is more balanced, since four branches each contribute up to approximately 20% of the cantonal value added of the same branches.

Chart 2
Contribution of multinationals to cantonal value added
Secondary sector



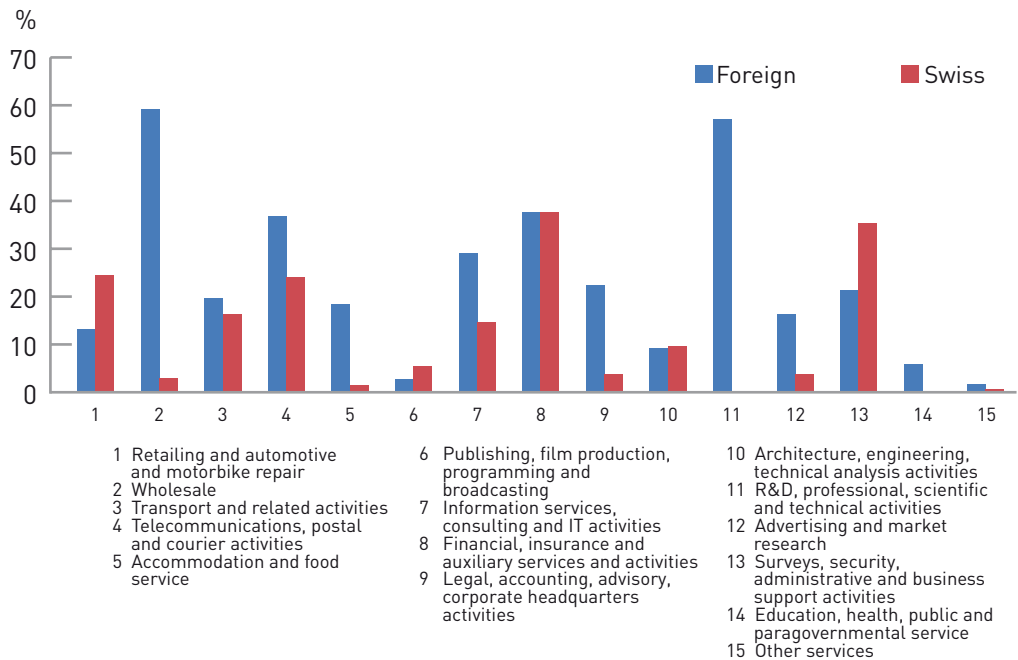
Tertiary sector

Multinationals contribute up to 43.5% of the value added for the tertiary sector (28.6% for foreign multinationals and 14.9% for Swiss multinationals).

The largest contribution comes from the branch of financial and insurance services with 75.5% and it is almost equally distributed between foreign multinationals (37.7%) and Swiss multinationals (37.8%) as shown in Chart 3. In second place, we find the branch of wholesale trade with 62.6%, nearly all of which comes from foreign multinationals (59.5%).

In three other industries, multinationals account for over half the value added. These comprise the telecommunications industry (61.2%), that of R&D, specialised and scientific activities (57.3%) and that of the administration and business support activities (57%).

Chart 3
Contribution of multinationals to cantonal value added
Tertiary sector



The highest results are confirmed, when viewing the multinationals from the perspective of technology. The weight of Swiss multinationals in high and medium high-tech industries is higher than that of foreign multinationals, and vice versa for high and also less knowledge-intensive services in which it is the foreign multinationals which contribute most (Table 3).

TABLE 3

**Value added of multinationals in terms of technology
Contribution to the same categories in the Geneva economy, in %**

	All	Foreign	Swiss
HMT	43.2	19.1	24.1
LMTI	9.5	5.1	4.4
KIS	54.9	29.8	25.0
LKIS	31.9	27.3	4.7
Total	41.2	26.3	14.9

HMTI High and medium-high technology industries
 LMTI Low and medium-low technology industries
 KIS Knowledge intensive services
 LKIS Least knowledge-intensive services

Source: our own calculations.

The different activity structure between foreign and Swiss multinationals is one of the reasons for the differences between the value added per job in full-time equivalents (unit value added), shown in Table 4. First of all we see that, for all multinationals, the unit value added is significantly higher than that for the whole of the cantonal economy, which is not surprising since, overall, multinationals are present mainly in industries with high value added. Secondly, it can be seen that the unit value added of foreign multinationals exceeds (by over 12%) that of the Swiss multinationals, which is connected, as mentioned previously, to a preponderance of branches from the wholesale trade, financial and insurance activities and legal, accounting, consulting and corporate headquarters.



It follows that, proportionally, foreign multinationals contribute much more to the Geneva economy than Swiss multinationals and, a fortiori, than all the institutions in the Geneva economy as a whole.

TABLE 4

Multinationals: Value added per full-time equivalent jobs, in CHF

	All	Foreign	Swiss	Geneva Economy
Secondary	183,519	197,775	173,065	163,722
Tertiary	293,732	300,318	281,897	204,919
Total	277,556	289,885	258,251	197,748

Source: our own calculations.

Indirect impact

The indirect impact measures the value surplus injected into the economy from spending by multinationals and their employees. It is the sum of the economic impacts that go through the chain of suppliers of goods and services to the multinationals and by the wages paid by multinationals to their employees.

Here, the indirect impact is estimated for the Canton of Geneva, for the Canton of Vaud and neighbouring France (Rhône-Alpes region). It is measured on the one hand through the intermediate consumption (spending on goods and services) of multinationals and, secondly, through the wages paid by multinationals to their employees.⁴

Table 5 summarises the results for the two indirect effects mentioned above. Total, multinationals create, through the indirect impact, an additional value added of CHF 5,752 million, CHF 3,464 million from foreign multinationals (60%) and CHF 2,288 million from Swiss multinationals (40%). This supplemental value added represents about 30% of the direct impact. For the Geneva economy, the value added is CHF 4,891 million, or 10.9% of the cantonal value added. For the Vaud economy, the supplemental value added reaches CHF 308 million representing 0.7% of the total value added for the Vaud and for neighbouring France, the value added amounts to CHF 554 million, and represents 0.2% of the total value added of the Rhône-Alpes region.

In terms of full-time equivalent jobs, multinationals create or maintain 41,330 full-time equivalent jobs, which are divided into 34,321 jobs for the Geneva economy (14.4% of Geneva's total), 2,523 jobs for the Vaud economy (0.9% of Vaud) and 4,486 to neighbouring France (0.2% of total French region). We can conclude that in the Geneva economy, and all things being equal and with no possible substitution effect, 10.9% of the value added is indirectly related to the activities of multinationals.

⁴ Several adjustments were taken into account, such as the wage premium (about 14%) reflecting the higher remuneration in multinational companies, the share of border companies or the share of imported goods.



TABLE 5

Multinationals: Total indirect impact

	All	Foreign	Swiss
Value added (million CHF)			
Total	5,752	3,464	2,288
in % of the direct impact	29.6	28.0	32.5
– In Geneva	4,891	2,925	1,966
<i>in % of the Geneva total¹</i>	<i>10.9</i>	<i>6.5</i>	<i>4.4</i>
– In Vaud	308	189	119
<i>in % of the Vaud total²</i>	<i>0.7</i>	<i>0.4</i>	<i>0.3</i>
– In neighbouring France	554	351	203
<i>in % of the regional total³</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>
FTE⁴			
Total	41,330	24,939	16,391
in % of the direct impact	59.1	58.4	60.1
– In Geneva	34,321	20,553	13,768
<i>in % of the Geneva total⁵</i>	<i>14.4</i>	<i>8.6</i>	<i>5.8</i>
– In Vaud	2,523	1,545	978
<i>in % of the Vaud total⁶</i>	<i>0.9</i>	<i>0.6</i>	<i>0.4</i>
– In neighbouring France	4,486	2,841	1,645
<i>in % of the regional total⁷</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>

¹ Value added (GDP) of the Canton of Geneva.

² Value added (GDP) of the Canton of Vaud.

³ Value added (GDP) of the Rhône-Alpes region.

⁴ Jobs in full-time equivalents.

⁵ Total FTE jobs of the Canton of Geneva.

⁶ Total FTE jobs of the Canton of Vaud.

⁷ Total of FTE jobs of the Rhône-Alpes region.

Source: our own calculations (including the Geneva and Vaud GDPs).



Induced impact

Expenditures related to the indirect impact generate additional revenues for indirect suppliers⁵, which, in turn, pay salaries and buy goods and services, generating new revenue, which triggers the succession of processes. The value added created by the indirect impact thus generates a new value added that similarly leads to an additional value added and so forth. This leads to a chain of successive spending, diffusing through the economy, until the entire value added is absorbed (snowball effect). If the direct impact and to a lesser extent the indirect impact happen quickly enough in the economy, the induced impact may take much longer to materialise, since it is the result of successive expenditures over time. The results are summarised in Table 6.

We thereby obtain an induced impact of nearly 5 billion for all multinationals. To the indirect impact is thus added the induced impact, which represents 25.4% of the direct impact for all multinationals, 23.9% for foreign multinationals and 28% for Swiss multinationals.

TABLE 6

Multinationals: Induced impact

	All	Foreign	Swiss
Value added (million CHF)			
Total	4,927	2,957	1,971
in % of the direct impact	25.4	23.9	28.0
- In Geneva	4,224	2,526	1,698
<i>in % of the Geneva total¹</i>	<i>9.4</i>	<i>5.6</i>	<i>3.8</i>
- In Vaud	264	161	103
<i>in % of the Vaud total²</i>	<i>0.6</i>	<i>0.4</i>	<i>0.2</i>
- In neighbouring France	440	270	170
<i>in % of the regional total³</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>
FTE⁴			
Total	35,398	21,244	14,154
in % of the direct impact	50.6	49.7	51.9
- In Geneva	30,046	17,968	12,077
<i>in % of the Geneva total⁵</i>	<i>12.6</i>	<i>7.5</i>	<i>5.1</i>
- In Vaud	1,813	1,103	710
<i>in % of the Vaud total⁶</i>	<i>0.7</i>	<i>0.4</i>	<i>0.3</i>
- In neighbouring France	3,539	2,173	1,366
<i>in % of the regional total⁷</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>

¹ Value added (GDP) of the Canton of Geneva.

² Value added (GDP) of the Canton of Vaud.

³ Value added (GDP) of the Rhône-Alpes region.

⁴ Jobs in full-time equivalents.

⁵ Total FTE jobs of the Canton of Geneva.

⁶ Total FTE jobs of the Canton of Vaud.

⁷ Total of FTE jobs of the Rhône-Alpes region.

Source: our own calculations (including the Geneva and Vaud GDPs).

⁵ Suppliers for companies generating the indirect impact.



Total impact

By adding the three impacts, namely direct, indirect and induced, we obtain the total economic impact of multinationals, summarised in Table 7. The activities of multinationals allow for a creation of an overall value added of about 30 billion, including 19 billion (62%) coming from foreign multinationals and 11 billion (38%) from Swiss multinationals.

The most significant impact is obviously for the Canton of Geneva, since 94.8% of the total value added concerns the Geneva economy: 1.9% of the overall value added concerns the Vaud economy and the 3.3% the economy of the Rhône-Alpes region. The proportions are roughly the same for employment, and if there are differences, they are related to the different structure for the three economies considered here.

TABLE 7

Multinationals: Total impact

	All		Foreign		Swiss	
Value added (million CHF)						
Total	30,101	100%	18,799	100%	11,302	100%
- In Geneva	28,536	94.8%	17,830	94.8%	10,706	94.7%
- In Vaud	572	1.9%	349	1.9%	222	2.0%
- In neighbouring France	993	3.3%	621	3.3%	373	3.3%
FTE						
Total	146,700	100%	88,885	100%	57,815	100%
- In Geneva	134,340	91.6%	81,224	91.4%	53,116	91.9%
- In Vaud	4,336	2.3%	2,648	3.0%	1,688	2.9%
- In neighbouring France	8,025	5.5%	5,013	5.6%	3,011	5.2%

Source: our own calculations (including the Geneva and Vaud GDPs).



