Swiss multinationals facing the creation of international guidelines in the 1970s
Between foreign diplomacy and coordinated capitalism

The 1970s wave of criticism against multinationals: an introduction

During the last decade, we have seen an increased opposition to globalization and its various implications, such as free trade, immigration and the international division of labor. Within this wave of criticism, firms and more specifically multinational corporations (MNEs) have been major targets, accused of multiple wrongdoings, such as social dumping, fiscal evasion, job cuts, trade deficits, abuses of power and environmental damages. In many respects, this debate echoes the one that took place during the 1970s with respect to oil shocks, de-industrialization and imperialism. At that time, several international organizations, such as the Organization for Economic Co-operation and Development (OECD), the Economic and Social Council (ECOSOC), The International Labor Organization (ILO) and the European Community (EC) started to address the issue of multinationals and international investments, and advocated for the creation of guidelines to regulate their activities.1 Relying on archival material from the Swiss Union of Commerce and Industry and the Federal Archives, the following paper explores the reactions of Swiss multinationals to these attempts, as well as their strategies for protecting their latitude in conducting business.

This article seeks to contribute to our understanding of the political role of MNEs at different levels. First, the inquiry leads us inside Switzerland, with an analysis of political cooperation between firms and the relationships MNEs have with the government, i.e., the functioning of the Swiss capitalist system. Secondly, the examination of the archives of the Swiss Union of Commerce and Industry and Industry soon uncovers the transnational ramifications of the MNEs' lobbying activities and the channel of influence they have sought to create to reach international organizations. Studying the strategies of MNEs for

dealing with the creation of international guidelines is particularly worthy of interest since, so far, the political and institutional role of MNEs has received much less attention from business historians than their economic strategies or their organizational forms. One explanation for that oversight might be found in the legacy of Alfred Chandler, who contributed to making the hand of managers so visible and to drawing attention to economic efficiency to the extent that this somewhat eclipsed other issues around business activities, such as the involvement of entrepreneurs in the political arena at the national and international level.

Since the publication of the book by Peter Hall and David Soskice in 2001, business historians have started to pay more attention to varieties of capitalism and the related functioning of relations between firms within business interest associations, as well as the relationships between companies and governments. As Martin Jes Iversen puts it, “the critical question remains how companies, viewed in a historical perspective, shaped institutional settings and used these settings as important resources for growth.” To that end, several scholars have recently drawn on the concept of the institutional entrepreneur to show how some company leaders went beyond their traditional Schumpeterian role of entrepreneur and actually influenced institutions in order to benefit their companies. This notion is interesting, since it aims at finding a balance between path dependency and institutional change, by studying actors' embedded agency. Nevertheless, because of its positive connotation, the concept of institutional entrepreneurs has led to a lack of interest in the political and institutional activities of business leaders to hinder or undercut the creation of new institutions. Indeed, as sociologist Tim Bartley underlines regarding the influence of MNEs on international institutions:

There is little doubt that companies have inhibited the development of global governance in some arenas, particularly with regard to labor rights, climate change, hazardous substances, and corporate taxation. [...] Specifying exactly what has been inhibited and how, though, is more difficult. Scholars typically focus on governance arrangements that have emerged, rather than looking for failed cases or the watering

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down of rules over time. Additionally, it is usually easier to observe government representatives negotiating final versions of treaties than corporate actions prior to that point.8

Business historians, by drawing on internal and confidential archival materials, have a privileged vantage point from which to study MNEs' attempts to influence or to prevent the development of institutional settings, as some recent works focusing on the role of companies and business interest associations in shaping US and British politics have shown.9 Indeed, a large part of this influence takes place behind closed doors and is therefore difficult to grasp from public sources. It is with good reason that Kim Philips-Fein uses the expression "invisible hands" in the title of her book to underline the role of some business leaders in building the conservative counterattack against the new deal in the US.10 Moreover, as the political scientist Pepper Culpepper theorized and tested, such quiet politics are even more important to study since business leaders and their lobbying associations tend to be more successful when they can act outside the public sphere, and when the legitimacy of their expertise is taken for granted, without being subjected to political struggle.11

Furthermore, qualitative internal documents coming from business interest associations, such as minutes of meetings and correspondence, allow us to enter into the complexity of the coordination mechanisms between firms and government officials and fill in our understanding of the characteristics commonly attributed to Switzerland in the varieties of capitalism literature. Indeed, relying on secondary sources and quantitative data, Peter Katzenstein uses the expression “democratic corporatism” in order to underline the prevailing “voluntary and informal coordination of conflicting objectives through continuous political bargaining among interest groups, state bureaucracies, and political parties”.12 In a similar vein, and drawing on networks analysis, several scholars have spoken of coordinated capitalism to characterize the Swiss capitalist system, at least until 1990;13 showing dense networks between firms’ executives on boards of directors, as well as strong ties with the federal

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10 Pepper D Culpepper, Quiet Politics and Business Power: Corporate Control in Europe and Japan (Cambridge, 2011).
Although these characterizations are credible, these types of analysis do not permit a concrete understanding of the way coordination works. Besides, these studies are limited to national logics of coordination and cannot uncover secretive transnational connections. The material used in this article therefore constitutes a valuable opportunity to concretely illustrate the functioning of the Swiss capitalist system and also show how it shapes MNEs’ behavior at the international level.

