Switzerland as an emerging economy How Switzerland became rich

Richard Gerster



Over the last 50 years India has become one of the largest milk producers worldwide – not least of all with support from Switzerland.

Impressum

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Photo front cover: View through an artistic installation into the Fex valley (Engadin, Switzerland).

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What it is about

No raw materials, a low level of agricultural production, complex traffic routes, political fragmentation – how come Switzerland was at the cutting edge of industrialisation as early as the 18th and 19th century and a though competitor for a great power like England? Why is it to this day among the richest countries world-wide? It is surprising that when discussing development not more recourse is taken to the economic history of industrialised countries. What relevance does Switzerland's historical development have today? To what extent is it relevant for the future of Africa, Asia and Latin America? These are the guiding questions of this publication as it presents cornerstones of Swiss economic history in an easily readable and illustrated manner.

After being invaded by French forces in 1798 – occupation and liberation at the same time – it took only a few decades for Switzerland to turn from an old confederation into a modern industrial and service nation. No area of life remained unaffected. And while the centralised Helvetic Republic of 1798 was not sustainable, many of its revolutionary innovations such as abolishing subjugated regions prevailed. And the confederation of 1848 subsequently proved a ground-breaking compromise, a solid basis for transactions until this day.

When looking for answers to the question «How Switzerland became rich» one has to adopt an analytical, open minded approach. The role of Switzerland's financial centre in attracting flight capital – a historic truth which reaches far back into the past yet remains as acute as ever – belongs to the trivial aspects when it comes to development policy. It is therefore not a coincidence that in this publication the Indian Pradeep S. Metha is demanding a revision of Swiss legislation for it to no longer «protect the wealth obtained by thieves» but rather show solidarity with their victims. Neither can one ignore the fact that already in the 18th and 19th century Switzerland followed in the wake of colonial powers and depended on cheap raw materials.

However, these facts do not provide sufficient explanations for the path to prosperity. Further aspects characterise the «Swissness» of the country's economic rise. The Helvetic Republic was a signal for agrarian reform. A large, well-qualified, disciplined and motivated labour force was important. In order to compensate for higher costs of transport in and out of Switzerland, lower wages than in England were paid in the early phase. These wages were possible thanks to the low price of imported food. Switzerland's many rivers were an inexpensive source of energy. Over the years a world-wide recognised education system developed, in both the area of basic education and engineering. Trade relations had already been established, and considerable experience had been gained with cotton. Rights of freedom, legal security and stability provided an indispensable framework within which entrepreneurial initiative could flourish.

Since the Earth Summit in Rio de Janeiro in 1992, sustainability has been recognised world-wide as the fundamental principle by which to guide world development. Some 20 years have gone by since then. Implementing the idea of sustainable development



The «Street of Switzerland» in Ouahigouya (Burkina Faso), a sympolic Thank You for successful coperation.

has not lived up to its promises. Also Switzerland as a rich small state is not simply a model of success – for example its use of resources, the ecological footprint, is four times the size it would be entitled to from a global and sustainable perspective. But many stages, areas and experiences of Swiss economic and social history are relevant from the perspective of sustainable development and could set trends when it comes to dealing with the global challenges of the 21st century, among them as poverty or climate change.

By no means is this publication a request for other countries to copy Switzerland's path to prosperity. There are no one-size-fits-all approaches, least of all in today's completely changed economic world order. At the same time learning from experience is not forbidden. In this publication it is not the Swiss but personalities from Africa, Asia and Central America who draw conclusions from the described historical developments. Impressed by the crisis of the hard hunger years 1816/17, the Senegalese Yassine Fall sees the Swiss path to prosperity as a valid reason to «suggest that pessimism about Africa is not justified. People everywhere are entitled to hope for a better future.» This also leaves Helvetia with hope. «Agriculture is the backbone of Tanzania's economy. During the colonial era, however, farmers had no opportunity to organise themselves. And today there are no incentives such as attractive prices for agricultural products. Switzerland's influential farmers' associations are an important indicator for Tanzania's own development. Agricultural modernisation in Switzerland took decades, even centuries – and we only gained our independence in 1961.»

Mary Rusimbi, Tanzania



The development of agriculture

Agriculture in pre-industrial Switzerland was based on livestock production in the mountains and increasingly in the central plain, as well as on food crops (spelt, oats, rye, wheat and pulses). Two hundred years ago, more than half the population of Switzerland was engaged in agriculture, today it is three out of one hundered people. This ratio has changed due to an unparalleld modernisation exemplified by new agricultural outputs, abandonment of the three field system, and eventually, mechanisation.

Switzerland never knew agricultural self-sufficiency. Only a great increase in productivity, made it possible to at least provide half the cereal requirements of the country's rapidly growing population in the 19th century. Remaining needs were met by imports. Imports and exports of staple foods were not restricted. Lack of tariff protection for domestic agricultural products at this time improved supply and kept prices low. This in turn freed domestic craftsmen to take jobs in newly developing industries; thanks to very low wages, Swiss industrial products were even competitive with those manufactured in England.