Chart 4
Value added of the multinationals:
Total impact on Geneva's economy, in million CHF

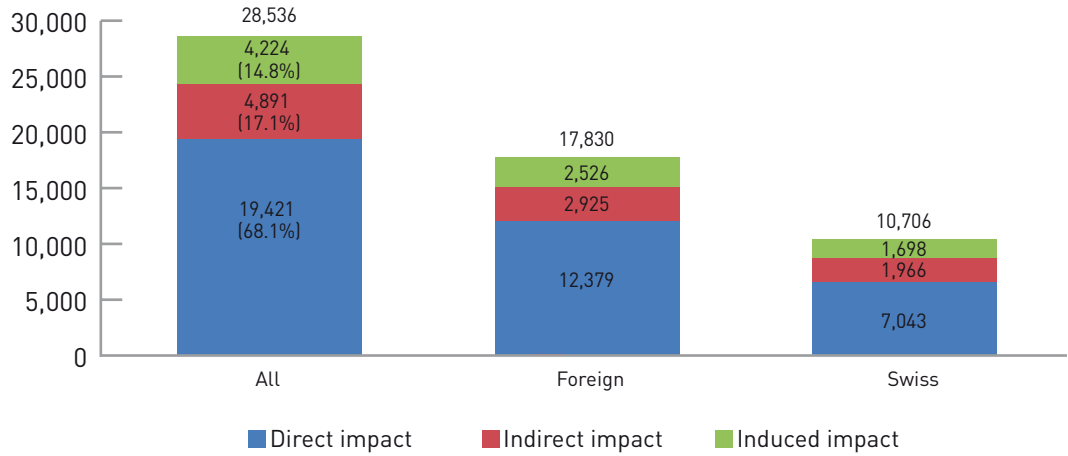
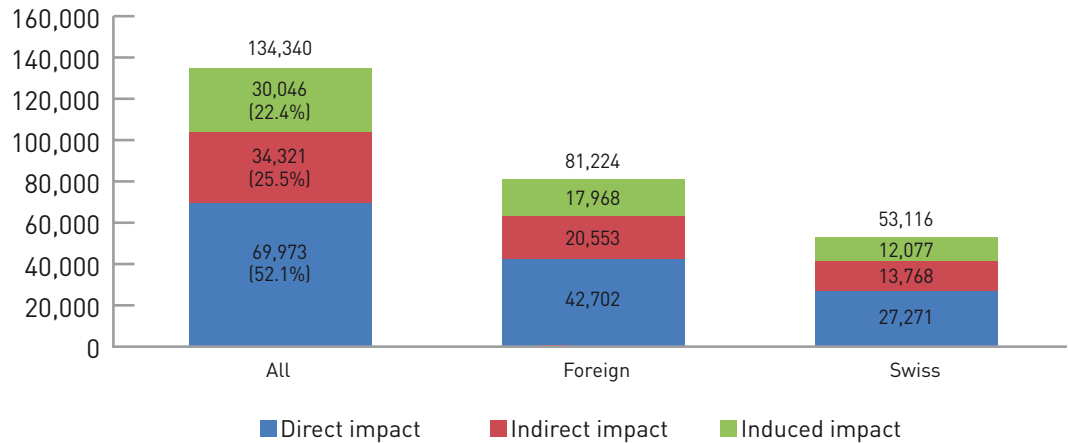


Chart 5
FTE of the multinationals:
Total impact on Geneva's economy



For the Geneva economy, it is possible to calculate the multiplier of employment, i.e. to calculate how many indirect and induced FTE jobs are related to a full-time equivalent job in the multinationals. This calculation is made through all the expenditure arising from the activities of multinationals. Here the passing of 69,973 jobs into the multinationals with a total of 134,340 indirect and induced jobs (Chart 5), implies that the employment multiplier is 1.9. This means that a job in a multinational is roughly associated to another job elsewhere in the Geneva economy. The value of the multiplier is virtually the same for foreign and Swiss multinationals, although, for the latter we note a multiplier that is slightly higher than that for Swiss multinationals (Table 8).

TABLE 8**Multinationals: Job multiplier**

	All	Foreign	Swiss
Geneva economy	1.92	1.90	1.95

Source: our own calculations.

This multiplier must however be interpreted with caution. Indeed, the further away you go from the direct impact, the more complementarity problems arise, with possible double counting, which is one of the limitations of economic impact models. Thus, if multinationals were to stop all work overnight, that does not mean that 64,367 FTE jobs (indirect impact and induced) would disappear from the Geneva economy (in addition to those of the multinationals themselves). All we can advance is that, all things being equal, approximately 27% of all Geneva jobs rely upon or benefit from the activities of the multinationals in Geneva.

In the Canton of Vaud and neighbouring France, one cannot calculate a multiplier as the direct impact is realized by definition in the Geneva economy itself. We can only simply make the argument that a full-time equivalent employment in the multinationals in Geneva generates or maintains a total of 8,025 full-time equivalent jobs in neighbouring France (Table 7), representing approximately 0.4% the total value added of the Rhône-Alpes region and 4,336 full-time equivalent jobs in the Canton of Vaud, approximately 1.3% of the total value added in the Vaud economy.

■ Taxes

We limit ourselves here to direct taxes on personal income and on earnings and the capital from corporations accruing to the Canton of Geneva and its communes, as well as indirect taxes represented by the value added tax (VAT).



Direct taxes

Taxes on individuals

Taxes on personal income accruing to the Canton and communes are estimated through the salaries paid by the multinationals, taking into account several adjustments relating in particular to the distribution of payroll paid by multinationals between the Canton of Geneva and its region (Vaud and neighbouring France) and to various tax rates according to family codes.

The results for taxes on individuals are shown in Table 9. Over 1.3 billion thus accrue to the Canton of Geneva and its communes in the form of taxes collected on personal income, which constitute 36.1% of the total income taxes collected by the State of Geneva.

TABLE 9

Multinationals: Taxes on individuals accruing to the canton and the communes, in million CHF

	All	Foreign	Swiss
Cantonal and communal taxes on income	1,377	844	534
Total DFI (Direct Federal Tax)	247	151	96
Cantonal share ¹ of the DFI on the revenue	42	26	16
<i>less retrocession paid to French communes</i>	-67	-43	-25
Total accruing to the canton and the communes	1,352	827	525

¹ 17% of the total DFI paid.

Source: our own calculations.

Taxes on corporations

Regarding taxes on corporations, OCSTAT extracted and transmitted to us the figures found in Table 10. If for cantonal and communal taxes the Swiss multinationals contribute about 15.4% of the total collected (which is not far from their weight in terms of institutions), their contribution is much lower for the direct federal tax (DFI) (4.3%). The total amount of CHF 684 million represents 44.4% of total taxes on corporations, which is slightly greater than the share of their value added in the Geneva economy (41.2%).



TABLE 10

**Multinationals:
Taxes on corporations accruing to the canton and the communes, in million CHF**

	All	Foreign	Swiss
Cantonal and communal taxes	592	501	91
Total DFI (Direct Federal Tax)	539	515	23
Cantonal share ¹ of the DFI on the earnings	92	88	4
Total accruing to the canton and the communes	684	589	95

¹ 17% of the total DFI paid.

Source: OCSTAT and AFC.

Direct taxes

For all multinationals, over CHF 2,036 million accruing to the Canton of Geneva and its communes in terms of taxes on individuals and corporations, representing 33.1% of the total tax revenue (Table 11). For foreign and Swiss multinational, these figures amounted to CHF 1,415 million respectively (23% of total taxes) and CHF 620 million (10.1% of total).

As for DFI, the amount paid by individuals and corporations is estimated at 4.6% of the DFI collected nationally for all multinationals, 3.9% for foreign multinationals and 0.7% for Swiss multinationals. The percentages respective to VAT are 1.2%, 1% and 0.2%, respectively.

TABLE 11

Multinationals: Total taxes accruing to the canton and the communes, in million CHF

	All	Foreign	Swiss
Individuals	1,352	827	525
<i>in % of the total on income¹</i>	<i>36.1</i>	<i>22.1</i>	<i>14.0</i>
Corporations	684	589	95
<i>in % of the total on corporations¹</i>	<i>35.9</i>	<i>30.9</i>	<i>5.0</i>
Total taxes	2,036	1,415	620
<i>in % of the total tax revenues¹</i>	<i>33.1</i>	<i>23.0</i>	<i>10.1</i>

¹ including cantonal share of the DFI.

Source: OCSTAT and AFC for corporations, and our own calculations.

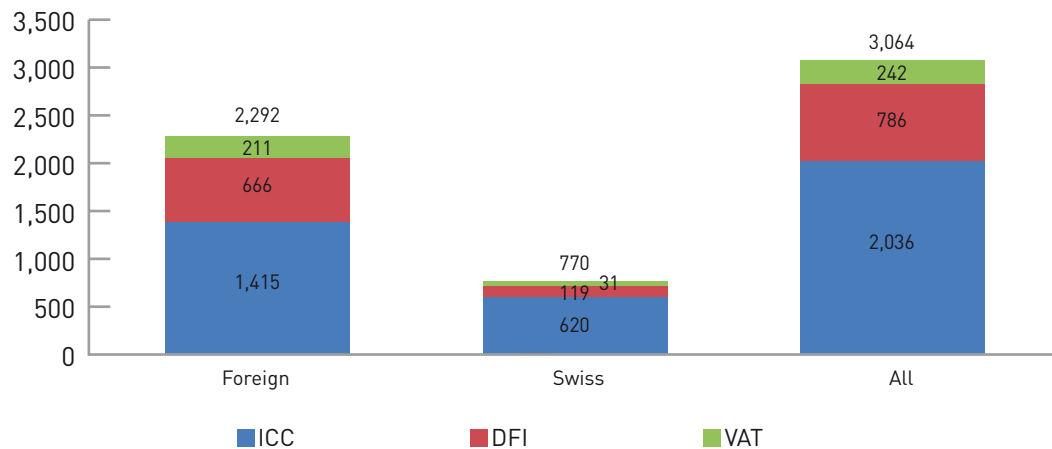


TABLE 12
Multinationals: DFI and VAT, in million CHF

	All	Foreign	Swiss
DFI			
Individuals	247	151	96
Corporations	539	515	23
Total	786	666	119
in % of the DFI at the national level	4.5	3.8	0.7
VAT			
Total	242	211	31
in % of the total of the VAT at the national level	1.2	1.0	0.2

Source: OCSTAT and AFC for corporations, and our own calculations.

Chart 6
Taxes, in million CHF



3.2 The international public sector

The international public sector considered here consists of international organizations, permanent missions and international non-governmental organizations, hereafter referred to respectively as, IGOs, PMs and NGOs.



■ *Direct, indirect, induced and total impacts*

Direct impact

International organizations active in Geneva alone employ 19,581 employees. This figure is equivalent to 7.5% of jobs in the Geneva economy (without the international public sector). There are 15,267 permanent staff (78%) and 4,314 non-permanent staff (22%). To calculate the direct impact, we rely on permanent positions, which means that this impact will be slightly underestimated. As these organizations are not for profit, most of their value added is made up of wages, social contributions and depreciations. The value added of international organizations is thus calculated on the basis of statistics on current expenditure.

The value added of permanent missions is estimated on the basis of the unit value added of international organizations. For NGOs, the value added is estimated using data on employment and the branches in which they operate.⁶ Table 13 summarizes the direct impact of the overall international public sector in terms of full-time equivalent jobs and in terms of value added. It appears from this table that the international public sector represents 8.3% of full-time equivalent jobs in the canton, and 9.5% of the total value added of the canton. Across the international public sector, international organizations have the greatest weight, accounting for three quarters of the value added of the public international sector and 70% of full-time equivalent jobs.

To the total of full-time equivalent jobs in the Geneva economy, we must add 19,673 and, in terms of value added, 4,281 must be added to the total value added in the Geneva economy in its 'official' definition, i.e. without international organizations.

TABLE 13

International public sector: Direct impact

	FTE ¹	Cantonal share ² (%)	VA ³ (millions)	Cantonal share ⁴ (%)
IGO	13,879	7.2	3,270	7.3
PM (permanent missions)	3,328	1.4	784	1.7
NGO	2,466	1.0	227	0.5
Total	19,673	8.3	4,281	9.5

¹ FTE = jobs in full-time equivalents.

² Cantonal share in the FTE (without the international sector).