First, the following analysis demonstrates how important it is not to read history backwards and to conclude too easily that international guidelines never constituted an important issue for multinationals. Quite the contrary; by analyzing discussions within Swiss MNEs, this article uncovers how their perceived fear constituted a strong motivation to engage in lobbying activities. It shows how coordination was the first instinct for a small group of Swiss multinationals in dealing with the creation of international guidelines, which could have undermined their freedom to conduct business. Second, the analysis demonstrates the existence of close ties between this informal group of multinationals and a few key players in the federal government, as well as the main employers’ association, which is representative of the Swiss capitalist system in determining the direction of federal strategies in international negotiations. This case study also confirms the minor role played by the Swiss labor unions in defining Swiss foreign diplomacy, calling into question the democracy of the Swiss coordination system. Third, this paper highlights attempts on the part of Swiss multinationals to recreate some well-established coordination mechanisms with some of their foreign counterparts, as well as with international business interest associations, such as the International Chamber of Commerce (ICC) and the Union of Industrial and Employers’ Confederations of Europe (UNICE).

The empire strikes back: the creation of the Swiss multinationals’ informal task force

During the 1970s, the leading figures of Swiss MNEs had to acknowledge that their business activities would be a matter of political and public concern for years to come. Indeed, in its 1973 annual report, Industrie-Holding, the association of Swiss multinational companies noted that “MNEs have been a fashionable topic for politicians, academics and journalists. The number of publications in this domain is significant.” The “multinational” or “transnational” activities of companies soon became a concern in international organizations as well, such as the OECD, ILO, ECOSOC and the European Community. This sudden attention as well as the regulatory processes launched in several international institutions were concerning to executives of major Swiss multinational companies. Indeed, in a meeting organized by the Division of Commerce in June 1974 which brought together representatives from the chemical industry (Ciba-Geigy, Roche, Sandoz), the machine industry (BBC, Sulzer), the food-processing industry (Nestlé), the banking industry (UBS, Kreditanstalt) and business interest associations (such as Industrie-Holding

15 Industrie-Holding, Jahresbericht (1973), 10. [Authors’ translation].
and the Swiss Union of Commerce and Industry), the general opinion of the Swiss business community on international guidelines for MNEs was clear. "At best, no guidelines and absolute freedom." Unfortunately for them, it was soon obvious that the ongoing regulatory processes launched by international organizations could not be stopped, but in the best case scenario, they could be slowed down and/or driven in the least harmful direction.

Regarding the guidelines, various matters were at stake for the MNEs. The first matter of concern was their legal scope. In the Swiss MNEs' view, the code of conduct should be of a non-binding nature, and the final choice to follow the recommendation or not should remain in the hands of executives. A second matter of concern was the definition of what exactly was considered a "multinational company". The representatives of Swiss MNEs feared that their companies might be discriminated against because of their status if the definition was too restrictive and did not include small firms, state-owned enterprises or national companies. Therefore, they advocated for a broad definition, based only on a single geographic criterion: having at least one subsidiary outside the home economy. Another matter of concern was the symmetry between the rights and duties of MNEs and those of the host state. The MNEs did not want to be judged on the international stage since they already had to respect national laws. On the contrary, they saw in the guidelines an opportunity to secure their private property by fostering the creation of international arbitration mechanisms in case of nationalization. Finally, yet importantly, Swiss MNEs feared a strengthening of the role of labor unions if the code should specify labor rights not existing thus far in Switzerland, such as workers' participation or the right to corporate information. In addition, they wanted to keep labor relations decentralized and to avoid by any means necessary direct negotiations between labor unions and company leadership. Various battle lines were therefore drawn upon the guidelines, where the MNEs' interests might oppose the interests of labor representatives in addition to the interests of developing countries or communist economies.

In light of these issues, some of the most prominent Swiss MNEs decided to create an informal task force, called the Wirtschaftspolitische Arbeitsgruppe über multinationale Gesellschaften in September 1972. Describing the international ramifications of Swiss industries, sociologist François Höpflinger published a book during the 1970s entitled, The Swiss Empire. Consequently, in following the activities of the Swiss MNEs task force, this case study analyzes how "the Empire Strikes Back". In the Swiss Union and Commerce of Industry archives, the first available minutes of one of those Swiss MNEs group meetings dates from 1973, and was written by its first coordinator, Christoph Eckenstein, who was a Swiss diplomat and former special counselor to Raul Prebisch when he was general secretary of the

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17 A second similar task force was created at the same time, the so-called "Sozialpolitische-Arbeitsgruppe" meant to deal with issues related to labor unions. Unfortunately, very few documents were available in the archive regrading this second group.
Upon his death, Christoph Eckenstein was replaced in 1974 by Otto Niederhauser, director of the pharmaceutical company Ciba-Geigy and head of the Federal Office for National Economic Supply, a member of the economic and federal administrative elite. Otto Niederhauser would remain at the head of the task force until 1984, ensuring a decade of leadership and sustained cooperation. All members had high ranking positions in the following multinationals: Nestlé, Roche, Sandoz, Ciba-Geigy, BBC and Sulzer. Alexandre Jetzer, secretary of the Swiss Union of Commerce and Industry was also a permanent member as well as Theodor Faist, secretary of Industrie-Holding. In some meetings, high-ranking officials were invited, the most frequent being Hans Schaffner, former president of the Swiss Confederation, Paul Jolles, head of the Foreign Economic Affairs Directorate and Philippe Lévy, head of the Division of Commerce. Task force membership was therefore already indicative of the strong existing ties within the business sector and some departments of the federal administration. The meetings took place an average of five times a year.

The creation of the Swiss MNEs task force was justified by hardship, as its members noted for its tenth anniversary:

The efforts of the industry to promote a better investment climate dates notoriously back to 1972. [...] A tightening of the debate and the deterioration of the international investment environment occurred in 1973 after the overthrow of Allende. The vehemence surrounding the discussions about MNEs in ECOSOC, ILO, EC, OECD and elsewhere prompted us to initiate our two task forces, and to have a closer look at further evolutions.