Swiss agriculture is characterised by many small and medium-sized farms; large private landholdings did not and still do not exist. The revolutionary government of the Helvetic Republic, established in 1798, abolished taxes and tithes that farmers were obligated to pay to landowners. However, the Act of Mediation of 1803, which partially restored the former confederation, also reinstated those privileges. All the same, the tithe was increasingly turned into a debt which could be paid off after a certain period of time. This allowed farmers to free themselves from a form of feudal dependency that would have hindered development, although the price was heavy indebtedness.

Constraints of space forced farmers to cooperate closely. While this was necessary for survival, it also allowed farmers to take advantage of technical innovations. Agricultural cooperatives were founded, and community bonds were strengthened by common ownership of numerous Alpine pastures and other patches of communal land. After 1848 the prevailing current of liberalism provided more opportunities for direct political influence. Following the establishment of national organisations in the trade and industrial sector (1870), and among skilled workers (1879) and labourers (1880), farmers were threatened with political marginalisation. A national farmers' union was eventually founded in 1897.

National organisation rapidly increased power and influence. The first head of the farmers' union, Ernst Laur, shrewdly associated farmers' concerns with the national interest, proclaiming that «Farmers are the hope of the fatherland!» The image of agriculture as vital to the national interest still persists and together with a strong representation in parliament helps explaining why the agricultural sector in Switzerland benefits from the world's highest subsidies, even though it has declined greatly in importance providing less than one percent of the national income. Sustainable agriculture in a globalised context demands a new, multifunctional understanding of a farmer's role: Agricultural production goes hand in hand with caring for the environment and decentralised settlement.



Small farmers are the backbone of Madagascar's economy.







«Hunger among the rural population of Switzerland in earlier times and Switzerland's current prosperity suggest that pessimism about Africa is not justified. People everywhere are entitled to hope for a better future. The hunger that once existed in Switzerland can be compared in some ways to the present situation of farmers in the Sahel. At the same time, the consequences of uncontrolled openness to global markets should be food for thought to those who advocate liberalisation and globalisation.»

Yassine Fall, Senegal

Hunger and relief

Food aid in emergencies complements development cooperation (Mozambique).



Mass poverty was widespread in Switzerland until the mid-19th century. One in every ten people in agricultural areas was poor enough to receive public welfare. There was less poverty in industrialised areas such as the Canton of Zurich where the rate was at 3 to 4 per cent.

Chronic poverty was accompanied by acute crises. While serving as a pastor in St. Gall, Mr Scheitlin described the conditions he witnessed in eastern Switzerland in 1817: «Many people sustained themselves on hay and fresh grass. Even decaying animal carcasses were occasionally consumed to satisfy ravenous hunger ... Frequently the poor could be seen on the streets and in the alleys, rummaging through putrid piles of garbage in small rubbish bins, feasting greedily on wretched scraps of potato peels, rotting carrots, and whatever else they could find.» This misery could be largely attributed to two factors: the weather and global market conditions.

Several failed harvests preceded the famine at this particular time. Two years previously, in 1815, the Tambora Volcano erupted on an island to the east of Java in Indonesia. Being one of the largest volcanic events of the past centuries, this eruption spewed 40 cubic kilometres of ash into the atmosphere, which was subsequently disseminated around the globe. Layers of volcanic dust partially deflected sunlight from the earth. The average global temperature sank, harvests failed, and there was a tenfold rise in cereal prices.

The effect of harvest failures was aggravated by an economic crisis in the textile industry. From 1806 to 1815 Europe was protected from English competition by Napoleon's economic blockade of the continent during the war against England. When the blockade was lifted, European markets were suddenly flooded with British goods, which were far cheaper thanks to industrial techniques of mass production. Unemployment spread; at times a pound of bread was all that could be bought with an entire week's work.

Contributions to help relieve the famine of 1816/17 in eastern Switzerland came from Germany, France, Italy and England. Tsar Alexander I of Russia donated 100,000 roubles, half of which was invested in the project of draining the floodplain of the Linth River and settling Alpine farmers on the newly available land – both projects of sustainable development at its best. The other half was given to the cantons of Glarus, Appenzell, St. Gall and Thurgau to relieve extreme suffering. However, a considerable portion of this sum disappeared into the treasury of the Canton of Thurgau.



The canal, the centre piece of the first mega development project to drain the Linth plain 200 years ago.

A lot of pain, little gain: the hard life of mountain farmers.





«Cotton together with spices and silk were principal items of trade during the 19th century. Indeed cotton has been and still is a catalytic force in the process of industrialisation. Also the fast expanding economies of Asia used at one stage or another cotton and textiles as a spring board. Further low income and least developed countries can start establishing their own industrial base, if they find open markets in the North.»

B. Raj Bhandari, India

Cotton as an industrial locomotive

Processing cotton was a vehicle for industrialisation - in the Töss valley (Canton of Zurich), as well as in many other locations.



Traders in Geneva were already importing cotton to Switzerland in the 18th century. Factories for cotton spinning and weaving, and for printing fabrics appeared virtually overnight. Within a matter of decades, cotton triumphed over long-established textiles such as wool, linen and silk. Switzerland's lack of raw materials was no real disadvantage in this case, as other countries also had to import cotton. Just before the outbreak of the revolution in France, England witnessed the beginning of the Industrial Revolution: steam power and new machines for processing textiles multiplied productivity over night. The Helvetic Republic was soon in second place behind England as a producer of cotton textiles.