³ VA = value added.

⁴ Share of the total value added of the canton (without the international sector).

Source: our own calculations.

⁶ OCSTAT, Table T 06.06.5.01, Businesses and jobs in international non-governmental organizations (NGO), by economic activity, in 2008.



■ *Direct, indirect, induced and total impacts*

The indirect, induced and total impacts (i.e. including direct impact) are summarized in Table 14. The total impact, which corresponds to 39,790 FTE jobs translates into a multiplier of 2.02. This means that an FTE job in the international public sector may be roughly associated to another job elsewhere in the Geneva economy.

TABLE 14
International public sector: Total impact

	All	Foreign	Swiss
Value added (million CHF)			
Total	1,510	1,252	7,043
in % of the direct impact	35.3	29.2	164.5
- In Geneva	1,109	1,004	6,395
<i>in % of the Geneva total¹</i>	<i>2.5</i>	<i>2.2</i>	<i>14.2</i>
- In Vaud	98	78	176
<i>in % of the Vaud total²</i>	<i>0.2</i>	<i>0.2</i>	<i>0.4</i>
- In neighbouring France	303	169	473
<i>in % of the regional total³</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>
FTE⁴			
Total	11,028	9,029	39,730
in % of the direct impact	56.1	45.9	202.0
- In Geneva	7,818	7,143	34,635
<i>in % of the Geneva total⁵</i>	<i>3.3</i>	<i>3.0</i>	<i>14.5</i>
- In Vaud	745	532	1,277
<i>in % of the Vaud total⁶</i>	<i>0.3</i>	<i>0.2</i>	<i>0.5</i>
- In neighbouring France	2,465	1,354	3,818
<i>in % of the regional total⁷</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>

¹ Value added (GDP) of the Canton of Geneva.

² Value added (GDP) of the Canton of Vaud.

³ Value added (GDP) of the Rhône-Alpes region.

⁴ Jobs in full-time equivalents.

⁵ Total FTE jobs of the Canton of Geneva.

⁶ Total FTE jobs of the Canton of Vaud.

⁷ Total of FTE jobs of the Rhône-Alpes region.

Source: our own calculations (including the Geneva and Vaud GDPs).

■ *Taxes*

A detailed analysis on the taxes from the international public sector was conducted as part of another study on the impact of International Geneva⁷ and here we use the results of that study directly. The section on tax revenues from the international public sector includes an examination of the taxes collected on the wages of those paid by the international public sector, but not tax exempt⁸, and this, for 2012.

⁷ G. Giacomel, A. M. Diaz et B. Moussong, *Impacts de la Genève internationale sur l'économie et les finances suisses et du Grand Genève*, Laboratoire d'économie appliquée (ILEA), Université de Genève, April 2014.

⁸ We know that much of the international public sector employees enjoy tax exemptions.



Out of a total of 28,693 jobs (IGOs, PMs and NGOs), 4,319 employees do not enjoy any tax exemption, which represents 15.1% of all jobs in the international public sector.⁹ For these employees, the study authors calculated an amount of CHF 82 million accruing to the canton and communes as a tax on income of individuals and CHF 5.4 million going to the Confederation. The amount of VAT amounted to CHF 78 million.¹⁰

If the above results are applied to our figures on the number of international public sector jobs, we estimate the amount of taxes on personal income accruing to the canton and communes to be approximately CHF 60 million and the amount of VAT CHF 58 million. The amount of taxes on income represents 1.6% of the total income tax collected by the State of Geneva and the amount of VAT represents 0.7% of the total amount collected by the Confederation.

3.3 International private and public sector: Total indirect impact

Below we provide the overall view of the total direct impact of the international sector in the Geneva economy in terms of value added and full-time equivalent jobs.

■ *Value added*

- Geneva economy without the international sector: CHF 27.8 billion (54%)
- Multinationals: CHF 19.4 billion (37.7%)
- International public sector: CHF 4.3 billion (8.3%)
- Total CHF 51.5 billion

■ *Jobs in full-time equivalents*

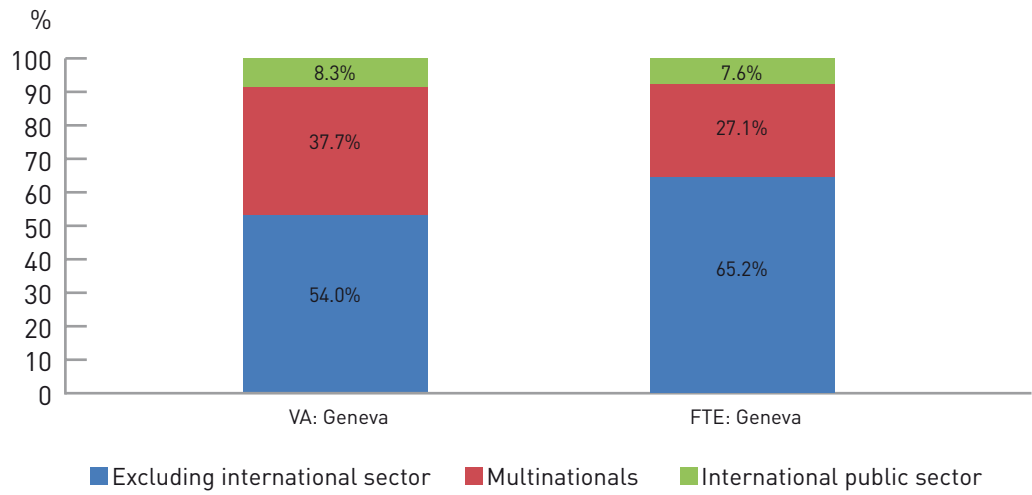
- Geneva economy without the international sector: 168,275 (65.2%)
- Multinationals: 69,973 (27.1%)
- International public sector: 19,673 (7.6%)
- Total: 257,921

⁹ See Table 17 in the aforementioned study by Giacomel, Diaz and Moussong.

¹⁰ See Table 18 in the aforementioned study by Giacomel, Diaz and Moussong.



Chart 7
Value added and jobs in full-time equivalents.
Distribution in %



STUDY 2

INTERNATIONAL GENEVA: STRENGTHS AND SYNERGIES

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(IHEID)

1 INTRODUCTION

The aim of this section is to highlight the possible reasons for what may seem like a paradox: even as the density of players in International Geneva has never been greater, the question of the Geneva's ability to remain one of the two major centres of international governance along with New York, comes up regularly and insistently. Must we see an erosion of the attractiveness of Geneva, and in particular in the benefits of the density of the number of international players already here? The scattered evidence reproduced in the press certainly seems to underscore the importance of having a presence in Geneva in order to gain 'close relationships with many organizations', and recent reports and official documents categorise these close relationships and synergies into different 'areas of expertise', 'competence centres' or even 'clusters'. So then what's wrong? This study aims to foster a more informed and sober debate on this key issue for the future of International Geneva, based on the results of a broad survey and a series of interviews with the players in International Geneva, after a brief presentation of the survey, we move forward in several steps. In a first phase, we shall evaluate the relative importance of the argument of synergies between International Geneva's attractiveness factors. Then we shall discuss the idea of synergies specific to certain areas, considering both the appearance of the players and the professional profiles of the people who work there.

■ *A process largely, but not solely, based on surveys*

This study is part of the series *The impact of the international sector on Geneva and the Lake Geneva region* conducted jointly by four universities (EPFL, IHEID, UniGe, UNIL) and draws upon a series of online surveys disseminated to IGOs, NGOs, permanent missions as well as to members of the GEM, members of the Geneva Financial Centre, and a more concise survey distributed to 'local' businesses and SMEs, members of the Geneva Chamber of Commerce, Industry and Services (CCIG). These surveys were sent to two types of audiences: management and/or HR organizations or the above-mentioned companies on the one hand, and the other, staff of these organizations or companies (except for the case of the SMEs). 5,221 individuals participated in the staff surveys, 4,289 of which with complete answers. The surveys among business management yielded answers from 739 entities (IGOs, NGOs, PMs, MNCs, banks and local SMEs), of which 462 provided complete answers.¹¹

¹¹ The list of acronyms used in this chapter is attached.



Data were collected between summer 2012 and fall 2013, and were then supplemented by a series of semi-structured individual interviews. We asked senior management of IGOs in Geneva about their organization's interactions with other players in International Geneva. These interviews enabled us to complete the results of the quantitative survey (online survey) and above all, to better understand the views of senior management of the IGOs in Geneva on the strengths and weaknesses of International Geneva. A series of interviews was also conducted with representatives from the trading sector (including energy trading companies and soft commodities).

For this study, we primarily used the questionnaires designed for management/HR, supplemented by information gleaned from a series of individual interviews with high-level organizations or pertinent companies (except for the section about the types professional profiles, which is based on responses to questionnaires sent to staff). The data collected are not a completely representative sample of the population in question. For example, responses to questionnaires sent to HR/management of IGOs cover around 74% of IGOs present in Geneva, while in the case of the questionnaires sent to banks, the responses cover 14% of Geneva banks. However, participation is significant, and we have determined that the fact of not having received responses from all of the institutions does not introduce major bias into the results.¹²

2 ATTRACTIVENESS FACTORS OF INTERNATIONAL GENEVA

On the basis of existing reports and research, we have compiled a list of the factors most often cited as advantages for Geneva and asked each organization to identify the three most important. The list includes:

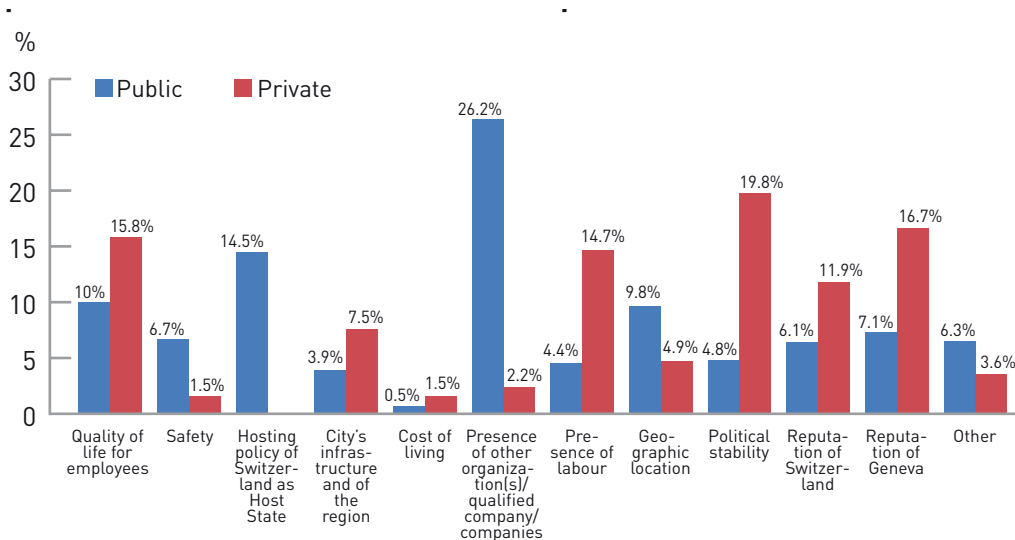
- Quality of life for employees
- Safety
- Hosting policy of Switzerland as host State
- Infrastructure of the city and region (housing, schools, transport, recreation)
- Cost of living
- Presence of major organization(s), company/companies
- Presence of skilled labour
- Geographical position
- Political stability
- Reputation of Switzerland
- Reputation of Geneva

Chart 8 presents the results of the surveys by distinguishing responses from the IGOs, NGOs, and PMs on one side, and those of MNCs and banks on the other.

¹² An analysis of some control variables in each of the surveys given in comparison with data from OCSTAT, the Permanent Mission of Switzerland to the United Nations Office and other International organizations and the Protocol Department of the Swiss State Chancellery and NGO Service of the Republic and Canton of Geneva allows us to establish the representativeness of the sample.