The goal was clearly to create a united front in reaction to what was then at least a perceived danger. It echoes Peter Katzenstein’s view, who, in reflecting back on his own work on small states, underscores that not only was the objective data of openness important, but that “what really mattered politically was the perception of vulnerability, economic and otherwise” and the ideology of the partnership it induced. The notion of perceived vulnerability seems indeed critical to understanding company strategy in this context, as well as the laborious and time-consuming coordination that was required. In the task force meeting minutes, MNEs’ representatives indeed constantly referred to their activity mostly as defensive.

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19 Database “élites suisses au XXe siècle”, University of Lausanne, URL: https://www2.unil.ch/elitessuisses/index.php?page=detailPerso&idIdentite=53336.
20 Wirtschaftspolitische Arbeitsgruppe MNG, minutes of the meeting, 29 June 1981. AfZ, IB Vorort-Archiv, 291.4.2.2.1.3. During this meeting, the task force celebrated its 10 anniversary and its 50th meeting.
21 Wirtschaftspolitische Arbeitsgruppe MNG & Sozialpolitische Arbeitsgruppe MNG, 60. & 33. meeting, 1 November 1983. AfZ, IB Vorort-Archiv, 291.4.2.2.1.4.
The informal MNU task force had two related goals. The first was to influence the spread of information on MNEs in order to improve their image. The second was to follow and influence international negotiations regarding the guidelines. Regarding information, among other efforts, in 1976 Nestlé created the Institute for Research and Information on Multinationals (IRM), based in Brussels and then in Geneva. In addition, the Swiss MNEs were following through the task force each new published study, article, statement and colloquium regarding their business activities. For example, they liked the work of Charles Iffland, an economist from the University of Lausanne, on Swiss FDI in Brazil, but considered sociologist Peter Heinz's research project “extremely hostile to multinationals”, and hoped that he would not get funding from the Swiss National Science Foundation. It is also interesting to note that Swiss MNEs refused to deliver data to the famous internalization specialist John Dunning in 1976, stating that his study was too detailed. Outside the academy, the press, leftist critics, religious movements and especially those of the World Council of Churches (WCC) based in Geneva were sources of concerns. Here again, one sees MNE's perceived vulnerability to continuous attacks.

Regarding international negotiations, the task force wanted to avoid the creation of new rights and new institutions that could “lead to an escalation and end up as a wailing wall”. In order to prevent this from happening, the first move of the MNEs was to establish a “Swiss perspective” on the question of international guidelines by assembling and summarizing individual viewpoints. To do so, the task force took the ICC document “Guide for International Investments” and the related releases written by Industry-Holding's members. This act was typical of the traditional way of finding a defendable consensus within private interests in Switzerland. The umbrella organization would consult their members (i.e. companies) through the distribution of communications. When all individual viewpoints were collected, the umbrella organization would then write a summary of the common interests of the concerned economic group. This is what happened with the MNEs' informal task force as well, and once the Swiss MNEs' common view was settled, the next step was to find the means to communicate it. The next two sections will describe how the MNEs proceeded, first by sharing their coordination efforts at the national level and then at the international level.

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24 Christoph Eckenstein, Minutes of the Meeting in Baden, 11 April 1973. AfZ, IB Vorort-Archiv, 291.4.2.2.1.1.
27 Wirtschaftspolitische Arbeitsgruppe MNG & Sozialpolitische Arbeitsgruppe MNG, 60. & 33. meeting, 1 November 1983, AfZ, IB Vorort-Archiv, 291.4.2.2.1.4.
29 Christoph Eckenstein, meeting in Baden, 11 April 1973. AfZ, IB Vorort-Archiv, 291.4.2.2.1.1.
Economic interest or general interest? The definition of Swiss economic foreign diplomacy

The first way for Swiss MNEs to influence international negotiations is to collaborate with official representatives of the Swiss government and to plant "experts" from their own circles in these areas whenever possible. In the mid-1970s, the Swiss MNEs task force was closely following the negotiations at the OECD and ECOSOC and a bit less at the CE and ILO. MNEs voiced concerns about the CE raised at the beginning of the 1980s with the "Vredeling Initiative" which was aimed at introducing the union right to information and representation at the CE level, and the "Caborn Report" which listed the advantages and disadvantages of the MNEs’ activities. Between the UN and the OECD, the environment was dearly less hostile to MNEs in the OECD since it assembled industrialized countries, and Switzerland had an official membership. The MNEs task force recognized this strategic consideration: “The negotiations at the OECD are for us especially important, since the OECD is a tribune of which our country is an official member; here its voice can be heard directly.”

Two Swiss representatives were at the head of the main organizations dealing with MNEs issues, and vouching for the importance of Switzerland as the home country for these types of companies. Paul Jolles was in charge of the Executive Special Committee dealing with the questions of international investments and MNEs, and Philippe Lévy was in one of its expert subgroups. Both of them maintained close ties with the informal Swiss MNEs task force, participating in meetings and sending confidential documents such as the 1974 report by the OECD Secretary General entitled, Questions concernant l'investissement international y compris les activités des entreprises multinationales. Besides these ties with Swiss officials, the Swiss business community was also well integrated in the Business and Industry Advisory Committee to the OECD (BIAC) and in all groups dealing with MNEs issues (See figure 1).

During informal discussions of the MNEs task force, hosted at the offices of Ciba-Geigy in October 1974 and in the presence of Paul Jolles, the MNEs' representatives advocated for a “Swiss dampening attitude”, since the OECDE tended to go far in its investigations.\(^{32}\) Therefore, even within this a priori rather business-friendly association, the Swiss business community involved in international production activities had avoided being the center of attention.

