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Switzerland's haven comes under threat

From MITYA NEW in Zurich

The average Swiss needs to work a mere 20 minutes to earn enough for a hamburger and chips. An American would be at his desk for a full 26 minutes and a Mexican nearly four hours.

The Swiss are wealthier than most, whether you measure domestic product or the cost of their fast food. But many Swiss are worried that might be changing.

An economy long built on low inflation, full employment and a stable currency is at bay. Unemployment is at its highest since World War II, the franc is sagging and the banking sector is losing its reputation as the world's safest nest.

A people raised on cast-iron job security and the comforting stability of cartels are discovering redundancies and cut-throat competition. They have a nagging worry that the good times are ending.

Leading bankers and industrialists warn that Switzerland faces a threat from increasingly competitive European economies and that it must reshape economic and political structures if it wants to preserve prosperity.

Rainer Gut, head of CS Holding, one of the biggest Swiss financial services groups, said recently: "We have far too much of the feeling that we have a God-given right to the highest living standard in the world."

How did a small, landlocked country in Europe with an underfed population, many of whom had to emigrate at the start of this century, become one of the world's richest countries?

Most of the growth came after World War II, in which Switzerland was neutral.

Swiss export industries were able to meet demand that the exhausted and devastated economies of Europe could not fill. Fixed exchange rates and an undervalued franc made Swiss goods competitive.

Plentiful capital resources, lent at the lowest rates in Europe, honed the competitive edge of Swiss companies.

Discreet and secure Swiss banks became a haven for the savings of dictators, the persecuted and those fleeing the taxman. At times the banks were so cash-rich they could charge depositors negative interest rates.

The arrival of cheap foreign labour, mainly from Mediterranean countries, helped restrain wage rises.

And as Hansjoerg Siegenthaler, professor of economic history at Zurich university, said in an interview, Switzerland's deeply rooted system of political consensus also spared it from severe labour unrest.

While industrial relations in many other Western European countries were hit by radical politics in the 1960s and 1970s, in Switzerland "trade unions simply did not make excessive and exorbitant wage demands," he said.

Now many of these advantages have evaporated.

The franc is no longer the currency of last resort.

Swiss banking has had to improve its image and the "numbered bank account" does not afford the anonymity it once did. The banking sector's reputation suffered a severe blow with the closure last year of several small and medium-sized banks.

Short-time working and lay-offs, once unheard of, have appeared throughout the economy and bankruptcies have rocketed.

The Swiss see the key to their future in the question of European Community membership. But they cannot agree on whether this will maintain their standard of living.

The small entrepreneur is sceptical.

Cartels abound in Switzerland and many small companies fear losing the comfort of price-fixing that European Community anti-cartel legislation and competition would entail.

Many Swiss also wonder whether they want to give up foreign policy neutrality, and an idiosyncratic political system that allows the electorate to veto government legislation, in exchange for a stake in the community market.

But industry and business, which depend on international markets, see little alternative. They are already preparing the way by ensuring their operations conform with community standards.

Nicolas Hayek, head of SMH which produces the popular Swatch watch, said: "If we Swiss say: 'No, we will stay alone as a chosen people with our borders closed and without many advantages, but with our culture intact', then we must also be ready to become poorer," - Reuter.