Chart 8
Comparison of the attractiveness factors of International Geneva for the public sector (IGOs and NGOs) and the private sector (banks and MNCs)



Source: Survey, Fondation pour Genève, 2012-2013 (N=127)

For IGOs as for NGOs, our surveys reveal the primacy of the importance of the presence of other major organization(s)/company/companies) for their activities in their organizations' decision to set up in Geneva. Next comes the Swiss hosting policy as host state and then the quality of life for employees (perspective of the IGOs) and the geographical position of Geneva (perspective of the NGOs). By contrast, banks are especially attracted by the reputation of Geneva, the MNCs placing special stress on the presence of a skilled workforce and political stability, and, to a lesser extent, the quality of life for employees. There was also consensus among the banks on the fact that political stability is important, and added as an additional priority factor the reputation of Switzerland and not only that of Geneva.

If we can reasonably extrapolate from these results that the weakening of these key factors would clearly diminish the attraction of International Geneva, we cannot however determine the impact of that weakening on a decision to leave the city. Indeed, it would require a very fine sensitivity analysis for each individual factor to be able to establish a correlation with the costs of relocating. These tend to be high, especially because of the reluctance of staff to leave Geneva. It would seem that many employees are willing to stay in Geneva even if their employer needs to leave the city, meaning that these employees could lose their jobs and that the organizations would need to hire new employees elsewhere.¹³ For the IGOs furthermore, neither can it be ruled out that the choice of an organization's headquarters (primary or secondary) may be subject to geopolitical factors over which Geneva, and Switzerland as whole, may have little control. The corollary of the two preceding remarks is

¹³ Interviews conducted between autumn-winter 2013-2014 with a dozen high officials from different organizations (IGOs, NGOs, PPPs) based in Geneva. Respondents asked to be kept anonymous.



that the departure of established IGOs from Geneva will certainly not happen suddenly and radically but rather through trends towards partial and selective offshoring. In the exercise of a possible departure, our interviews reinforce the importance for the IGOs, NGOs and the PMs of the interdependence with other organizations based in Geneva. This argument is the strongest bulwark against the domination of a budgetary logic and of profitability in the decision-making for locating headquarters or major representations, including within the UN system.¹⁴ Our interviews all point to the current political force of this logic in the context of governmental difficulties in financing the IGOs. In this perspective, Geneva undeniably suffers from the fact that a professional position costs considerably more there than in Asia, Africa or Eastern Europe. For some organizations, this makes it difficult to continue maintaining a presence in Geneva. For most, this blocks their ability to increase the number of people based in Geneva, where there is a trend toward offshoring in order to keep the minimum number of people working from Geneva. Another solution is the widespread use of consultants, who, most of time, can work without having to be physically present in Geneva. This allows employers to pay much lower wages than in Geneva and consultants hence do not spend their income in the region. It should be noted that the strength of the Swiss Franc is a factor that exacerbates these budgetary problems, as revenues (in the form of contributions from Member States or grants from private players) are denominated in US dollars or Euro. Relocation within the Euro zone or to New York would remedy this additional difficulty. But, ultimately, the weight of the geographical remoteness of other stakeholders remains a strong argument against a departure from Geneva. The case of the MMV is indicative of this dynamic. The decision, after careful consideration, to not move the headquarters of the organization is no doubt linked to the need to be in proximity to the WHO, the Global Fund and other relevant organizations, combined with the reluctance of staff to leave Geneva. In the same vein, our respondents noted that the best defence of Geneva as the capital of the humanitarian world would be to strengthen the presence of NGOs by attracting their headquarters there and not only their liaison offices.

In the private sector, this same interdependence between companies is not clear from surveys. For multinational corporations, a potential opportunity to leave Geneva does not seem to be dependent on the choice by other organizations or companies to leave Geneva. The choice of location in Geneva seems to be focused primarily on the individual benefits.¹⁵ If some benefits to which MNCs have already become accustomed, or which have been taken into account in the choice of Geneva as the location of their offices or headquarters were to be diminished, especially by political decisions in Switzerland and Europe, this could quickly lead to a decision to close the offices and find better conditions elsewhere.

¹⁴ The General Assembly of the United Nations decided to impose an additional 100 million dollars in budget cuts for the Secretariat of the United Nations for the 2014 to 2015 budget period. In 2014 the budget of the European headquarters of the United Nations was reduced by 5%.

¹⁵ This attitude is certainly explained by the fact that the companies surveyed did not consider the scenario of a massive relocation of their entire industry (especially the banks), because in such a scenario it is implausible that companies would not take into account the decisions of other players.



While such a major exodus from Geneva seems far-fetched, we nonetheless sought to assess what competitors most often cited. Unsurprisingly, IGOs and NGOs show a marked preference for New York whereas for MNCs and banks the alternative to Geneva would be Zurich.¹⁶ It should be noted here that many of our respondents did not comment on this issue and we cannot determine whether this means they do not see alternatives to Geneva or if the answer to that question was not immediately apparent to them. No bank or any MNCs declared that Geneva was a 'must' location for them, whereas 5% of IGOs and 15% of NGOs did.

3 INTERACTIONS AND SYNERGIES IN INTERNATIONAL GENEVA

Given the number of international players, Geneva undoubtedly has considerable potential for promoting numerous and strong synergies. By the same token, given the number of conferences and meetings that are held there and the number of experts (nearly 200,000) who visit there each year (see Table 2 above), Geneva appears as a breeding ground for synergies whose fruitfulness is clearly perceived (see above) and which is hard to match.¹⁷ Can we identify combinations of conditions particularly conducive to this realisation? Can we talk about interactions of a density comparable to the phenomenon of industrial clusters? Are there different realities by industry? Can we identify key players who seem to play an important catalytic role for these interactions? Our surveys and interviews shed new light on all these issues. We first address the important distinction between public and private players, and then consider the analysis of synergies specific to certain industry segments.

■ *Differentiation between private and public sector*

Is the importance of the presence of a large number of international players as a magnet for International Geneva something that is created through frequent interactions or is something that emerges from a collective imagination, that tends to create unmet expectations? The strong trend that emerges from Figure 6-8 is that of frequent interaction between players of the same 'type': 95% of the IGOs report having frequent interactions with other IGOs; 84% of NGOs report having frequent interactions with other NGOs and 70% of MNCs say they have frequent interactions with other MNCs. In about three quarters of the cases studied, IGOs and NGOs also confirmed having regular contact with each other. By contrast, the situation is very different with regard to their interactions with MNCs: 64% of IGOs and 74% of NGOs say they have frequent interactions with MNCs in Geneva. The MNCs 'meet' with even higher figures: in 81% of the cases, the MNCs state they do not interact frequently with IGOs and in 86% of these cases, of do not having a lot of contacts with NGOs¹⁸.

¹⁶ It is important to note here that this question was asked without any link made to the question of influence of different events on the decision of MNCs to maintain their presence in Geneva. It is obvious that in case of failure of a tax agreement with Switzerland's main country partners, relocation would need to be made outside Switzerland.

¹⁷ In order to put the number of 200,000 experts into better perspective, this represents slightly less than a third of the number of visitors to the Motor Show in Geneva, which is held for 10 consecutive days each year.

¹⁸ We find even the results even more pronounced in the responses from the banks, where only 6% interact with IGOs, 11% with NGOs and 28% with MNCs. The level of interaction between banks and other players (from the banks' perspective) is very low.



The interim conclusion is therefore that of a clear separation between a 'public' International Geneva, based on the IGOs and NGOs, and 'private' International Geneva, composed of Swiss and foreign multinationals.

This public-private divide does not necessarily mean, however, that the two sectors are not talking in absolute terms, but simply that this is hardly the case in Geneva, or at least not at the management level, from the companies' general perspective. Consistent with this conclusion, our investigations point out that the Geneva-based MNCs generally have no 'corporate affairs offices' in Geneva. Without elaborating on the reasons for such a decision, the MNCs confirm that their public affairs staff tend to be based in cities such as London, Brussels or even the other side of the Atlantic. Interviews with senior officials of the IGOs reveal that cooperation with the private sector exists, but it is neither initiated nor maintained in Geneva. This cooperation occurs instead at the level of the headquarters of the MNCs, in regional offices or even in the field should the need arise.

If the potential of synergies seems far from being leveraged between public International Geneva and private International Geneva, is it better leveraged in the interactions between International Geneva and 'Local Geneva'? To find out, we administered a questionnaire to local SMEs designed to assess the importance of the presence in Geneva for these companies from various international organizations and multinational corporations, and for their employees. The results of our study underscore in the first place that local SMEs interact to a not inconsiderable extent with the international sector in Geneva. But in the second place, these interactions are mainly focused on the MNCs, the latter generating in 39% of the cases an considerable to highly considerable part of the turnover of local SMEs (by contrast, IGOs and NGOs only have a comparable weight for 15% of the SMEs surveyed).

In sum, Geneva is the scene of numerous interactions between international players. IGOs interact a great deal with the permanent missions as well as with other IGOs. For their part, interactions with the private sector remain limited, with the largest number of MNCs with which the IGOs cooperate not being based in Geneva. Similarly, a large number of NGOs has no headquarters in Geneva, or often nothing but a small (liaison) office. Therefore, the relationship between the organizations tends to take place outside Geneva. This also reflects the general trend towards a decentralisation of the work of the IGOs at the local (or national or regional) level. And when the work is centralised, for example in the case of the UN and its agencies, this is then done in New York rather than in Geneva.

■ *Concentrations of interactions around a few key organizations*

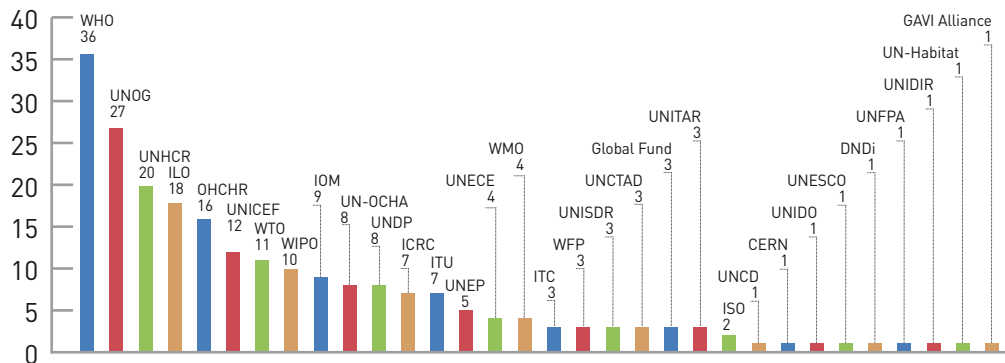
If the interactions are numerous, can we discern varying realities by field of activity? Do certain players play a particularly important role in these activities? In general, are there specific interaction structures in place? Our starting point is the operation of the second part of the following question: 'Do you have frequent interaction with (non-governmental) international governmental organizations based in Geneva or in the region? If so, mainly which ones (list limited to 5 names)?'¹⁹

¹⁹ The response rate for this question remained lower than for other parts of the questionnaire. This is certainly due to a great many factors, but it should be noted that this is often due to an inability to clearly distinguish between and identify an IGO or NGO.



Chart 9 lists all the IGOs cited at least once. If we find a great number of the IGOs based in Geneva, some however seem to be clearly in the process of detaching, including WHO, the United Nations Office at Geneva (UNOG), the International Labour Organization (ILO), the UN High Commissioner for Refugees (HCR) or the UN High Commissioner for Human Rights (OHCHR). However, our aim here is not to establish a ranking in order of importance, but to examine the pattern of these interactions around these various IGOs. Can or may we speak of clusters in International Geneva? We first note some overlap between the list of the most frequently cited IGOs and the five areas of excellence of International Geneva identified by the Joint Report of the Swiss Confederation, the Republic and Canton of Geneva and the City of Geneva, 'La Genève internationale et son avenir' (International Geneva and its Future) of 25 June 2013.²⁰ In fact, WHO is associated with the health sector, while UNHCR, OHCHR and IOM are associated with that of humanitarian affairs, human rights and migration (just one area in the report mentioned above). The ILO, WTO, ITU are important parts of the sectors of labour, economics, science and telecommunications. UNEP is linked to the field of environment and sustainable development. Only the field of peace, security and de-armament seems to have no specialised flagship institution associated with it. Before continuing our argument, it is useful to refer here to the concept of cluster.

Chart 9
IGOs cited²¹



Source: Survey, Fondation pour Genève, 2012-2013.

²⁰ *International Geneva: Centres of excellence and organizations* p. 29.