The first spinning machines from England were installed in St. Gall in 1801 and in Winterthur in 1802. Already in 1805 Caspar Escher built the first factories for producing spinning machines. Switzerland was protected from the powerful English competition until 1815, thanks to Napoleon's continental blockade. Within a generation, hand-operated spinning wheels became obsolete, with far-reaching consequences for tens of thousands of families. Swiss cotton manufacturing, however, survived, laying the basis for the development of the machine-making industry and eventually the manufacturing of textile dyes, which spawned the chemical industry. Other industries retained regional importance, such as watch-making in Geneva and the Jura mountain region, and the silk industry in Zurich.

The successful transition to industrialisation in Switzerland, which varied greatly from region to region, can be attributed to several factors. In the first place, a large, well-qualified, disciplined and motivated labour force was available. Wages were lower and working hours were longer than they were in England, in order to compensate for the high cost of transporting goods in and out of Switzerland. Low wages were possible thanks to the low price of imported food. Switzerland's many rivers were an inexpensive source of energy. Over the years Swiss education, particularly in the engineering fields, achieved world-wide recognition. Trade relations had already been established, and considerable experience had been gained with cotton. An entrepreneurial spirit and experienced leadership also played a role.

It is estimated that during the second half of the 19th century, the number of people employed in the Swiss textile industry remained fairly constant at about 170,000. At the same time, its share of jobs as a percentage of the entire labour force dropped from 70 per cent in 1850 to barely 50 per cent by 1900. Today the textile industry has long since surrendered its leading position, and accounts for fewer than 15,000 full and part-time jobs. Unrestricted import and export of textiles played a dramatic role in the decline of the industry in Switzerland. However, the remaining employment opportunities are economically viable and do not depend on state protection or subsidies. Other economic sectors, particularly the service sector, the chemical industry, and the financial services industry, have now taken over the role of industrial locomotives. Sustainable development includes structural change.

Weighing the harvested cotton at the intermediary trader in the village (India).



«Non-governmental organisations rather than trade unions are the driving force in civil society in Gambia. They demand accountability and transparency from the government and also make it possible for poorer communities and social groups to take responsibility for their own development. This promotes dignity and prosperity, and it will also help reduce child labour, which is currently widespread.»

Mariama Olatunde Ashcroft, The Gambia



The taming of capitalism

In the first half of the 19th century, it was normal to work 13–14 hours per day and as long as 90 hours per week. Child labour was even known for its educational virtues. For example, the workday began at 5 am for a 12-year-old girl working in a textile factory. She was expected to supervise looms for 14 hours, for which she earned 60 centimes (equivalent to half a US dollar) per day. Arriving 5 minutes late was punishable by a fine of 10 centimes, while chatting with others «cost» another 10-20 centimes.

A law regulating factory labour passed by the legislature of the heavily industrialised Canton of Glarus in 1864 was the first piece of labour legislation to affect adult males: it set the workday between 11-15 hours, the work week at 66-84 hours, and defined a normal working day as 12 hours. In addition, six weeks were allowed for maternity leave, child labour was limited, and factory inspections were established. A few years previously, the fear of competition had prevented the Canton of Zurich from passing socially progressive legislation.

In 1877 Switzerland adopted a federal law on factory conditions that was recognised world wide as a pioneering piece of legislation. After factory owners petitioned for a referendum the law passed by only a narrow majority of 181,204 Yes to 170,857 No votes. This law limited the workday to eleven hours and ten hours on Saturdays, while the work week was set at 65 hours. Children under 14 were forbidden to work in factories, and women and children were not allowed to work at night. «The economic collapse predicted by some businessmen never materialised», wrote Hans Peter Treichler in his book «Gründung der Gegenwart» («Foundation of the Present»).

Switzerland subsequently launched first initiatives for international factory legislation. In 1901 the International Labour Office was established on a private basis in Geneva. In 1919 it became the International Labour Organisation, now a specialised agency of the United Nations, based on the understanding that lasting peace must be rooted in social justice.

The growing political power of trade unions and social democracy, combined with economic rationalisation and prosperity, have resulted in an average work week just short of 42 hours by 2010. Following decades of labour struggles, the social partnership between employers and workers established in 1937 became a key feature of the Swiss social contract. Concessions on salaries are granted in exchange for a voluntary surrender of the right to strike. Swiss salaries are among the highest in the world, thanks to high productivity. However, rapid technological change and economic globalisation might be threatening this social partnership in future. It is essential to fight unemployment which in high numbers would not be compatible with social peace and sustainable development in the long run.



«Keep Cool»: Negotiating instead of striking contributed to the wealth of Switzerland's economy.

Together with their mothers girls in Bangladesh often work in factories and contribute to the income.





«In its early phase of industrial and commercial development, Switzerland did not adopt laws on patent protection as these would have prevented its development. Today developing countries need the same freedom. Unfortunately, the rich countries are selfishely promoting very high standards for Intellectual Property Rights in order to protect their big companies' domination. In international negotiations like the World Trade Organisation (WTO) Switzerland should remain conscious of its own past and refrain from pushing high patenting standards all over the world. Such a purely profit oriented policy is short-sighted and deprives the poor countries of their development potential.»