Even more worrisome for them was the United Nations' resolution to put together a general report on MNEs conducted by experts, called the “Group of Eminent Persons”. This initiative was the result of the accusation of interference in Chilean politics allegedly by International Telephone and Telegraph, a US multinational. Due to the importance of Swiss MNEs, Hans Schaffner, former president of the Swiss Confederation and vice-president of the executive board of Sandoz, was chosen to be part of this selective group of twenty experts. Unfortunately, as for the OECD, we do not know exactly how the Swiss diplomacy managed to have its experts appointed over other countries' experts, but what is sure is that they were in constant contact with the informal Swiss MNEs task force. In a win-win relationship, Hans Schaffner kept the other MNEs' representatives informed on the progress of the negotiations, and they provided him data and useful material to strengthen his case.\(^{33}\) During the negotiations in autumn of 1973 in New York, he was directly assisted by H. Glättli, another representative of Sandoz and member of the MNEs task force. Swiss business leaders were also represented by Pierre Liotard-Vogt, CEO of Nestlé, at the hearings in Geneva in November 1973, where about 30 experts from various

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\(^{32}\) ibid.

domains (developing countries, MNEs, academics and other relevant interest groups) had to answer questions. A month before this session, Hans Schaffner participated in a task force meeting at the Hotel Bellevue in Bern where the firms' delegates delivered a document to him which summarized their views and followed the questionnaire that the ECOSOC secretariat had prepared for the hearings. This procedure is indicative of the Swiss business collective defense, since the content of Pierre Liotard-Vogt’s statement was the result of prior work for which Hans Schaffner provided the questions and all the MNEs' representatives helped formulate the best responses.

The minutes of the task force also retrace a few informal discussions between Hans Schaffner and the MNEs' representatives about the other members of the Group of Eminent Persons and their thoughts on the negotiations. First of all, Hans Schaffner depicted “The East River Bureaucracy” as hostile, and noted with concern the “axiom” thinking of Philippe de Seynes, the associate General Secretary of Social and Economic Affairs, considering that "so much power in the hands of so few MNEs was inadmissible.” Here again, a defensive attitude was evident on the Swiss side, and the former president of the Swiss Confederation expressed a great deal of mistrust regarding some of his colleagues in the Group of Eminent Persons. For instance, he judged the nomination of the French economist Pierre Uri as "worrisome", and describes the Dutch former president of the European Commission, Sicco Mansholt, as a “perfidious left-wing extremist.” Hans Schaffner had no better opinion of the German socialist Hans Matthöffer, and hoped that he would not harm the Swiss interests with his linguistic limitations. The economist John Dunning was perceived as “impartial”, and the Japanese Ryutaro Komiya was seen as one of his best allies, lacking “punch” tough. These very often (and to some extent undiplomatic) exchanges of viewpoints are indicative of the atmosphere of trust and confidentiality prevailing among the informal task force of Swiss MNEs. It also shows how the MNEs’ top executives were ready to spend time and energy because of their perception that their enemies were numerous. It also confirms Samuel Beroud’s and Thomas Hajduk’s view that the apparent neutrality of international instance should be questioned, and that the role of so-called “experts” and their motives should be investigated.

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Swiss efforts to influence the OECD and UN work experienced mixed results. At the OECD, the guidelines adopted in 1976, if not perfect, were at least tolerable for the Swiss business community. The code had a non-binding nature, and was not aimed at hindering the needed restructurings. At best, it dampened their surprise effect by informing the labor unions and authorities before the final decision regarding mass redundancies. Once the code was adopted, the Swiss diplomatic staff and especially Philippe Lévy, who participated in writing the text, were willing to prompt the Swiss business community to state publicly their support and willingness to implement its recommendations. According to his view, a “wait-and-see attitude could, in the long run, reinforce the convictions of those who have always professed that non-binding would never have the appropriate impact because of companies’ lack of will, and that only mandatory instruments would have the desired effect at the national and international level.”

Indeed, since something had to be given, at least symbolically, the OECD guidelines were clearly a lesser evil. The Swiss MNEs’ representatives looking backwards in 1983 recognized that this code, in comparison to other regulatory initiatives, was “closest to the needs of the economy as well as the most balanced and suitable for improving the international investment environment.”

On the UN side, the result was less favorable. The fears of Hans Schaffner, in seeing his views cast aside, came true as he had to face opposition from representatives of the left and labor movements of industrialized countries as well as those of developing and communist countries. Consequently, the report was viewed as disappointing by the Swiss business community who asserted that many allegations were made without hard evidence. Therefore, despite the thorough preparation of the MNEs, in contrast with what happened at the OECD, it was impossible to find enough support, and their statements remained just one voice among many. To make the point that he did not subscribe to the report’s conclusions, Hans Schaffner wrote his own “dissenting report”. In addition, he published a book that same year to defend MNEs, denouncing the ongoing “campaign against multinationals and ultimately against the free market economy.” These writings were discussed in the Swiss press, with the right-wing newspapers criticizing the unfair bias of the UN while the socialist and labor union circles pointed out the irony of Hans Schaffner’s attitude. The Group of Eminent Persons’ report constituted the first step of international negotiations regarding MNEs at the UN, since it recommended the creation of international guidelines, and in order to do so the creation of the Commission on Transnational Corporations (TNCS) and the United Nations Centre on Transnational Corporations

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40 Philippe Lévy, Foreign Economic Affairs Directorate, Les industries privées et les organisations internationales, Centre d’études pratiques de la négociation internationale, speech, 22 September 1980. AfZ, IB Vorort-Archiv, 291.4.2.2.2.2.
41 Wirtschaftspolitische Arbeitsgruppe MNG & Sozialpolitische Arbeitsgruppe MNG, 60. & 33 meeting, 1 November 1983. AfZ, IB Vorort-Archiv, 291.4.2.2.1.4.
42 G. Winterberger, Multinational corporations and their role in economic development”, ECOSOC Report, 02.07.1974, 1. AfZ, IB Vorort-Archiv, 291.4.2.2.2.1.
(UNCTC). Because the views within these bodies were so varied, attempts to produce guidelines were unsuccessful, but nevertheless required the constant attention and effort of the Swiss MNEs task force to coordinate with the Swiss delegates and to place their own experts.