²¹ From here on out we have kept the acronyms and names of organizations in English where the acronyms/names in French are not officially used by an organization.



Introduced and popularised by Michael Porter²², this notion refers to ‘geographic concentrations of interconnected companies [...] specialised suppliers, service providers, businesses from related industries, and associated institutions such as universities, standards-setting agencies and trade associations] in particular fields that compete but also cooperate’, (Porter, 1998, p.197).²³ In addition to the geographical concentration and the density of interconnection between different types of players, other studies also emphasise the cross-cutting nature of the relationships between dissimilar and complementary businesses [and/or organizations].²⁴ In terms of structure, the literature on clusters reveals three ideal types:

- Clusters where large companies/organizations form a core around which small businesses/organisations are grouped;
- Clusters where all the players play relatively similar roles;
- Clusters with non-systematic relationships.

Using these concepts as a means of interpreting the interactions in International Geneva, what emerges from our surveys and interviews? Beginning with the assumption of a certain centrality by field of the IGOs as seen in Chart 9, in the following pages we examine the characteristics of interactions in nine fields, namely:

1. Health (central organization, WHO);
2. Humanitarian (UNHCR);
3. Human rights (OHCHR);
4. Labour (ILO);
5. Migration (IOM);
6. Trade (WTO);
7. Intellectual Property (WIPO);
8. Telecommunications (ITU);
9. Environment (UNEP).

For each of these fields, Figures 15-24 identify the players cited in our surveys among those with the highest frequency of interaction, indicating the ‘meaning’ of the identification (and separating the types of players (IGOs, NGOs and MNCs)).²⁵

²² Porter, M. E. “The Competitive Advantage of Nations.” *Harvard Business Review* 68, no. 2 (March–April 1990).

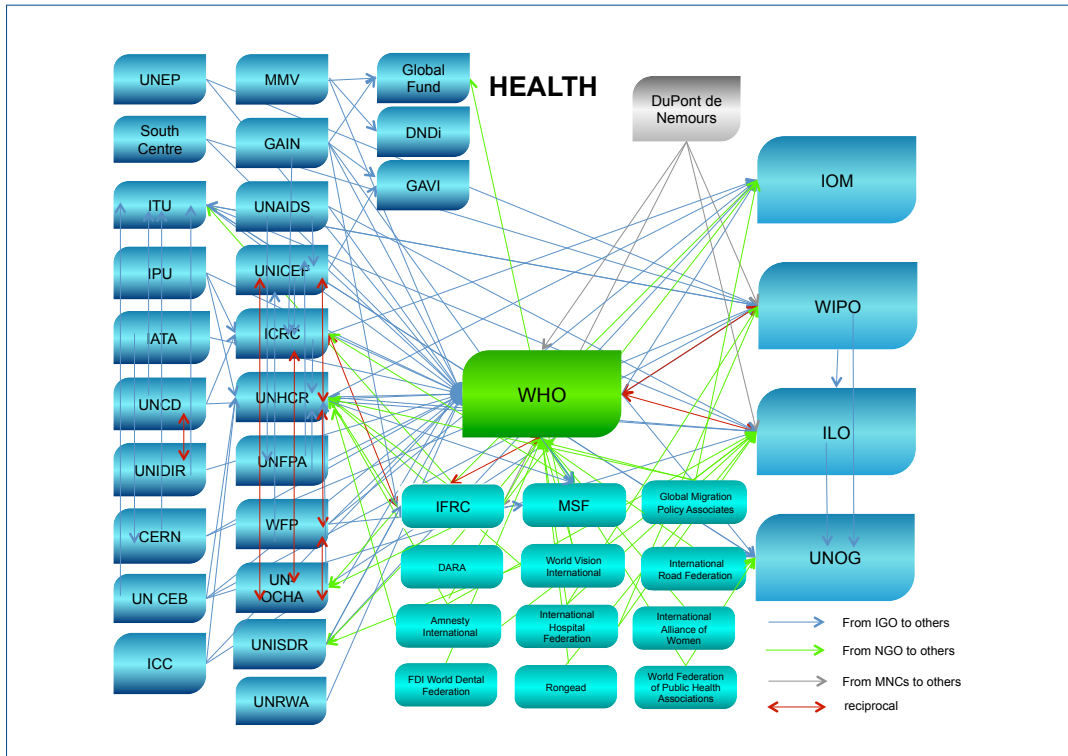
²³ Porter, M. E. 1998, *On Competition*, Boston: Harvard Business School Press.

²⁴ OECD Proceedings, “*Boosting Innovation, The Cluster Approach*”, 1999, p.12

²⁵ This mapping of players and interactions in certain areas may omit players publicly considered important in one or more areas (here we mention the case of the International Organization for Standardization (ISO). This is firstly due to the absence of responses to our surveys by some organizations and secondly to the subjective nature of the interpretation of the degree of importance and frequency of interactions between organizations.



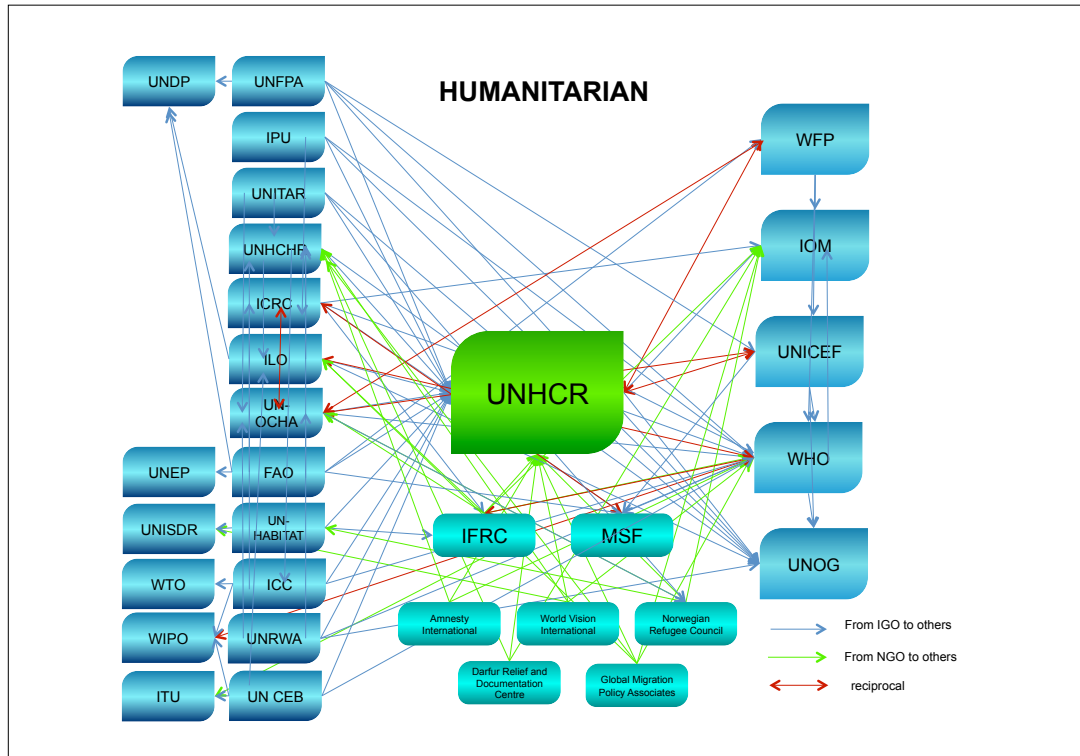
Figure 1: Interactions around the WHO



This is no doubt the field in which the density of interactions appears highest, with a marked centrality of WHO. Here we find both players that are similar (many international organizations that are part of the UN system with direct links to public health issues) and dissimilar by nature (IGOs, NGOs, public-private partnerships) or by their mandate (CERN, UNIDIR, IATA). At a time when public-private partnerships are being celebrated, and WHO is having difficulty in establishing a framework for these relationships, the private players (MNCs) are conspicuous by their absence. This is most likely due to the low response rate of the MNCs to our survey and our requests but perhaps not exclusively.



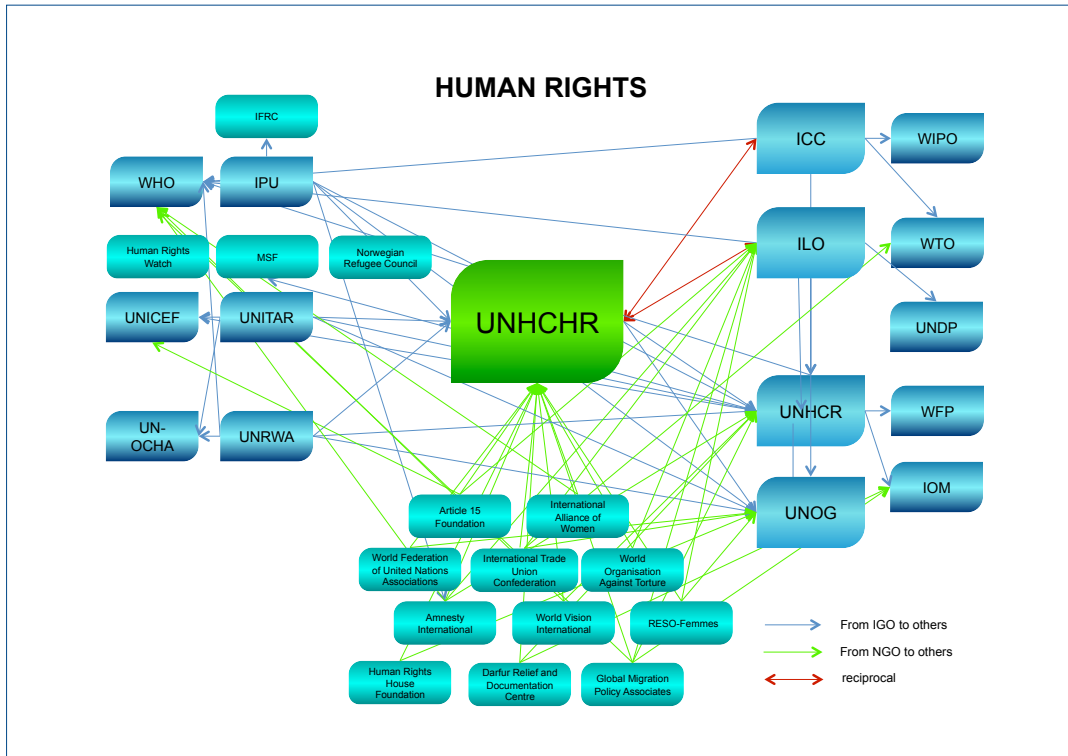
Figure 2: Interactions around the UNHCR



Humanitarian is very clearly one of the fields of International Geneva marked by a high density of players and interactions. Less well known, the UNHCR is a key player in it. We find, as in the case of interactions in the fields of health, both similar players by their nature (IGOs) or mandate (NGOs of IGOs focused on the humanitarian aspect) but also dissimilar players, especially regarding their mandate (WTO, WIPO). It is interesting to note the relative 'isolation' of the ICRC in this field of activity in Geneva, even though it is common to link the development of International Geneva to the creation of this organization.