Martin Khor, Geneva/Malaysia

Switzerland the pirate state

Street protests against the WTO in Hong Kong: WTO agreements demand minimal patent rights among others.



«Agitation for the introduction of patent protection in Switzerland is passé», wrote eleven leading industrialists, among them Messrs Benziger, Bühler, Geigy, Jenny, Rieter, Steiger, Schwarzenbach and Ziegler in a manifesto addressed to the «high-level federal officials» in 1883. These industrial magnates stated that «for the good of Swiss trade and industry», they had no desire to drink from «the cup of sorrow» known as patent protection.

A patent is an official recognition by the state of exclusive rights to an invention. It has a limited duration – for example, 20 years. As a form of monopoly, the patent is alien to a free market economy and a contradiction of the principles of free trade and commerce. The victory of patent advocates in the 19th century was a defeat for those devoted to free trade, as well as a victory for protectionism. Prior to this time, Swiss industries were usually able to patent their inventions abroad, in countries with corrseponding patent laws. As there was no protection for inventions in Switzerland, foreign inventions could be copied without penalty.

Swiss industries took great advantage of this situation, earning the reputation of «La Suisse, le pays des contrefacteurs» («Switzerland, the country of counterfeiters») in France. In the German Reichstag, Switzerland was repeatedly characterised as a «pirate state» and a «predator state». Companies in Zurich sold coal-tar dyes, manufactured by copying German processes, to German customers at prices much lower than those of the German originals. Even early in the machine-based industrial age, Swiss firms had a reputation for unscrupulous methods of obtaining information by smuggling, spying and enticing foreign experts to Switzerland.

Three popular referendums were necessary – in 1866, 1882, and 1887 – before a patent law was passed. Nevertheless, the law was full of loopholes, which the Swiss chemical industry in particular used to its advantage. Under heavy pressure from Germany, Switzerland expanded its patent legislation in 1906. Disputes over patents lasted until 1978, however, when Switzerland finally established comprehensive patent protection. By this time, different interests were at stake: whereas Switzerland had earlier been an importer of technology, it was now a major exporter of technology and thus had a direct interest in the protection of new inventions.



Millions of poor people depend on the high quality but cheap generic drugs produced in India (photo: pharmacy in Mumbai).







«Switzerland's accomplishment in achieving prosperity under difficult circumstances, and raising the standard of living for broad sectors of its population, is impressive from the perspective of development. Its focus on global markets played a decisive role in this process. Even though it competed directly with leading economic powers, Switzerland sought out niche markets from which it could benefit. Swiss economic history is a case study in development. In the South we must confront even greater conflicts and radical forces of change.»

Ricardo Melendez, Geneva/Columbia

World Trade: following in the wake of the colonial powers

World trade brought wealth for both, Switzerland and Singapore.





The rules of world trade reflect the leader's interests more often than those of poorer countries.

Switzerland has long owed a considerable portion of its wealth to international trade. Controlling alpine passes, securing of raw materials, opening up of markets and the country's function as a clearing-house not only played a major role in determining economic history, but also influenced the formation of political alliances. Switzerland's global trade network, extending from Europe to the orient and the colonies, was an important prerequisite for successful industrial development.

Switzerland's cotton manufacturing, its silk, chemical, embroidery and machine production as well as its watch-making industries were all export-oriented, virtually from the outset, in order to compensate for the country's small domestic market. Many of the coloured fabrics woven in Toggenburg, the printed fabrics made in Glarus, the silk products woven in Zurich, and the straw goods made in Aargau, as well as the watches manufactured in Neuchâtel and Geneva, were exported to the USA, South America, the eastern Mediterranean, and even to South East Asia, Sub-Saharan Africa and the Far East.

«The Swiss followed in the wake of England, France and other colonial powers, establishing a market presence for themselves wherever the colonial powers had opened up markets», wrote the German social scientist Ulrich Menzel summarising the findings of his research on Swiss economic development. As raw materials increasingly became cheaper, their conversion into expensive, high-quality products for export ensured advantageous terms of trade for Switzerland. International comparisons show that Switzerland already had by far the highest rate of exports per capita shortly after 1830. This achievement even attracted the attention of England, the leader in world trade at this time. At the request of the British parliament, John Bowring prepared a «Report on the commerce and manufactures of Switzerland» in 1836, in which he cited open borders as being responsible in good measure for Swiss prosperity. These conclusions helped to strengthen the free trade movement in England.

Being a small country and a leading industrial nation, Switzerland consistently supported free trade. However, until 1848 the confederation had no competence or instruments with which to pursue an external policy of protectionism. Internal conditions were a complete contrast to Switzerland's external policy of free trade. Countless customs duties collected along roads, in cities, and at bridges made travel through Switzerland time-consuming and constituted a first class trade barrier. There were 13 customs stations on the Gotthard pass alone. An internal customs union only came into existence in 1848. Today it is mainly agricultural and patent policies which are at odds with the dogma of free trade. «Many heads of state in Africa and Asia have appropriated vast sums of money which they deposited in Swiss banks, thereby robbing their own people, who continue to live in poverty. Revising Switzerland's laws on banking, tax, and legal assistance will be one condition necessary for achieving greater equity between rich and poor and between North and South. Rather than protecting the wealth obtained by thieves, Switzerland must show solidarity with their victims.»

