

Philipp Hildebrand: Switzerland and global competition - an all-purpose strategy

Summary of a speech by Mr Philipp Hildebrand, Member of the Governing Board of the Swiss National Bank, at the University of St Gallen, St Gallen, 29 August 2005.

The complete speech can be found in German on the Swiss National Bank's website (www.snb.ch)

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Openness was one of the major factors that made Switzerland one of the richest countries in the world. A significant portion of our industry, and one upon which our current prosperity is based, is the direct or indirect outcome of foreign expertise and the efforts of foreign entrepreneurs. These people were attracted to Switzerland – particularly in the 19th century – by its openness and its stable, liberal environment. Openness promotes competition, innovation and progress, thereby securing sustained prosperity.

But Switzerland strayed from the straight and narrow when it began erecting barriers to competition – barriers that provided ever greater protection to its domestic market. The ensuing insulation of the domestic market is probably one of the main reasons for Switzerland's growth slump today. External trade policies are always domestic market policies as well. Consequently, external trade policies have instruments that can be effective in opening up the domestic market from outside. This openness to external trade is of utmost importance, therefore, not only for exporters, but also for the domestic market.

Being open towards Europe and towards other trading blocks is not mutually exclusive. Ultimately, being open means pitting oneself against the very best, irrespective of the region they belong to, since only if we compete against the best, will we be one of the best in the future. Consequently, it would be wrong for Switzerland to limit its openness to a given geographic region. Openness must be the fundamental principle governing all of its economic policies. Even in the changing global environment of intensive competition, Switzerland can increase its prosperity if it rethinks its economic policy direction and embraces former tried and tested virtues such as openness, freedom and personal responsibility.