Figure 3: Interactions around the OHCHR

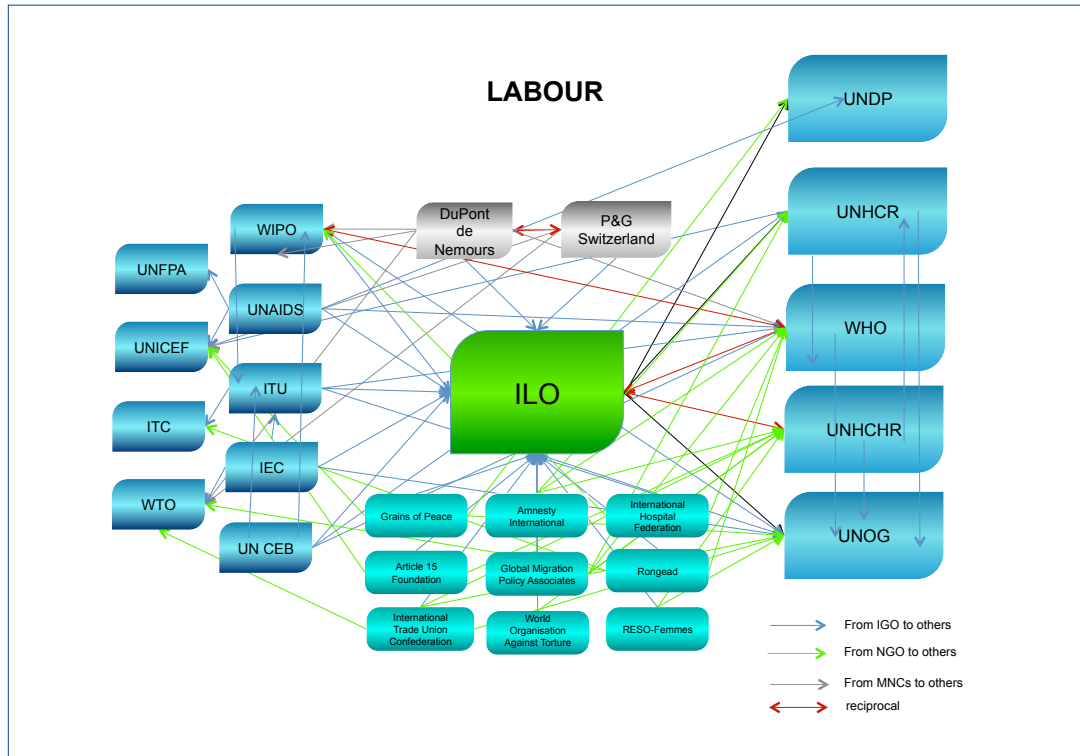


As for the two fields of interactions, health and humanitarian, interactions around the pivotal player, the High Commissioner for Human Rights (OHCHR), reveal a high density. This shows the importance of NGOs that not only 'revolve' around the UN organizations, but have also developed significant direct relationships between them.²⁶

²⁶ A recent analysis of NGO network in four fields (human rights, environment, health and development) highlights the strength of the inter-NGO network in the field of human rights, in clear contrast with the other three fields in which these are both looser and more oriented primarily toward intergovernmental organizations such as WHO (Murdie, Amanda and David Davis, 2012. 'Looking in the Mirror: Comparing INGOs networks across issue-areas'. *Review of International Organizations* 7(2): 177-202.



Figure 4: Interactions that form around the ILO



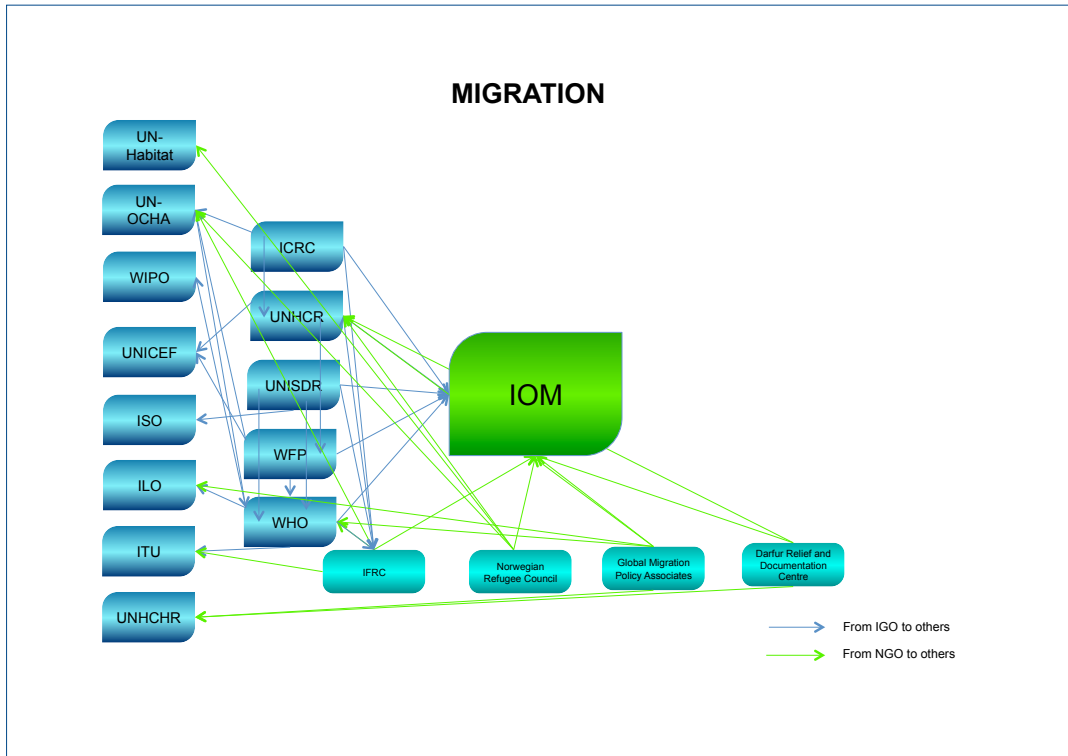
Our surveys reveal a high density of interactions around the ILO, with the inclusion of players very dissimilar in form (multinationals, umbrella organizations, IGOs) and mandate (IEC, WTO, ITU, UNICEF, WHO). The importance of contacts with the ILO mentioned by a number of players in International Geneva is on the one hand hardly surprising given the centrality of labour issues in an integrated world economy, but on the other hand, numerous studies have shown the loss of importance of the ILO in the global governance of labour rights.²⁷ This should perhaps be seen as the result of repositioning strategies by the organization in promoting a broad base of social protection, including the fields of health, education, food, and labour.²⁸ This should perhaps be seen as the result of repositioning strategies by the organization in promoting a broad base of social protection, including the fields of health, education, food, and labour.

²⁷ Global governance of labour rights is more and more done through bilateral trade agreements, various initiatives such public-private partnerships (especially the Global Compact of the United Nations) or private-private (Global Union in Nyon), the codes of conduct issued by international organizations (such as the Organization for Economic Co-operation and Development based in Paris) or codes of conduct for corporate responsibility developed by individual companies.

²⁸ As opposed to the ILO tripartite model, which is based on the interaction between the organization and the representations of the unions and employers, the International Organization of Employers (IOE) does not emerge clearly from the survey in Figure 4, even though it plays the role of secretariat for the group of employers.



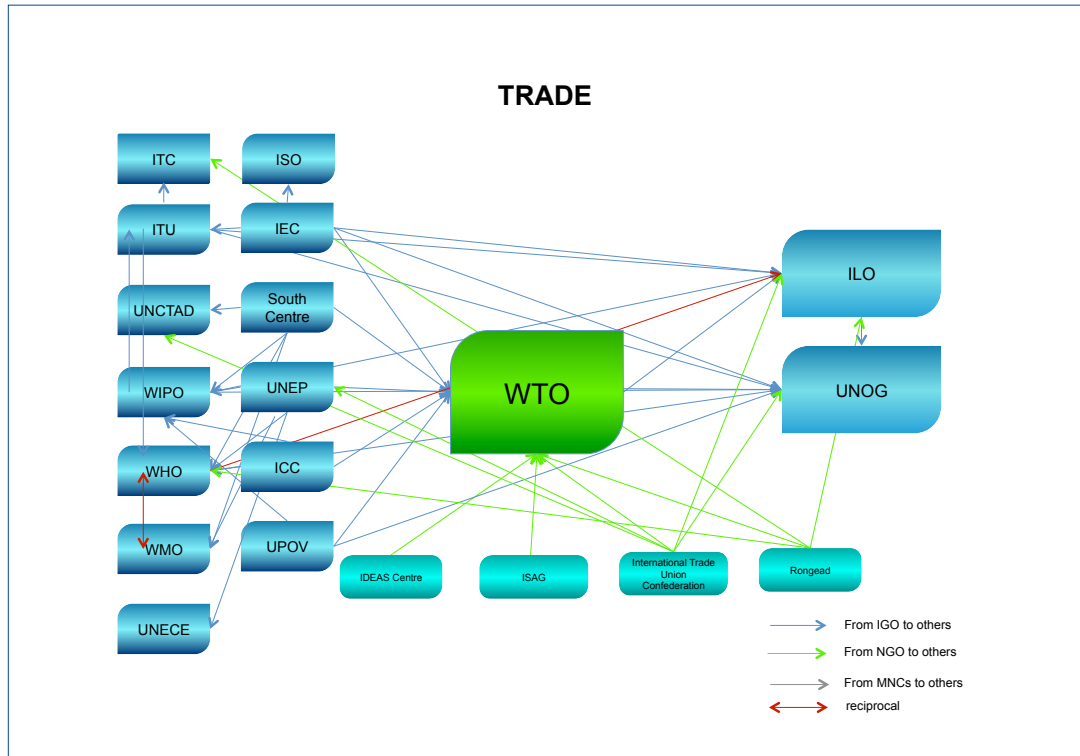
Figure 5: Interactions that form around the IOM



Interactions around the IOM are clearly less dense than those around WHO, UNHCR, OHCHR and ILO. In the aggregate view of the Rapport sur la Genève internationale, the centrality of the IOM would disappear when profiled against that of the UNHCR. Here then we are thus dealing with a less 'independent' field than the previous one, making relationships between more similar organizations more important.



Figure 6: Interactions around the WTO



The WTO is at the centre of interactions between a constellation of players involved in international trade and the regulation of traded goods and services. Around the WTO in particular are key players in the 'Geneva of Standards,' namely ISO, IEC, ITU and to a lesser extent WIPO. As in the case of health, the absence of MNCs in this 'economic' field sticks out, in particular in the trading sector. Given the importance of this sector to International Geneva, we sought to overcome the low response rate to the surveys with a series of interviews with the major players in this sector.²⁹ What was first found was that the interactions with International Geneva were not a primary motivation for setting up in Geneva, but rather political stability, infrastructure of the city, and the presence of skilled labour and tax benefits. We were not able to establish a direct impact of the presence of international organizations for the trading companies. Weak relationships with some IGOs such as UNCTAD, WTO, WFP and FAO exist, but rather in the context of major international conferences or in direct informal contacts between employees (rather than at a management level). Partnerships with NGOs tend to be made on the ground in the countries of operation by companies in Africa or the Middle East.

²⁹ We interviewed representatives from the top management of the ten energy and agricultural commodities trading companies on possible interactions with International Geneva. All asked to be kept anonymous.



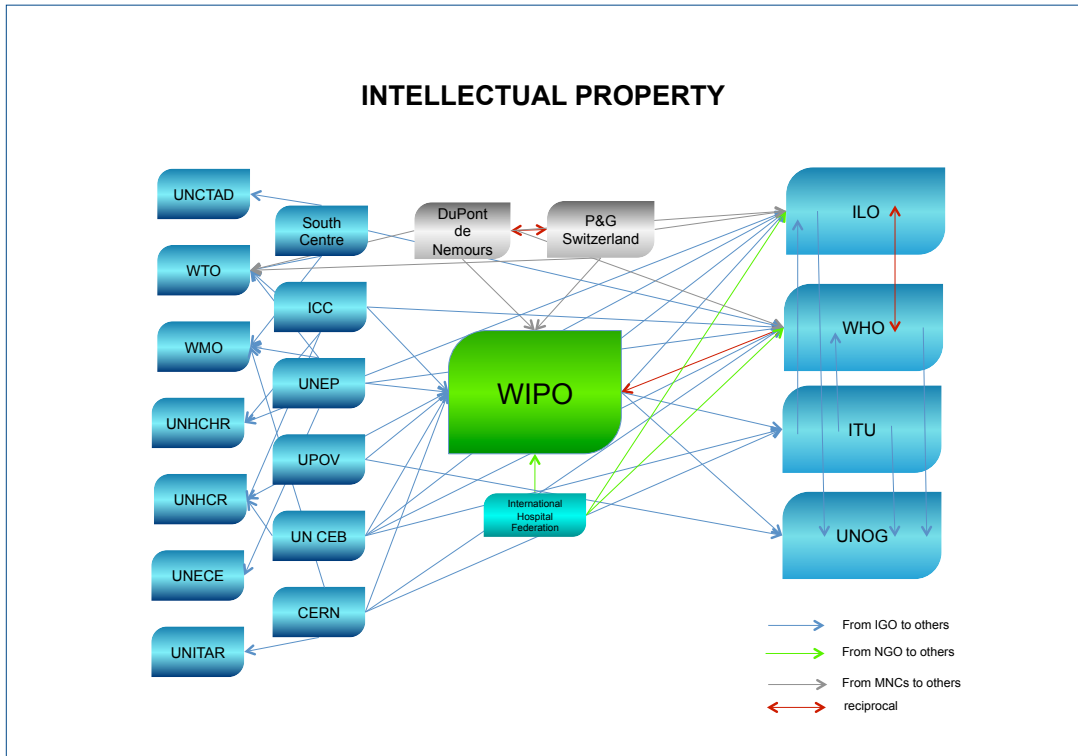
We can conclude that the trading sector remains relatively 'closed' to the potential of International Geneva. Thus there is very little incentive to participate in the 'Global Commodities Forum' – an annual multi-stakeholder meeting organised by UNCTAD since 2010 and which brings together representatives from the public and private sector in order to discuss and find better solutions to recurring problems of the market economy.³⁰ It prefers 'monochrome' meetings between MNCs such as Global Grain Geneva.