Pradeep S. Mehtai, India



Switzerland as a financial centre

«Tax evasion is not a skill ... it is a crime», says the sign in front of the tax office in Chennai (India).





Banks enjos a lot of influence in the parliament (building).

Switzerland's reputation abroad is more than ever determined by its financial centre and banking secrecy. The latter only received official legal status with a new law passed in 1935 making prosecution for breach of secrecy mandatory. Violators faced high fines and prison sentences. After the Second World War, Switzerland's undamaged financial centre attained a special international position.

Swiss bankers' reputation for discretion, however, takes roots in the 18th century. Private banks which specialised in asset management for a wealthy clientele made Geneva one of the largest financial centres world wide. Bankers from Basel and Zurich managed equally powerful assets. At the same time high finance remained at distance with the industry. «Bankers and merchants, who made large profits from money loaned to foreign governments and from the colonial trade, were too cautious to take the risk of financing industrial enterprises», writes the historian Jean-François Bergier.

In the early stages of the Industrial Revolution, Switzerland was financially self-sufficient. But when new needs for capital arose among farmers and manufacturers private banks were unwilling to meet them. Small credits from local lending institutions meant not only usurious interest rates but also led to dependency. In response to this situation savings institutions were founded as a form of self-help – comparable to the microfinance movement in Africa, Asia and Latin America in the last years. They were followed by rural credit cooperatives, which served the needs of farmers, craftsmen and small-scale entrepreneurs.

Towards the end of the 19th century the cantons of Switzerland established cantonal banks which were designed, like development banks, to promote economic and social progress at the regional level. The cantonal banks provided credit to local industries, financed development in the public sector, and had a dampening effect on interest rates. This is illustrated by the charter of the Cantonal Bank of Thurgau, which states: «The bank will give preference to applications for small loans and use its profits to help reduce mortgage rates.»

In order to finance large-scale projects such as railway construction, the Credit Suisse was founded in 1856. Not much later the predecessors of today's UBS were created. These big banks attend to all branches of the financial sector and are global players. The financial crisis of 2007/08 as well as the unethical business model practiced by UBS notably in the USA have shaken the foundations of Switzerland's financial centre. Without state interventions in 2008-2010 the UBS would most likely not have survived. Swiss law distinquishes between tax evasion and tax fraud. Because it is only recently and still to a limited extent that Switzerland provides legal assistance in the case of tax evasion, its financial centre attracts flight capital - also from poorer countries of the South and East. The debated flat rate tax on returns from foreign capital deposits which have not been taxed might put an end to this business model which is incompatible with sustainable finance.

«Today's situation in Trinidad and Tobago parallels the Swiss experience of the 19th century: In search of employment thousands of our citizens migrated to the USA. Millions of dollars are annually transferrred to the poor families back home to contribute to their economic survival. By being absent, however, they pay a high human price.»

Ruth Monrichard, Trinidad



Emigration as a form of escape

The «permanent peace» established between Switzerland and France in 1516, which included Switzerland's denial of any expansionist ambitions, created conditions that allowed Switzerland to export mercenaries. Switzerland received trade privileges from France in return for providing contingents for foreign armies. For centuries, supplying mercenaries was an important form of compensation for the inability of Swiss agriculture to produce enough to feed its population. Swiss soldiers fought at the service of France, Spain, Italy and Holland. They even contributed to the British conquest of India. «A Swiss soldier was the local commander in Calcutta, another was in command of all British troops in Ceylon, a third was the Governor of Madras, and a fourth was Governor of Chittagong», reports the Neue Zürcher Zeitung (May 27/28, 1995).

The salaries paid to hundreds of thousands of Swiss soldiers abroad were a substantial source of income for Switzerland. The greater the number of wars, the richer Switzerland became. Mercenary services began to decline only in the 19th century, when industrialisation created a new demand for labour. In 1859, the Swiss parliament prohibited its citizens from serving as mercenaries, as the liberal majority in parliament was disturbed by the fact that Swiss mercenaries were used to crush popular uprisings in Naples and in other places – although this had been the case for centuries in Europe and its colonies and among the Natives of North America. Only the Swiss Guard in Rome, which was founded in 1506, has survived to the present day. Industrialisation did not immediately solve the problem of population surpluses, however. Mass emigration to neighbouring European countries and to North America, as well as to Brazil and Russia, continued to be an economic and political necessity, especially during the economic crises of 1816/17 and 1846/47. Entire valleys in the Canton of Tessin were depopulated as a result of emigration to California and Australia. Many communities promoted emigration to relieve themselves of poor families dependent on public welfare. At the same time also young, capable workers turned away from their homes. The stark contrast between dream and reality is documented by the Swiss coffee pickers' rebellion in Sao Paulo in 1856. They served as cheap replacements for expensive plantation slaves.