At this point, one could ask what role Swiss labor unions played in this story, since a huge part of the negotiations in the OECD, and to some extent, in the UN were made by civil servants on behalf of Switzerland as a whole. This question is even more relevant because of Switzerland's alleged adherence to the coordinated-cooperative model of capitalism and the role of moderator that the State should theoretically endorse. Regarding the negotiations, the general accounts were sent to all concerned interest groups, including Beat Kappeler, president of the Swiss Federation of Trade Unions, which was favorable to the international guidelines. Nevertheless, the existence of the Swiss MNEs task force and its privileged ties to civil servants remained unknown... until meeting minutes and letters were leaked to the press four years later. The controversy this leak caused is very interesting from the perspective of the varieties of capitalism since it offers us insight on what the historical players were thinking regarding their own system of representing interests and its legitimacy.

Behind the press release was a non-profit organization called the Declaration of Bern, who obtained documents after Christoph Eckenstein's premature death and subsequent donation of his personal documents to the Graduate Institute of International and Development Studies archives in Geneva. The purpose of the NGO was to demonstrate to the public how MNEs were able to infiltrate the UN and its organizations to maintain close relations with civil servants and to put economic journalists under their thumbs. Its criticisms were not centered around the fact that the economy's interests were represented, but the impression of asymmetry regarding the consideration given to labor and business interests:

> It appears from the files that companies continuously exchanged information and maintained close ties with high-ranking civil servants in the Swiss government, whose loyalty they could count on, while other groups experienced enormous difficulties in being granted a simple audience with these same entities.

The secret character of the meetings and the fact that the presidents or vice-presidents of the companies were often present was proof for the Declaration of Bern on the importance of international regulation for MNEs. The role of Hans Schaffner was particularly debated since he provided confidential documents to the task force and because he said negative things about other members of the Group of Eminent Persons. In return, parliamentarians Jean Ziegler and Fanz Jäger asked the Federal Council for

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44 Déclaration de Berne, minutes of the committee meeting, 29 April 1978. AF: J2.327-03#2012/53#60*.
clarification regarding the nomination of Hans Schaffner and the role of the Division of Commerce. In light of the scandal, the Division of Commerce prepared arguments for Fritz Honegger, the federal counselor in charge of the Federal Economic Department. All arguments were based on the fact that what happened was merely a reflection of the Swiss coordinated system, and that close ties with the MNEs were normal, appropriate and even recommended since they were the first concerned.

The so-called “multis-papers” affair therefore turned into a philosophical struggle regarding the role of company-labor-government relations in Switzerland. Advocates for close company-government relations stressed that it was the role of the Division of Commerce to support the interests of the economy and ultimately the collective interests of Switzerland as the home country of MNEs. For the Declaration of Bern NGO, the observations were a matter of great concern since they called into question the democratic functioning of institutions and because “Swiss foreign policy seems to be defined behind the curtain by economic lobbyists instead of being the result of parliamentary open deliberations.” The scandal did not bring any concrete consequences, and publicly none of those involved expressed a mea culpa. Nevertheless, it is interesting to quote an internal note from the Federal Finance and Economic Service stating that from that moment on, the public should be better informed regarding the consultation of interest groups, that it was important to better secure the involvement of social partners and above all “to make sure not to confidentially handle contacts that are normal.” For the Swiss administration, the problem was therefore interpreted as being more about form than about substance and Swiss strategy being legitimately coordinated, even with the creation of ad-hoc groups when necessary.

Old recipes for new problems: attempts of Swiss multinationals to coordinate at the international level

Beyond the traditional way of integrating economic interests in the shaping of institutions and promoting coordination at the national level, Swiss MNEs also tried to innovate by mobilizing their foreign counterparts. Indeed, Guy Altwegg, CEO of Nestlé, reported to the Vorort the attempts of European MNEs’ directors to meet in parallel with the Council of European Industrial Federations (CEIF) meetings. Christoph Eckenstein wrote a summary concerning this European MNEs group, and

50 Financial and Economic Service, "Affaire Schaffner", Note to the head of the Department. AF: E2860.3#1991/235#18*.
reported that the European MNEs’ leaders met in Paris, Frankfurt and Basel between 1972 and 1973. On the Swiss side, the same companies as in the “Wirtschaftspolitische Arbeitsgruppe” MNEs task force were represented, but unfortunately no list of all Europeans MNEs participating was included with the summary. In explaining these meetings, Christoph Eckenstein noted:

At the origin of the informal group was the recognition that multinational companies were criticized from all sides (by governments, intellectuals, technocrats, academics, clergymen, unions, and so on). This criticism can have undesirable consequences for the functioning of these businesses and for the economic system in general. They create an unfavorable climate and prompt government decisions that are unnecessarily restrictive against big business.\(^{51}\)

The motivation behind the creation of this European MNEs task force was similar to that which caused the formation of the Swiss MNEs group: hardship and perceived vulnerability. The summary also listed the goals of these meetings, such as improving the sharing of information on the situation in each country and on the international stage, restraining the negative evolution through the national groups of the CCI, and so on.