But it is undeniable that one can quite certainly speak of a 'trade' cluster based on a dynamic of close interactions between players of the same type and with a panoply of service companies based in Geneva: insurance companies, law firms, accounting firms, charterers, ship owners and inspection and certification services. The banks of Geneva offer a wide range of financial and trade products: guarantees, loans, pre- and post-funding and risk coverage. Institutions of higher education offer training programmes in the field.

³⁰ The last Forum was held on 7-8 April 2014 at the Palais des Nations and was dedicated to the problems of the fight against opacity and better governance of the commodities market. Website of the Global Commodities Forum 2014: <http://unctad.org/en/pages/MeetingDetails.aspx?meetingid=429>



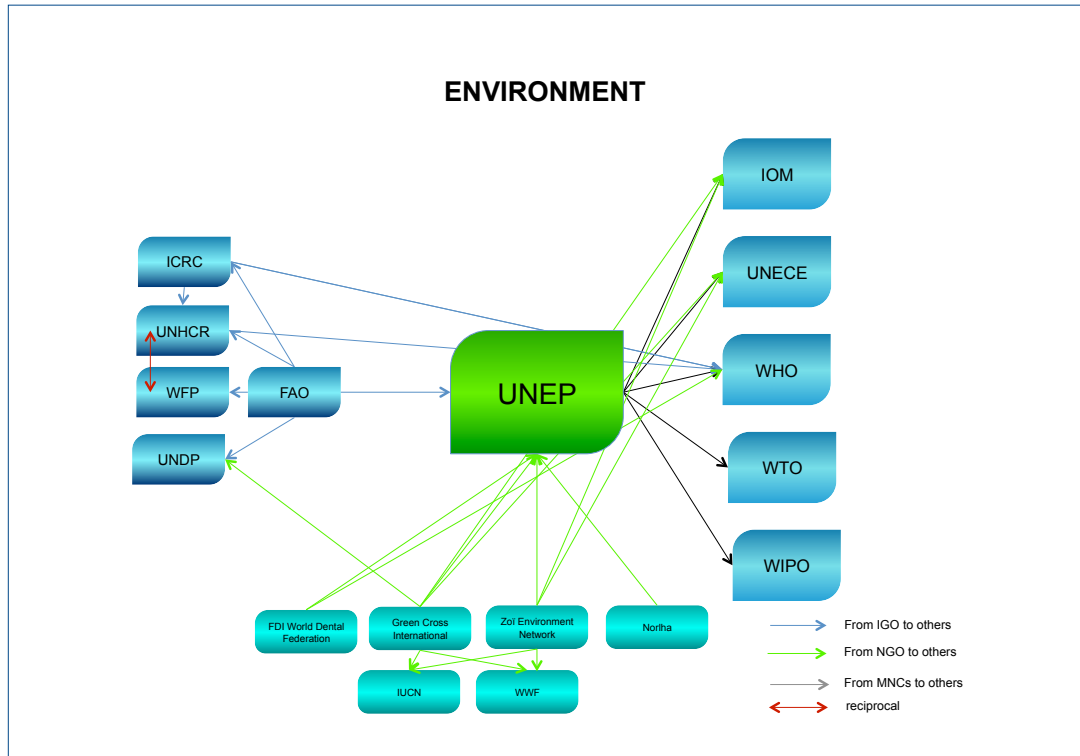
Figure 7: Interactions that form around the WIPO



WIPO is at the hub of interactions to do with intellectual property protection. One can here speak of a network with a rather broad spectrum, to which two major foreign MNCs evidently participate. This however does not fit with the contours of International Geneva of Standards, perhaps revealing that such a Geneva is less than the sum of the parts of its organizations.



Figure 9: Interactions that form around the UNEP



Interactions in the extremely broad field of the environment appear to be of moderate intensity. This may appear surprising in view of the coordinating role of UNEP and the efforts of local (and national) authorities to promote a Geneva network on environmental issues. Although the limits of the efforts to create synergy are real, the impression that emerged from our survey must be qualified for three main reasons. The first is due to the importance of NGOs and intergovernmental organizations in this small field of activities, organizations whose response rates are comparatively lower than other players. The second is due to the thematic splintering of the fields of activity into multiple, largely autonomous niches. The third is the limits of an approach widely perceived to be (and generally intended as such) focused exclusively on the territory of Geneva, neglecting the potential importance of organizations such as the IUCN and the WWF.

All in all, besides the fact that some of the nine fields appear to more closely approach the density levels specific to industrial clusters, we found that the synergies are multi-level and often defy the conventional thinking that assumes that active players in a certain field will always belong to that field. In reality, the division into different fields is quite arbitrary because the interactions are often diffuse and cut across fields. These observations are consistent with the theory of clusters in the sense that it shows that the clusters are cross-sectoral networks. We find that International Geneva is characterised by the complexity of the interactions between different players and the synergies that form go beyond that of belonging to a single field (we often found 'surprising' players in some of



these 'clusters'). Another highlight is the conspicuousness of the MNCs by their absence or indifference to interactions with IGOs and NGOs or their unwillingness to report such interactions. The synergy potential is thus not leveraged and could be deepened especially between public International Geneva and private International Geneva.

■ *Distinct fields of activity but with largely similar professional profiles*

Our analyses in the previous sections establish certain levels of interaction in some fields, allowing for a reserved confirmation of a multisectoral International Geneva. Is this reality found in the socio-economic and professional profile of employees? In other words can we clearly identify a person working in the health field, for example? To provide initial answers to this question, we used the responses of 1,584 people³¹ working in seven fields: 'health', 'trade', 'humanitarian', 'science, research and education', 'transport and travel', 'telecommunications' and 'trading'. The distribution of the responses to the individual questionnaire unfortunately does not allow for working with the nine fields just mentioned. That being said, the fields selected should favour, a priori, a differentiation due to differences in basic skills required in these fields. We have included the trading field, despite the low number of responses to potentially contrast the professional profile type of a field that is largely private compared to the others.

What emerges from the analysis of staff profiles of the seven fields? The most striking fact is that, apart from differences in specialisation of training, the staff from the different fields is hardly differentiated, proving the existence of a recruitment pool that is quite broad and common for a majority of the tasks within in many fields. In all these fields there is a greater proportion of women to men except for fields of science and trade. Little difference is noted with regard to the average age of employees: that of those working in health, commerce and humanitarian is 46 years while in the fields of trading, transport and science it is 42 years. Finally, the fields with the highest average age, 48 years, are those of science and telecommunications. Little difference is noted in brackets of prevailing salary; most employees of all fields considered to earn between CHF 90,000 and 119,000 per year, except for employees in the field of 'transport and travel' (between CHF 120,000 and 149,000 per year) and of trading where salaries are much higher. The vast majority of employees interviewed pursued their training outside Geneva. Graduation rates earned in Geneva is the highest in the humanitarian field, which is also the only field where the number of Swiss employees exceeds the number of employees from other countries. Most respondents indicate that they have been in Geneva for less than five years, except in the fields of trade and telecommunications, where respondents claim to have been in Geneva for a slightly longer time (between 11 and 15 years). The choice to come and work in Geneva is the result of an opportunity for career and/or salary growth for employees in all fields, except for trading, where most have been transferred. In all fields without exception, most non-native Genevans lived in another European city before settling in Geneva. Employees from all fields plan to stay in Geneva for more than 10 years, except for the field of transport and travel, where they expect to stay between 3 and 10 years. In most cases, the family status of the respondents is that of living together as a couple with two children, except for the field of transport and travel, where the majority live as couples without children,

³¹ 48% of questionnaire respondents from staff members of multinational corporations; from staff members of international governmental and non-governmental organizations and permanent missions; and from staff members of international governmental and non-governmental specific organization; version specifically designed for staff members associated with CERN.



and in trading, where the employees tend to live alone and without children. Thus, if most employees have settled in Geneva in response to a professional opportunity, it appears that once settled in Geneva, their inclination to respond to new opportunities abroad decreases in favour of stability, fuelled by the advantages of a large number of local opportunities and undeniable family benefits.

4 CONCLUSIONS

Our study establishes firstly that the number and density of international players present in Geneva are an essential reason for governmental and non-governmental organizations to locate to International Geneva. This is then followed by the conditions offered by the political authorities, the quality of living in Geneva for the employees of these organizations and the geographical position of the city in the centre of Europe. For the players of the private sector, especially banks and multinational corporations, Geneva's attractiveness factors lie mainly in the reputation of the Business Centre and the presence of highly qualified staff.

Second, it appears from our analysis that, once established in Geneva, international players develop frequent interactions amongst themselves. This behaviour is particularly significant for international governmental and non-governmental organizations, but also applies to private sector companies.

Third, it is striking that the interactions, although frequent, tend to remain confined between players of the same type, with, in particular, limited interactions between the public and private sectors.

Fourth, our study highlights the structure and density of interaction in nine activity areas (health, human rights, humanitarian action, work, trade, intellectual property, environment, migration and telecommunications) centred around key organizations. The density of the interactions and diversity of players vary greatly between areas. In some, especially in health, humanitarian action, and human rights, the level of interaction is such that it could be likened the activities characteristic of clusters. However, the nature and direction of interaction tend to move faster than in the configurations of industrial clusters. Furthermore, the interactions tend to overflow the precise contours of each area with the presence of several international organizations in several areas of interaction. In other words, if the interactions are frequent, they tend to be diffuse and transversal to the identified domains. It is also important to highlight the low visibility or presence of multinational companies in each area.

This fact could either reflect a certain indifference on the part of multinational companies, a reluctance to reveal the frequency and nature of their interactions with public sector players, or simply a lack of resources skilled in public relations in the Geneva headquarters of these companies.



GENERAL CONCLUSIONS

The following summary provides a series of statements summarized into 25 points, being the key elements to be learned from the study commissioned by Fondation pour Genève.

1. Contrary to many misconceptions, the composition of staff employed by multinational hardly differs from that of companies that are not part of this group. The Geneva-based economy suffers from a shortage of qualified staff, which forces many companies, especially multinationals, to recruit their staff from abroad. This certainly explains why these companies highly value the level of training level of the staff, which get, all things being equal, higher wages than do employees in non-multinational companies.
2. More generally, our analyses indicate that the 'expatriate' image we have of the foreign population in the international sector is somewhat false. These employees are on average present in Geneva for many years (while a larger turnover was expected) and for the most part want to stay there. The vast majority of them are francophone, although this is less the case for employees of international organizations. These results do not in any case confirm the image of a population disconnected from the rest of the city and a segmentation between International Geneva and its host region.
3. The economic dynamism of the international sector in Geneva has led, over the years, to a change in the demographic landscape of the city and canton, which is the source of major urban challenges for the political authorities. Our analyses have helped to clarify the nature and importance of these challenges. First, the spatial impact of growth is certainly clearly identifiable but Geneva is not on the verge of explosion and remains a small metropolis. Its extraordinary cosmopolitanism is powered by the strong international appeal of the hyper-centre. At the same time, Geneva's cosmopolitanism is poorly controlled because different groups of people of different origins do live together, but they little interact. In addition, there is a risk of disconnection between a globalization 'from above' (socio-cultural elite) and one 'from below' (subordinate labour), which tends to generate an increasing segmentation of the urban space.
4. Our analyses have highlighted that the urban area is characterized by a very high concentration of housing in the centre. As a result, housing opportunities close to the workplace are very limited, especially for the people who have moved to Geneva. This is one reason why most internationals have settled outside the centre, with half of them even living on the other side of the border. As the use of a car is especially important for residents living on the outskirts of the 'city ring', the city's road network suffers from a notorious saturation.