As more and more corrupt emigration agents began to appear, a law was passed in 1880 to protect emigrants. In 1936, in the wake of the Great Depression, the Swiss parliament approved public funds to support needy Swiss citizens who were willing to emigrate. Migration has always been an outlet for sustainable development. Today, «the fifth Switzerland» consisting of Swiss who live abroad amounts to approximately 700,000 people. Thanks to agreement on the free movement of persons with the European Union the emigration barriers have fallen.



Until 100 years ago Switzerland's population registered a surplus it could not feed.

Hope for a better life is a driving force of migration from rural to urban areas (Burkina Faso).



«It is very important to see the positive side of migration. Burkina Faso, a country located far from the sea, has long been a source of labour. As a colonial power in West Africa, France was interested in the cacao, coffee and tropical wood produced in the Ivory Coast, and encouraged people to migrate from neighbouring states such as Burkina Faso. Labourers from Burkina Faso made a considerable contribution to economic development in the Ivory Coast.»

Sylvie Kabore, Burkina Faso



Immigrants become entrepreneurs

Until the end of the 19th century Switzerland has been a typical country of emigration. However, since then emigration has been increasingly leveled out by immigration and in the 20th century Switzerland became a country of immigration. And while immigration has always taken place, the number of immigrants has until then been far smaller than the number of emigrants.

Switzerland has benefited for centuries from the arrival of elite social groups. Nobles, monks and religious and political refugees have all made spiritual, cultural and economic contributions to the country's development. Liberal governments encouraged the immigration of skilled craftsmen and labourers, well aware that the country owed a good measure of its prosperity to the contributions made by foreigners. Many leading Swiss firms were founded by foreigner: Brown Boveri & Co was started by Englishmen and a German partner, the Bally shoe manufacturing concern by an Austrian, and the Nestlé food products company by a German from Frankfurt and an American. Many other firms also owe their existence to immigrants who showed initiative and the willingness to take risks.

Although German and French immigrants dominated around 1850, the demand for labour during construction of the Gotthard, Simplon and Lötschberg railway tunnels brought a great influx of Italians to Switzerland. It was at this time that a shift from well-educated immigrants to unskilled labourers took place. The proportion of immigrants reached a peak just prior to the First World War, when it stood at 15 per cent of the population. Even though this figure later dropped to 5 per cent, the Federal Council decided in 1942 to close the borders to Jewish refugees: «The boat is full!»

As a result of rapid economic growth since 1960 and the agreement on the free movement of persons with the EU, the number of foreigners in Switzerland rose to some 22 per cent of the total population. Widespread ambivalence with respect to immigrants was expressed in several political initiatives aimed against the presence of «too many foreigners», although voters refused to approve several popular referendums on this issue. The exception to this rule was the approved referendum demanding the deportion of criminal foreigners in 2010. Except for Liechtenstein and Luxembourg, Switzerland has the highest percentage of foreigners of any European country. The requirements for citizenship are much stricter in Switzerland than in other countries, however. More than half of the current foreign population has been in residence for more than ten years, with many being born in Switzerland. There would be a significant statistical change if it were easier to qualify for citizenship in Switzerland, as it is in many other countries. Due to the free movement of people with the EU the immigration of higly qualified people particularly from Germany has increased noticeably. The goal of a «careful balance between foreigners and Swiss citizens» set by the Federal Council calls for accommodation by both sides and puts integration to center stage.



An initiative refugee earns a living as hair dresser in a camp.

limmigration from abroad coins our economy including its «Swissness».



«We must learn to not only see the financial advantages of large-scale projects. This is just as true today in Guinea Bissau as it once was in Göschenen. The archipelago of Bijagós is a place where many traditions have been maintained. Suddenly, holiday resorts and hotels began to appear. Local people were lured with false promises, despite their reluctance to agree. Today sacred places are being desecrated and people feel that their cultural roots are being undermined rather than supported.»

Charlotte Karibuhoye, Guinea-Bissau



Large-scale infrastructure: not only beneficiaries

View over the Lake Sihl, one of Switzerland's largest artificial reservoirs.





Will the stadium in Cape Town become a financial burden after the World Cup is over?

Well equiped infrastructure is one of the pillars of Swiss prosperity, for example in the transport sector. The construction of the 57 kilometer long Gotthard Base Tunnel, the world's longest tunnel, was started in 1999 and it will be opened in 2017. Extending transport routes was already a source of hope and of problems more than a century ago. At that time Switzerland's economic expansion urgently demanded connection to the European railway network. Swiss firms needed to reduce high transport costs for both exports and imports in order to remain competitive. By 1850 Germany had a railway network of 5,850 km and France had 3,000 km, while Switzerland had only 25 km!

The ensuing enthusiasm for railway construction led to a fast realisation of several tracks to the Lake Geneva and Basel-Lucerne. What remained was the connection through the Alps. After years of dispute over routes, the federal government decided in favour of building the Gotthard tunnel, which was constructed between 1872 and 1880. In addition to Swiss sources (at the federal, cantonal and city levels), Italy and Germany, as well as private investors, helped to provide the CHF 228 million needed to finance this project. At one point 95 per cent of the shares in the Gotthard railway were in foreign hands. For reasons of domestic economic security, the federal government nationalised the major railway companies in 1898.