Nevertheless, it seems that between the wish for better MNEs coordination at the European level and its achievement, the Swiss group noted an unfortunate discrepancy, sometimes indicative of diverging viewpoints and very diverse national situations.\(^{52}\) Indeed, the Swiss MNEs task force interpreted the disappointing outcomes of the European MNEs’ group as resulting from its heterogeneity. In their view, a new group should be formed, excluding US MNEs active in Europe and extractive industries, in order to create a task force of “true European MNEs”.\(^{53}\) If a constituency of such groups were realized, the Swiss MNEs task force noted that “before making contact with other companies, we should create a document which summarizes the goals of this European group. Then European companies (for example Unilever and Philipps) should lead the creation of this group so that it does not appear to be a Swiss initiative.”\(^{54}\) According to sources, it seems that in the end, the group was never created and the meeting in Basel was the last one since it was decided that the already existing heterogeneous group of European MNEs would become inactive. This failed attempt clearly shows how national logic still prevailed in the 1970s over the intrinsic interests of the MNEs.

A few years later, a similar initiative was taken by the Swiss Union of Commerce and Industry (Vorort), not on a company basis but this time by relying on major national business interest associations. In

\(^{51}\) Christoph Eckenstein, Sociétés Multinationales- Summary of the situation, 08 January 1973. AfZ, IB Vorort-Archiv, 291.4.2.2.1.1.

\(^{52}\) Ibid.


1975, the Vorort hosted the Council of Directors of European Industrial Federations (CDEIF) in Interlaken. It is probably this meeting which gave the Vorort the idea of creating a new and more selective conference, since the Swiss Business Association believed that views were too diverse within the traditional CDEIF conference, especially the views of France and Italy’s delegates, far too prompt to tolerate state intervention. A new conference was therefore organized in 1978 in Interlaken, assembling only the Federations of the Netherlands, Denmark, Austria, Germany and Switzerland. This founding conference gave the name “Interlaken-Conference” to the following selective meetings of the European business elite. The justification of the Vorort for choosing these particular federations was based on “linguistic affinities” and a “similar mindset”. The represented countries were also reported to have open economies and significant amount of foreign exchange with Germany. Additionally, the Vorort noted the importance of including Denmark in order to “gain a foothold in the Scandinavian club”. Those meetings were organized over the course of two days and blended economic discussions with a cultural program. The Industrial Federations’ delegates usually came with their wives, and while those gentlemen were discussing business and strategy matters, their spouses participated in the so-called “ladies program”. From the available archival material, these meetings offered a place for socialization, during which lasting personal relationships had been built; postcards, birthday wishes, pictures, and thank you notes for gifts can testify to this. The Vorort stated that one of the purposes of these meetings is to “improve personal connections” and to “allow a very open exchange of views on questions of political economy”. Regarding similar gatherings of the CDEIF, Neil Rollings and Matthias Kiping calls for the recognition of “the importance of informal networks and the building of trust that these meetings allowed, particularly given the uncertainty surrounding postwar Europe.”

One of the first issues the tackled at the 1978 Interlaken Conference was the functioning of business interest associations and their ties to other interest associations, labor representatives and political authorities. The idea was to assess similarities and differences and to take advantage of experiences formed in other countries in order to find the best combination. The various BIAs leaders were therefore pioneers in analyzing the various forms of capitalism. For Alexandre Jetzer, delegate of the Vorort, this was an opportunity to expose to his European colleagues the privileged ties to federal authorities, the fact that business interests were ensured by the constitution and that in practice,

58 SHIV, Réunion des fédérations industrielles allemandes, autrichienne, danoise, hollandaise et suisse in Wassenaar, 02.-04 June 1982, summary of the meeting, 14 June 1982. AZ, IB-Vorort-Archiv, 275.3.9.
cooperation went far beyond this formal right. The Vorort also stressed the need to represent economic interests in their entirety in order to establish its legitimacy and its influence in term of economic foreign policy, negotiations with third-party countries and international organizations. All the federations’ delegates at the meeting agreed on the importance of improving cooperation among themselves, but they were also “convinced that the creation of such a task force should occur with the necessary discretion needed to ensure that other European associates do not perceive separatist tendencies.”\(^{60}\) As for the MNEs, we see a tendency of the Swiss business representative to act behind the scenes, not only with respect to public opinion and labor unions, but also with respect to BIAs or companies, which they do not consider as kindred spirits.

One of the areas in which better coordination may have been beneficial was in the MNEs controversy, as noted by Berthold Gellner and H. Croonenbroek of the Federation of German Industries (BDI) in their working paper.\(^ {61}\) This document listed the supranational organizations of labor unions and called out the willingness of the European Trade Union Confederation (ETUC) to enforce at the European level the implantation of consultation and information mechanisms. The BDI delegate underscored that “to labor unions’ offensive strategies, business interest associations should also respond offensively. Such strategies are lacking so far. The BIAs are permanently in a defensive position, and leave the domain of the international political economy to labor unions.”\(^ {62}\) The Vorort informed the other BIAs of the existence of the Swiss MNEs informal group and its effectiveness in getting first-hand information early on in negotiations, but he warned them “to keep things under control” and to take special care to not create tension with small and medium businesses.\(^ {63}\) Indeed, if the goal was to speak with one voice at the international level, the sine qua non condition was to ensure a strong in-house union. The subject of MNEs was also on the agenda during the June 1980 meeting in Salzburg, where the Vorort emphasized that “the current codes represent a threat to the market economy, […] an unwelcome footstool for the left and for unions […] and that many businesses do not pay attention to them since they don’t feel affected.”\(^ {64}\) According the Vorort, no guidelines at all would be better than bad ones, and the more negotiations are delayed, the more chance that the investment climate would become more favorable to private interests.\(^ {65}\)


\(^{63}\)SHIV, Koordinierung und Mobilisierung des Sachverstandes, 22.01.1979, 2. In: AfZ, IB-Vorort-Archiv, 275.3.6.