5. International employees in high numbers are very likely to turn to France or the Canton of Vaud to find housing. Indeed, 45% of them look for housing outside the canton, as opposed to only 37% of those in the active workforce in the territory of the Canton of Geneva. Internationals settled for less than 10 years occupy only 5.9% of the housing within the canton. That number rises to 12% when taking the indirect effects into account. Thus, while this population effectively exercises a certain pressure on the housing market, it nonetheless remains relatively weak quantitatively.
6. Furthermore, the difficulties that result from mobility problems in turn lead to a worsening of housing conditions. Indeed, the network saturation and difficulties in transport that ensue increase the attraction for housing downtown and further accentuate the shortage of apartments. Adding to this is the fact that, unlike France, the Canton of Geneva builds very few new homes.
7. Moreover, the difficulty in finding housing especially affects people who are forced to move house and who suffer from of a less developed network of local knowledge. For these reasons, this issue particularly affects the international population. It tends to stay on the outskirts and to pay significantly higher rents than the rest of the population for comparable housing. Depending on the segments, the price can reach twice the cantonal average. This difference fades strongly in the housing market for apartments of more than 6 rooms, the latter not being subject to cantonal regulation of rents.
8. The satisfaction survey that was conducted as part of this research shows that international staff are generally very satisfied with the living conditions, including the geographical framework but are extremely dissatisfied with the difficulty in finding housing and the rent amounts.
9. The main challenges in car traffic today no longer concern the congestion of downtown, but rather, the accessibility of areas central to job seekers from the outskirts of the city.
10. Among the difficulties, the mobility of internationals, very comparable to the Geneva population as a whole, appears to be much less of an aggravating factor than as a symptom, an indicator of structural problems.
11. The weakness of public transport options - especially on the transversal routes to the French towns - is a major obstacle to any shift away from the majority use of individual motorised modes of transport, in large part limited.
12. Today, the car remains the main matrix for spatial planning projects, a questionable prospect that nevertheless seems confirmed in the projects developed for the future of the city.



13. The saturation of transport routes is also due to the shortage of housing in the centre, which very limited construction efforts cannot solve, despite the fact that French elected officials encourage new construction and that the number of jobs is growing central municipalities.
14. Our study demonstrated that the Geneva education system is an important factor in the Canton's attractiveness for the staff employed in the international sector. It shows in particular that 37% of those employed by a multinational company or an international organization living in the Geneva city area has at least one child enrolled in school. For these families, their children's education is paramount. A very high proportion of them (nearly 30%) also use private schools to meet their needs – a percentage that is three times higher than for the native Geneva population. This fact is not trivial since these schools typically cost between CHF 15,000 and CHF 30,000 a year, while the public alternative is free!
15. The excitement generated by the private system can be explained by the quality of the care, which is more personalized. This service is especially popular among newly arrived internationals whose children are likely to face difficulties integrating into a new education system, possibly taught in another language. This is also where another major advantage claimed by these schools; more intensive language support. For example, English or German speaking children are not only taught classes; most of these schools offer bilingual teaching too. This type of service seems particularly appreciated since our analyses indicate that 25.9% of internationals are dissatisfied with the language offer among users of the public system, as opposed to only 6.8% among private sector users.
16. The direct impact generated by foreign multinationals, in terms of value added for the Geneva economy, amounted to CHF 12,4 billion francs, most of which is related to trading activities (38.1%) and financial intermediation (34.8%). To that are added another CHF 7 billion of value added created by the Swiss multinational companies active abroad, but which are the source of significant value added realized on the cantonal territory. Added to these amounts, just for foreign multinationals, must be CHF 1,4 billion in taxes on corporations and individuals accruing to the canton and the communes, a sum amounting to CHF 620 million for Swiss multinationals.
17. Thus, compared to the cantonal GDP, foreign multinationals represent 26.3% of total value added; a percentage that rises to 41.2% if we also add to it the direct contribution of multinationals from Switzerland. Only for the tertiary sector did this share reach 43.5% of the value added generated by this sector. Foreign institutions alone form 63.7% of the value added realised by multinational companies located in the canton territory.
18. The indirect impact generated by spending by the businesses and their employees in the canton and its region represents only CHF 3,5 billion for foreign multinationals, of which 84% are made in the cantonal territory alone, 10% in neighbouring France and 6% for the Canton of Vaud. For Swiss multinationals, indirect spending was evaluated at CHF 2,3 billion.



19. The multiplier effect caused by the direct and indirect impacts generates an additional CHF 3 billion in value added for the region, for foreign multinationals, and CHF 2 billion for Swiss multinationals. Most of these multiplier effects benefit the Canton of Geneva, but the region itself also profits from this in no small measure.
20. Totalling up all effects, the contribution of foreign multinationals came to CHF 18,8 billion and CHF 11,3 billion for Swiss multinationals. To get a full picture of the contribution of International Geneva to the cantonal and regional economy, we must also consider the contribution from the international public sector amounting to CHF 4,3 billion in direct value added; CHF 1,5 billion in indirect impact (spending, including staff employed); and CHF 1,3 billion in multiplier effects, so that we reach a total contribution to the regional economy from this sector amounting to CHF 7 billion.
21. The number and density of international players present in Geneva are an essential reason for governmental and non-governmental organizations to locate to International Geneva. This is then followed by the conditions offered by the political authorities, the quality of living in Geneva for the employees of these organizations and the geographical position of the city in the centre of Europe. For the players of the private sector, especially banks and multinational corporations, Geneva's attractiveness factors lie mainly in the reputation of the Business Centre and the presence of highly qualified staff.
22. Once established in Geneva, international players develop frequent interactions amongst themselves. This behaviour is particularly significant for international governmental and non-governmental organizations, but also applies to private sector companies.
23. Third, it is striking that the interactions, although frequent, tend to remain confined to players of the same type, with, in particular, limited interactions between the public and private sectors.
24. The structure and density of interaction in nine activity areas (health, human rights, humanitarian action, work, trade, intellectual property, environment, migration and telecommunications) centred around key organizations. The density of the interactions and diversity of players vary greatly between areas.
25. In some areas, especially in health, humanitarian action, and human rights, the level of interaction is such that it could be likened the activities characteristic of clusters. However, the nature and direction of interaction tend to move faster than in the configurations of industrial clusters. Furthermore, the interactions tend to overflow the precise contours of each area with the presence of several international organizations in several areas of interaction. In other words, if the interactions are frequent, they tend to be diffuse and transversal to the identified domains. It is also important to highlight the low visibility or presence of multinational companies in each area. This fact could either reflect a certain indifference on the part of multinational companies, a reluctance to reveal the frequency and nature of their interactions with public sector players, or simply a lack of resources skilled in public relations in the Geneva headquarters of these companies.



The analyses developed in this third memorandum highlighted the crucial importance of International Geneva for the cantonal economy. This preponderance becomes particularly evident in terms of employment, value added and taxes, which represents this sector for the whole economy, but also illustrates its role in the clusters that link the private and public sector, businesses, large and small, to international organizations, governmental or not. To emphasise this importance is also to highlight the need to examine the vulnerabilities that could call into question the presence of these organizations and these international businesses in Geneva. They relate in particular to:

- Referenda, such as those from the initiative against mass immigration of 9 February 2014. They are often addressed, including at the federal level, by disregarding the consequences of these choices for businesses and international organizations that do not have a political lobby;
- External factors, including short-term, cyclical factors, such as the appreciation of the Swiss franc, which may affect the attractiveness of Geneva relative to other locations that offer very comparative advantages;
- The housing shortage in the centre and nearby;
- The intensity of commuting between the outlying, residential communes, and an job magnet centre;
- The inadequate public transport offer, especially in the city centre but also in the outskirts, which impacts the comfort, reliability and speed of this mode of transport;
- The quality of the Geneva educational system, both public and private, which is struggling to meet all needs, particularly in terms of teaching languages, in order to meet the demand from staff of international companies and organizations.

These vulnerabilities should be constitute the key priorities today for a comprehensive public policy aimed at providing favourable framework conditions for maintaining a strong international sector in Geneva. The policy responses made to these priorities will allow us to not only strengthen the position of the sector within the region, but at the same time help to improve the well-being of the entire population too. This confirms that far from being conflicting, the interests of the international sector converge with those of the rest of the local and regional economy. From this point of view, a policy built around clusters identified in this memorandum, aimed at strengthening them, is undoubtedly a priority for the cantonal and federal authorities.



APPENDIX: LIST OF ACRONYMS

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ACWL	Advisory Centre on WTO Law
CCDP	Centre on Conflict, Development and Peacebuilding
CD	Conference on Disarmament
CEB	United Nations System Chief Executives Board for Coordination
CERN	European Organization for Nuclear Research
CNUCED	United Nations Conference on Trade and Development
DNDi	Drugs for Neglected Diseases Initiative
ECOSOC	United Nations Economic and Social Council
EFTA	European Free Trade Association
EPFL	École Polytechnique Fédérale de Lausanne
FAO	United Nations Food and Agriculture Organization
FDFA	Federal Department of Foreign Affairs
FIND	Foundation for Innovative New Diagnostics
GAIN	Global Alliance for Improved Nutrition
GAVI	Global Alliance for Vaccines and Immunization
GCSP	Geneva Centre for Security Policy
GEM	Groupement des Entreprises Multinationales
GEN	Geneva Environment Network
GGKP	Green Growth Knowledge Platform
GPP	Geneva Peacebuilding Platform
GTSA	Geneva Trading and Shipping Association
IAEA	International Atomic Energy Agency
IATA	International Air Transport Association
IBE	International Bureau of Education
ICC	International Computing Centre
ICRC	International Committee of the Red Cross
IEC	International Electrotechnical Commission
IEH	International Environment House
IFRC	International Federation of Red Cross and Red Crescent
IHEID	Graduate Institute of International and Development Studies
ISAG	Investment Strategists Association of Geneva
ISO	International Organization for Standardization
ITC	International Trade Centre
MDG	Millennium Development Goal
MMV	Medicines for Malaria Ventures
OHCHR	United Nations Office of the High Commissioner for Human Rights
PM	Permanent Mission
SC	South Centre
UNECE	United Nations Economic Commission for Europe
UNHCR	United Nations High Commissioner for Refugees
MSC	Mediterranean Shipping Company



MSF	Médecins Sans Frontières (Doctors without Borders)
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OCSTAT	Cantonal Statistical Office
FOEN	Federal Office for the Environment
IGO	International Governmental Organization
IOM	International organization for Migration
OIPC	International Civil Defence Organization
ILO	International Labour Organization
WTO	World Trade Organization
WMO	World Meteorological Organization
WIPO	World Intellectual Property Organization
WHO	World Health Organization
NGO	Non-governmental Organization
UNIDO	United Nations Industrial Development Organization
UNOG	United Nations Office at Geneva
UNAIDS	Joint United Nations Programme on HIV/AIDS
WFP	World Food Programme
PDP	Product Development Partnership
SME	Small and Medium-sized Enterprises
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
PPP	Public-Private Partnership
QUONO	Quaker Office at the United Nations
HR	Human resources
SDN	Société des Nations (League of Nations)
SGS	Société générale de surveillance
UNISDR	Secretariat of the International Strategy for Disaster Reduction
ISAT	International Society of Aeronautical Telecommunications
MNC	Multinational Company
IUCN	International Union for Conservation of Nature
IPU	Inter-Parliamentary Union
ITU	International Telecommunication Union
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNICEF	United Nations Fund for Children
UNIDIR	United Nations Institute for Disarmament Research
UNITAR	United Nations Institute for Training and Research
UNRISD	United Nations Research Institute for Social Development
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UPOV	International Union for the Protection of New Varieties of Plants
WWF	World Wildlife Fund



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