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The watchmaking crisis of 1975: opportunity out of disaster

## Recovery after 20 years

**Canton Neuchâtel is more and more often quoted as an example of efficient economic promotion. But 20 years of valiant effort have been required to recover from the disaster which the 1975 crisis meant for that former watchmaking region.**

**T**he 1975 recession had a disastrous effect on watchmaking. The branch lost two-thirds of its employees in Switzerland, or 60,000 jobs, in only two years. Neuchâtel's industrial base in particular was decimated: 17,000 out of

*François Nussbaum\**

50,000 jobs disappeared. At the time there was no unemployment insurance, and 15,000 of its inhabitants, including many foreign nationals, left the canton.

### Reinventing the future

It was of course important to take measures to relieve social distress, but the main need was to reinvent an economic future. On the basis of an analytical report and forecast the all-important Law on Economic Promotion was approved in 1978. This made it possible to take optimum advantage of the federal incentive measures launched as a result of the "Bonny Decision" and to take on two experts to promote the canton's economic development.

Two contradictory factors had to be taken into account. The first was that production costs are higher in Switzerland than elsewhere, and the second was that there existed in this area an indisputably high level of know-how stemming from the watchmaking tradition. The only possible solution was to launch new activities which would at the same time be rooted in that tradi-

tion and create products with high value added.

### Microtechnology

The choice was obvious: microtechnology, which unites precision engineering and electronics. Added to this was the principle that there should be as much diversification as possible not only within this economic sector but also by developing services. The lesson of 1975 had to be digested in its entirety: economic monostructure can be a mortal disease.

Microtechnology also has the advantage of being able to adapt rapidly to the developing needs of robotics and computers. New companies have been set up to make electromagnets, sensors, integrated circuits, medical instruments, pacemakers, computers and software, and luxury watches, as well as all the precision tools necessary for this type of manufacturing.

The cantonal government decided to set up an Institute of Microtechnology at its university, and the semi-private Swiss Centre for Electronics and Microtechnology (CSEM) was founded. The canton also developed its economic promotion department to attract foreign companies looking for an industrial location or investment opportunities. A wide range of services in the fields of telecommunications, environment, tax privileges, accommodation, schools and cultural events were available.

The geographical area covered by the recruitment drive was very broad: the United States, Germany, France and Italy for manufacturing; South Africa, India, Hong Kong and Singapore for services. After several years of sounding out possibilities, all the elements were in place, and things were proceeding at cruising speed

### 5,000 jobs created

The result of this promotion effort abroad is impressive. As many as 500 new firms have been set up, creating 5,000 jobs – giving the cantonal coffers new tax receipts of Sfr. 40 million (compared with the Sfr. 3.4 million spent annually on economic promotion). Examples: 65 companies have set up shop in the canton from the United States, 25,000 contacts have been made there and 70 sets of serious negotiations are underway; in India 10 companies have been tempted, 500 contacts have been made and 50 projects are on course.

Today the population lost in the 1970s has been more than made up, and unemployment is falling – unlike in regions which have always concentrated on "lost in advance" economic branches such as textiles and heavy industry. One important detail is that all Swiss development and manufacture of integrated circuits takes place in Neuchâtel, with the CSEM and the firms, EM Marin and Micronas Bevaix, leading the way.

In microtechnology Canton Neuchâtel is at a level which may be compared with that of major centres such as the Swiss Federal Institute of Technology in Lausanne and the Besançon and Grenoble regions in neighbouring France.

If there is a downside to this scenario, it is lack of systematic marketing of products developed. This is a matter of attitude. In the United States or Hong Kong, a young university graduate has only one idea in his head: to set up a company to develop a product from the beginning right through to selling it. In Switzerland, nor for that matter in France, we have not yet come as far as that. ■



**Canton Neuchâtel has recovered from the collapse of the watchmaking industry and is now concentrating mainly on state-of-the-art technology. (Photo: zvg)**

\* The author is parliamentary correspondent of the La Chaux-de-Fonds daily, "L'Impartial".