The Gotthard construction led to social problems. In a letter of 25 March 1875, the community of Göschenen complained directly to the Federal Council: «Boisterousness and restlessness among labourers are increasing daily. We believe that if nothing is done about this, complete anarchy will break out as the working population continues to grow in numbers.» This message had been triggered by the arrival of 3,000 Italian workers and their families. The tunnelling of the Gotthard was characterised by the typical symptoms of major construction projects: appalling working conditions, fighting, loose morals, and fatalities. In addition to the approximately 200 accident victims who lost their lives during the construction of the tunnel, five unarmed Italians were shot to death by the local militia. The approximately 300 residents of the village were ultimately unable to withstand the tensions that developed during the project. The current constructions in the Gotthard Base Tunnel have so far resulted in eight deaths «only».

The high price of coal favoured the electrification of the Swiss railway system. Artificial reservoirs were among the means used for this purpose. For example, the largest Swiss artificial reservoir - the Lake Sihl stands in the service of the federal railway network. 55 pieces of private property were demolished, resulting in forced resettlement. People in the immediate surroundings have seen few benefits and received little electricity, as for more than 60 years a large share has to be supplied to the federal railway at low cost. The Swiss Centre for Mountain Regions described this situation as an «exploitation of a mountain region to expand traffic in the urbanised lowlands». This «Alpine colonialism» has deprived mountain regions of a fair market price for water that is a source of hydropower, a situation which is slowly changing now.

«Switzerland is not perceived in Africa as a pioneer of sustainable development in the same way as, for example, the Netherlands. It appears that the government of Switzerland has not taken the challenge of sustainable development seriously. But it is still not too late to make up for lost time. Switzerland should try to take a global lead on ecological issues, as it has already successfully done with debt relief.»

Fifi D. Korsah Brown, Ghana



From raw exploitation to sustainable use

During summer in the 18th century, enormous quantities of rock blocked the flow of Lake Walen to the extent that «the streets of Weesen were only fit for boats in summer. Muddy swamps were the source of repulsive odours and a breeding ground for malariacarrying insects», as wrote a chronicler. Swamps and malaria disappeared in the wake of large-scale canal constructions on the plain of the Linth River from 1807-1816. Catastrophic floods destroyed extensive parts of the cantons of Graubünden, Tessin, Valais and Uri in 1834 and 1839.

A report submitted to the Federal Council in 1862 gave a clear description of the causes: deforestation and failure to care for mountain forests were among the factors responsible for flood disasters in the valleys. After land has been clear-cut, there are no tree crowns to reduce the effect of rainfall, and the top soil is washed away. Without forests, the soil can no longer store water like a sponge; consequently, it runs off more rapidly and causes flooding.

Action was finally taken following water-related disasters in 1868. In 1874 the federal government took control of hydraulic engineering and the forestry service. It was at this time that the principle of sustainability was incorporated into forestry legislation: timber was not to be cut in excess of its capacity to regenerate. This became the basis of far-sighted forest management which protects the forest from the raw exploitation resulting from the short-sightedness of forest owners.

Far-sighted forest management had little influence on other sectors of Swiss society or official policy. After 1950, for instance, unrestrained mobility became the order of the day. Private car ownership and motorway construction have reached a level which is ecologically based on the fact that it is denied to a majority of mankind. We are «living it up».

Since the Earth Summit in Rio de Janeiro in 1992, sustainability has been recognised world-wide as the fundamental principle by which to guide sound environmental, economic and social development. Only «sustainable development» can allow a life of dignity for all humankind without compromising the ability of future generations to meet their own needs. This principle is also anchored in Switzerland's consitution since 2000.

However, an interim survey after this historic conference in Rio revealed that at the beginning of the 21st century Switzerland is in reality no longer among the pioneers of sustainability. It has reacted too hesitantly – for example, in developing measures to save energy, combat global warming and promote equity between rich and poor – to count itself as a leader at the international level.



A tree top tour is soft tourism and makes for a sustainable use uf Ghana's rainforest.

Where there is no protection forest, expensive barriers for avalanches need to be consructed.



«I think it is important to understand how the radical changes that took place in Switzerland in 1798 led to an expansion of public education. A sound public education, free for young people even beyond the primary level, is a decisive factor in development. Swiss history has shown that this is true, as has the experience of Jamaica and other countries. But there is also a need to ensure that corresponding jobs are available.»

Mariama Williams, Belgium/Jamaica



From liberation in 1798 to confederation in 1848

José Ramos Horta, freedom fighter, holding a speech in 1998 in front of the Rütli painting in the Swiss parliament – today he is East Timor's president and Nobel Peace Laureate.



«Despite the great good fortune that propelled me to the pinnacle of the French government, I do not consider myself capable of governing the Swiss», noted Napoleon in 1802, mindful of the fractious nature of federalism. The Helvetic Republic of 1798 was conceived as a centralised state based on the principles of freedom, equality and brotherhood. It brought liberation in many respects:

- political: the subjugated regions of Aargau, Vaud, St. Gall, Thurgau, Tessin and Graubuenden achieved new political freedom;
- social: farmers were freed from feudal and ecclesiastical forms of authority;
- economic: rural areas were no longer subject to the exercise of privileges by cities and guilds;
- educational: the general population benefited from the expansion of public education.