\(^{64}\) Note pour le dossier. Réunion des fédérations industrielles allemandes, autrichienne, danoise, hollandaise et suisse, Salzburg 04-06.06.1980, 16.06.1980, 3-4. In: AfZ, IB-Vorort-Archiv, 275.3.7.

**Figure 2. Delegates of the European Industrial Federations present in Salzburg 20-22 June 1979, Source: Programm, Treffen im Hotel Vollererhof, Salzburg: AfZ, IB-Vorort-Archiv, 275.3.7.**

In addition to the general topic of BIA coordination and the attacks regarding MNEs, typical agenda items at the so-called “Interlaken Conferences” were structural change, state interventionism and fiscal discipline. Under the doctrine of “Stability Begins at Home”, these organizations were building a conservative liberal bastion within Europe. Their idea was not to supplant existing international business associations such as the ICC and the UNICE, but to coordinate and better impose a common and uniform vision within these associations in order to make them more effective.

Regarding the UNICE, it’s interesting to note the participation of Swiss business, despite the fact that Switzerland was not a member of the CE. Indeed, in 1974, Alexandre Jetzer informed the Swiss MNEs task force of an association agreement which implied that a member of the Vorort could participate in the UNICE commission on multinationals. A year later, the MNEs task force noted that “through the UNICE and especially through its working groups, it is possible for Switzerland to exert a certain influence on the CE. Our efforts in that direction are undoubtedly worth it.” Many company delegates were indeed members of several working groups related to foreign investments, such as those dealing with licenses and patents or those dealing with accounting standards (see figure 3).

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If, thanks to documents in the archives of the Swiss Union of Commerce and Industry, it’s rather easy to understand and show the willingness for creating more cooperation at the international level and to expose part of the networks that the Swiss business community developed, it’s more challenging to measure the concrete effectiveness of those strategies. Regarding the role of the Swiss business community at the UNICE, we did find an example showing how the Vorort succeeded in creating and shaping a UNICE statement which was ultimately transmitted to the CE. This happened in the context of the publication of the UN report on MNEs made by the Group of Eminent Persons, whose content displeased the Swiss MNEs representatives and the Vorort. In order to undermine its conclusions, the Vorort, through the intermediary of its secretary, Alexandre Jetzer, intervened to prompt the UNICE to officially condemn the document. Its request was processed by the UNICE “Coordination Group Multinational Enterprises” on June 25, 1974 in Brussels.\(^6\) The other delegates were reluctant to issue such a release, since they considered it to be more a prerogative of the ICC. It is through perseverance that Alexandre Jetzer was able to make his counterparts agree to the creation of the release, on the condition they would get a turnkey draft. The Swiss delegation provided a text the very same day. Considered too harsh by the delegates from England and the Netherlands, the draft was amended and adopted on July 5, 1974.

While the harsh Swiss tone was a bit softened, the UNICE delegates adopted the text without substantial modifications, allowing the Vorort to impose its view on MNEs. The UNICE secretariat communicated the release to the European Commission on June 9, 1974 while the delegates of its "Coordination Group Multinational Enterprises" transmitted it to their respective national delegations. This constitutes an example that shows how the Vorort, thanks to its readiness and coordination at the national level, was able to make its voice heard at the European Commission and to have the UNICE condemn the UN report on MNEs by the Group of Eminent Persons.

It should nevertheless be noted that the Vorort as well as the Swiss MNEs task force constantly complained about the lack of coordination and inability of international business interest associations such as the UNICE and the ICC to defend a common position. Another complaint was the insufficient efforts of the BIAs of various countries in pressuring their national representatives negotiating in international organizations. Indeed, even if an agreement was found within the UNICE or the CCI, the best way to defend the business position was still to have their own official national delegates fighting for their interests, as would be the case in the Swiss coordinated system. In reality, this was rarely what happened. For example, regarding negotiations for the technology transfer code at the UNCTAD in 1979, Guy Altwegg, assistant director of Nestlé wrote to Otto Niederhauser, the head of the Swiss MNEs informal group, to complain about the lack of assertiveness on the part of the industrialized countries' delegates and the complete indifference of certain delegates. He commented on the situation in no uncertain terms:

Which conclusions should we draw from these observations? [...] Without any doubt, the industrial circles of many developed countries, even among the most developed, do not care enough about these codes, do not have the audience of their government's ministries in charge of the negotiations or do not make enough effort to inform their government on the sensitive issues that could be detrimental to their foreign activity. I think that we should try to improve this situation, and that we should engage in informal actions toward our industrial neighbors in major developed countries. We should examine with the Vorort how contacts could be established early on before negotiations with employers' associations from certain industrialized countries before proceeding with exchanges on the important points of those codes.69

