

First UBS Center Swiss Forum: Switzerland as a business location – is the model for success in danger?



Prof. Aymo Brunetti, Journalist Haig Simonian, Thomas Knecht, and Roger Nordmann at the UBS Center Swiss Forum

Switzerland is doing well...too well? Participants in the UBS Center Swiss Forum discussed the strengths and weaknesses of Switzerland as a business location.

Switzerland must prove itself, both in the global marketplace and in a rapidly changing international environment. How can the country ensure that it remains one of the leading business locations in the future? Politicians, academics, and entrepreneurs considered this question at the first Swiss Forum in Zurich at the end of April, which was hosted by the UBS International Center for Economics in Society (UBS Center).

“We tend to overestimate ourselves.”

In his introduction, Ernst Fehr, director of the UBS Center, listed the factors that have brought Switzerland success: a high level of education, entrepreneurial spirit, the liberal trade policy, political stability, cosmopolitanism, and the liberal labor market. He emphasized that although Switzerland is doing well, action is required. The acceptance of a plebiscite to impose a quota on immigration on February 9 was a wake-up call, he said.

In a discussion on the outlook for the Swiss model for success, economic policy expert Aymo Brunetti

(University of Bern) confirmed that the existing success factors remain valid. He explained that sentiment has not deteriorated, even in the current environment, but that the Swiss have a tendency to overestimate themselves. He highlighted federalism and the associated competition between the cantons to be regarded as the best business location as an important success factor. Entrepreneur Thomas Knecht (Knecht Holding) added innovative drive to the list. He fears an erosion of political success factors, and argued that politics is losing entrepreneurial expertise due to the decline of volunteerism in politics. He believes it is no longer possible to talk about a streamlined state, because economic growth is occurring primarily in administration and state-affiliated sectors. According to Knecht, there is also a need to reform the right to submit plebiscites for a national vote because it is becoming ever easier to amass the necessary support due to the influence of the internet. Roger Nordmann (member of the Swiss parliament) picked up on this idea, emphasizing that not all plebiscites will necessarily advance the state. He noted that until now Switzerland has been active in the global economy without political steering. The approval of the plebiscite against mass immigration is a repercussion of this.

Switzerland is less predictable

The subsequent discussion on Switzerland in the international environment also focused mainly on the plebiscite against mass immigration. The panelists on the podium took a relaxed view of the plebiscite result. However, Christian Casal (McKinsey) warned that it would make Switzerland less predictable for investors, and that they are now waiting to see how the plebiscite will be implemented. The large number of small but globally active companies will suffer the most, due to the shortage of skilled staff. Georges Martin (EDA) confirmed that relations with the EU had deteriorated as a result of the vote, but gave reassurances that the situation would rectify itself. Reto Föllmi (University of St. Gallen) said that the picture often painted of the “little guy” being taken for a ride by the “big guy” was simply not accurate in economic terms. He called for open market access because this leaves less room for individual sectors to assert their own interests over others. All speakers remained optimistic about Switzerland’s future as a business location.

Unbalanced growth



President and CEO of the Artemis Group Michael Pieper at the UBS Center Swiss Forum

“We are all part of the economy,” Michael Pieper (Artemis Group) told the audience in his appraisal of Switzerland as a business location from an entrepreneurial perspective. He warned against complacency. Although Switzerland is performing comparatively well, the situation has worsened over time in absolute terms. Productivity has not increased since 2008, and growth is focused instead on the public sector. Increased supervision and legal regulation of the economy is also having a hampering effect. He agreed with entrepreneur Thomas Knecht about the risk and success factors, mentioning expansion of the public sector as one of the risk factors and innovative drive as a major success factor for Switzerland as a business location.

Switzerland – setting an example?

Lars Feld (University of Freiburg), member of the German Council of Economic Experts, gave his scientific assessment of the economic situation. He explained that the country is in a comfortable situation in economic terms, but that growth is being driven not by rising productivity but by immigration. Feld believes that Switzerland had always set an example for its German neighbors – at least until February 9. The political tide is now turning. He explained that the plebiscite against mass immigration will also have far-reaching consequences, including for foreign trade given the high level of exports and imports to and from the EU. He added that the flexibility of the labor market is being threatened by the support measures accompanying the bilateral agreements. The pension system is calculated on the basis of immigration and is therefore no longer sustainable. Feld maintained that action is needed in both areas, and called on Switzerland to “continue setting an example for us.”

UBS Center Seminar

As a center of excellence, the UBC Center has the objective of enabling a vivid exchange of original theories and sharing the latest insights from economic research with academics and non-academic economists. The new academic seminar series will provide the opportunity to attend guest lectures by internationally renowned researchers and to interact with them by discussing their ideas and research findings.

The seminar speakers for the spring semester 2014 include Philippe Aghion (Harvard University), Nicholas Bloom (Stanford University), Chad Jones (Stanford University), and Robert Shimer (University of Chicago).

The program for the autumn semester 2014 will be available on www.ubscenter.uzh.ch/en/events/seminar in due course.