In 1803 Napoleon put an end to the Helvetic Republic with his Act of Mediation, which restored the federal system of government. Although reform-minded forces adopted Enlightenment ideas that had developed abroad, many of the advances that had previously been made were reversed. Bern, in particular, pressed for the restoration of the aristocratic order that existed prior to 1798, both at the Congress of Vienna and in the restorative constitution of 1815. Switzerland remained weak as a result of political fragmentation, and became a focus of foreign political pressure, particular from Paris and Vienna.

This fragmentation became a major obstacle to development in the industrial age. The last civil war in Switzerland, the «Sonderbundskrieg» of November 1847, paved the way for the confederation that emerged in 1848. Thanks to the prudent leadership of victorious General Dufour, less than 100 people lost their lives in this conflict. Today almost three times as many people are killed each year in traffic accidents.

Liberal political forces knew how to make the most of their victory. They saw to it that compromise made it possible to integrate the losing side into the new confederation. Key elements were: the Council of States as a second chamber in the national assembly, and majority approval of the cantons required in popular referendums on constitutional changes. Both features allowed the conservative cantons to have far-reaching influence. In addition, the new confederation finally made it possible to create an internal market, which was of great importance to industrial development. Currency was unified, as were weights and measures, and all internal customs duties were abolished, while a common tariff was established for imported goods. An outmoded political structure became a democratic liberal social order. Fundamental rights such as equality before the law, freedom of the press, freedom of movement, and separation of powers were now consolidated, after having been first established during the time of the Helvetic Republic. However, these fundamental rights were only extended at the national level to Jewish citizens in 1874 and to women in 1971, and at the cantonal level even as late as between 1960 and 1990!

Most women in Africa (photo: Burkina Faso) had a right to vote before the women in Switzerland had theirs.



«Energy taxes will play a crucial role in future. If Switzerland can successfully institute ecological tax reforms, it should share its experience in this area with developing countries as soon as possible. Development aid is important, but so is learning from one another.»

Emiliano Excurra, Argentina



Not with empty hands

Successful regional development presuposes the integration of the local population – both in Switzerland and Indonesia (photo).





Swiss rules for using common goods such as alpine meadows are of global interest.

Switzerland in the 21st century possesses achievements beyond financial services, cheese, chocolate, army knife and watches. Basics include popular democracy, protection of minorities and decision-making by consensus in political processes. An important exception to this rule, however, is the exclusion of the foreign population from these. Included in these soft features of «Swissness» are very diverse forms of social problem solving mechanisms:

- Switzerland's cultural diversity is reflected at the political level in its distinct federalism. Among others it is the foundation for a compensatory system between richer and poorer regions ensuring social cohesion and working towards equal opportunities for all.
- The dual system of vocational education apprenticeship in combination with technical school – ensures practical relevance and thereby access to the working world. At the international level this is illustrated by a comparatively low rate of unemployed youth. After their apprenticeship many young people pursue higher training courses and further education beyond universities and universities of applied sciences.
- The interaction between employers and employees is marked by dialogue and negotiation. As a consequence of this social partnership only a limited number of working days are lost annually due to strike, even though the right to it is explicitly anchored in the federal constitution.
- When it comes to the provision of retirement funds the Swiss system of three pillars is considered to be ground-breaking – in spite of various unresolved issues. The government's Old-age and Survivors' Insurance (OASI) is complemented by a compulsory Occupational Retirement, Survivors' and Disability Benefit Plan (BVG) and private savings as the third pillar.
- Switzerland has developed rules for the development of collective goods which could be helpful when it comes to solving global

environmental questions such as global warming. The example of the community of Törbel in the Valais and its management of common land has achieved world fame since Elinor Ostrom received the 2009 Nobel Prize in Economics for researching institutional conditions under which a collective use of resourcesis enduring.

Experience in protecting the disadvantaged, in sharing and controlling power can also be of interest to other countries. When it comes to federalism and financial transfers parallels with economically weak regions at the global level are highly visible. Equal opportunities is a fertile ground for peace and security also in Africa, Asia and Latin America. Switzerland does not stand empty-handed.

This is no pleading for the special case Switzerland («Sonderfall Schweiz»), because when it comes to dealing with the mixed emotions of one's own history it becomes clear that Switzerland never was a special case. On the contrary, its history is positively marked by numerous exemplary developments as they can be retrieved in the rise and fall of many other countries in the North and South. As in other instances the path to prosperity was marked by work, education, economising and compromising within as well as cherry picking and free-riding towards the outside.

In future, Switzerland has to increasingly invest in new forms of international cooperation. Globalisation not only means unlocking new markets, it also includes using the globe as an opportunity for learning. A culture of indoctrination nourished by the specialcase-thinking should make room for an exchange at eye level. Because sustainable development enabling a life in dignity to all human beings without putting future generations at risk is an endless process rather than a state to be reached once and for all.

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Photo right: Swiss multinationals are everywhere, like in the case of Nestlé in Ouagadougou (Burkina Faso). Photo back cover: Not the wealth of the richest, but eliminating broad poverty consitutes the litmus test for development – this is true for both Switzerland and India (photo).