69Guy Altweg, Nestlé S.A. Letter to Otto Niederhauser, Ciba-Geigy, 05 December 1979. AfZ, IB Vorort-Archiv, 291.4.2.1.1.2. In the same vein, at the beginning of the 1980s, regarding the Vredeling initiative at the CE, The MNEs task force regretted the lack of efforts of the business representatives to update the parliamentarians of their own country, except for the Confederation of British Industry (CBI) : "At the last meeting of the 'Full group' the national delegations were asked to make contact with their own national members of the Committee on Economic and Monetary Affairs and to ascertain from them the likely outcome of the Parliament’s current activity on MNEs. They were asked to report back to UNICE by the end of April. It appeared that no industry federation other the CBI had, in fact, held any consultations with its MEPs on this subject. [...] In the Parliament itself there was a center/right majority and it might have been expected, theoretically at least, that anti-MNE initiatives would get defeated." UNICE, Coordination group on multinational enterprises, Minutes of a meeting of representatives of multinational companies held in Brussels at the Cercle Royal Gaulois, 06 May 1980. AfZ, IB Vorort-Archiv, 291.4.2.2.1.2.
The Swiss MNEs task force and the Vorort repeatedly pursued these efforts launched in the 1970s and yet again throughout the 1980s since the UN code was still in effect. Indeed in 1982, the Vorort issued a new "Swiss position paper" regarding the UN guidelines, listing the points that still needed to be refined.\(^\text{70}\) The document was transmitted on February 15th to the "Coordination group multinational enterprises" of the UNICE.\(^\text{71}\) In addition, the "Swiss position paper" was sent to some of the heads of European Industrial Federations, such as J.A. Dortland, secretary of the Dutch VNO-NCW.\(^\text{72}\) The production of information, its diffusion through several channels and the cultivation of various contacts within their European counterparts were all part of the strategy of the Swiss MNEs task force and the Vorort to gain influence on the multilateral stage. In 1983, the representatives of the Swiss MNEs, by summarizing their past activities noted that if "in Switzerland, the collaborative work between the Vorort and the Swiss authorities on the UN-Guidelines was manifold [...] this collaboration should be improved abroad with other firms and industrial federations."\(^\text{73}\) These limitations and the resulting opportunities for improvement show how coordination is not an easy task, but rather necessitates constant effort to produce and reproduce.\(^\text{74}\) It is only in 1987 that the Swiss MNEs task force recognized that the functioning of the UNICE had improved, and that this association had started to achieve some good results and wasn't simply "producing a lot of paper".\(^\text{75}\)

**The role of varieties of capitalism in shaping responses to international regulation**

First, the analysis shows that the attempts of international organizations to introduce guidelines were far from seen as harmless by Swiss MNEs. Indeed, the fear and the perceived vulnerability of MNEs' representatives were driving forces behind their coordination as a task force and their continuous efforts to engage in political activities. The proliferation of time-consuming meetings and their systematic collection of information concerning their companies prove that they took the work of international organizations seriously. The critical judgements formulated about international civil servants, experts and unionists by some of the MNEs task force participants are also indicative of their impression of being constantly under fire. This observation of perceived vulnerability is to some extent counterintuitive, since the 1970s controversy was precisely over the question of the allegedly excessive power of multinationals. The attitude of the MNEs showed, therefore, that they were not at all convinced that globalization was following an inevitable evolution and that they were fully aware that

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\(^{71}\) H. Kröger, Chef du Département des Affaires juridiques et fiscales, UNICE, Letter to M. Kummer, Secrétaire du Vorort, 17 February 1982. AfZ, IB Vorort-Archiv, 291.4.2.2.2.4.


\(^{73}\) Wirtschaftspolitische Arbeitsgruppe MNG & Sozialpolitische Arbeitsgruppe MNG, 60. & 33.meeting, 01 November 1983. AfZ, IB Vorort-Archiv, 291.4.2.2.1.4.


\(^{75}\) Wirtschaftspolitische Arbeitsgruppe MNG, minutes, 11 September 1987. AfZ, IB Vorort-Archiv, 291.4.2.2.1.5.
their ability to engage in global production was very sensitive to political decisions and institutional frameworks.

To preserve their ability to conduct business freely, it appears that Swiss MNEs embraced the idea that unity creates strength. The content of the archives shows the close ties existing among high-ranking MNE representatives from different sectors and the secretive and familiar character of their meetings. It also shows how the MNEs' task force was integrated into the traditional network of coordination within the Swiss business interest associations, since it included a representative of the Swiss Union of Commerce and Industry. The analysis also demonstrates how MNEs' representatives relied on Swiss diplomacy to defend their views within international organizations. The fact that the MNEs chose coordination from the many possible strategies as the means to achieve their goals is an interesting illustration of the importance of embeddedness in national institutional arrangements, even for organizations that allegedly have more freedom, such as multinationals. In addition, the archives' contents uncover how assimilated their interests were to the national interest in general by Swiss diplomacy, without further political debates. The Swiss labor unions, who were in favor of ambitious guidelines, were mostly ignored, and even when the privileged ties between the MNEs representatives and some high-ranking civil servants were exposed in the press several years later, the scandal did not induce concrete changes in the way Swiss foreign policy is shaped.

If the analysis confirms some observations made by other researchers about the importance of coordination between firms and federal authorities within the Swiss capitalist system, it also shows that the work undertaken in international organizations prompted Swiss multinationals to develop new ways of coordination beyond the national level. With their multinational counterparts from other countries, Swiss companies tried to recreate some well-established coordination mechanisms that worked inside Switzerland. Similar efforts were made by the Vorort, which assisted the Swiss MNEs informal task force, for example, by socializing at the international level during the Interlaken Conferences or by helping to define a European employer's common position on the MNEs codes of conduct within the UNICE. These channels of influence were even more important, since Switzerland was neither part of the United Nations nor part of the European Community. The study therefore points out a reverse correlation between the political strength and official representation of a country and the efforts of its national companies and employers' associations to reach the international level and build coalition with their counterparts.

Regarding their own organizations and that of their counterparts, the judgements of the Swiss MNEs and the Vorort are ambivalent. On the one hand, regarding its influence and coordination at the national level, the Swiss business community was very confident, and conscious of its privileged ties to political authorities compared to other countries. On the other hand, when it comes to their ability to impose their views and ways of employing coordination at the international level, these same entities stressed
many difficulties because of the divergent opinions within the employers' community and the lack of communication. Indeed, if the archives show the existence of an inner circle of representatives of big companies at the Swiss national level, it seems that no equivalent existed at the international level during the period under investigation.