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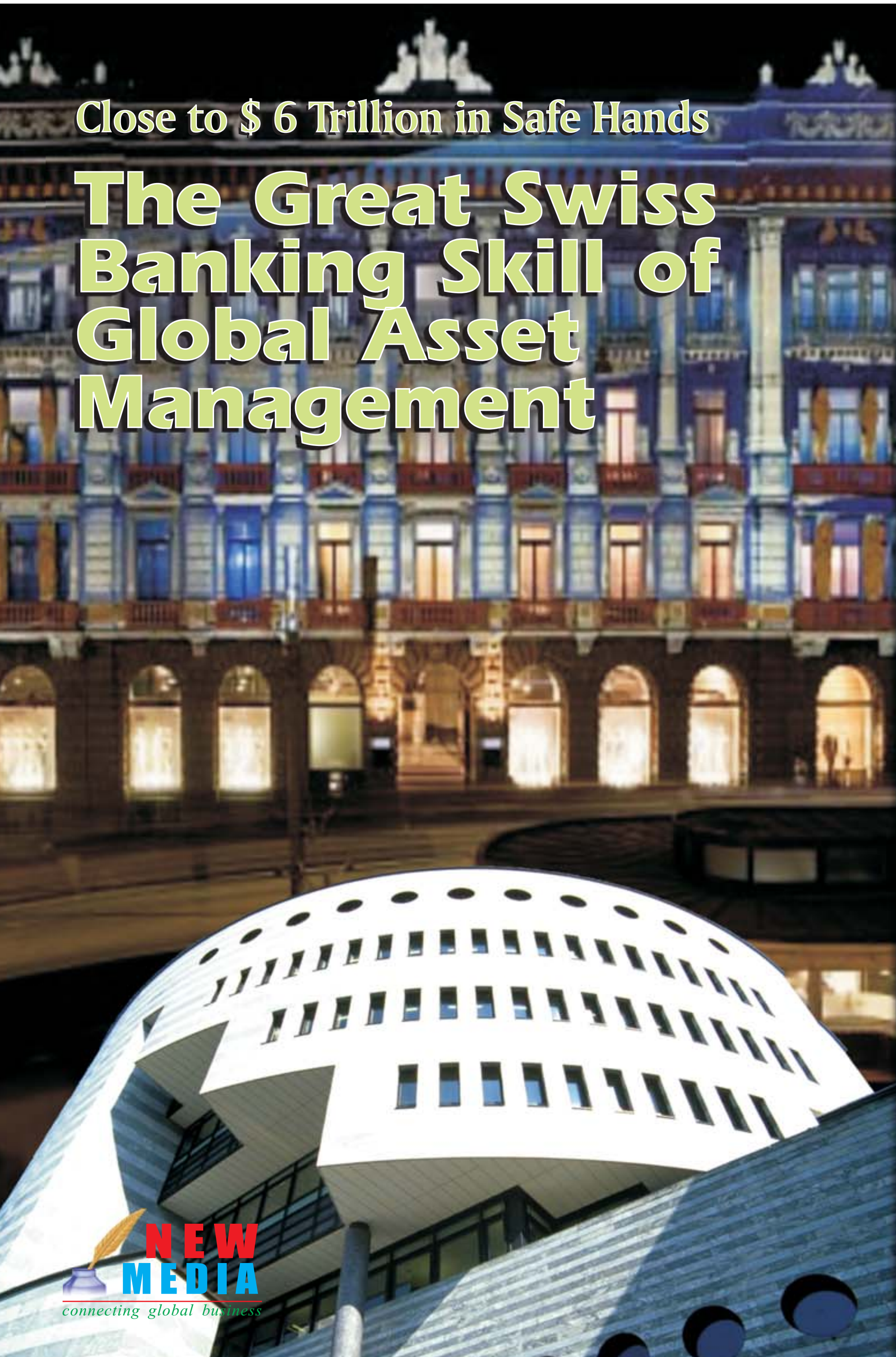

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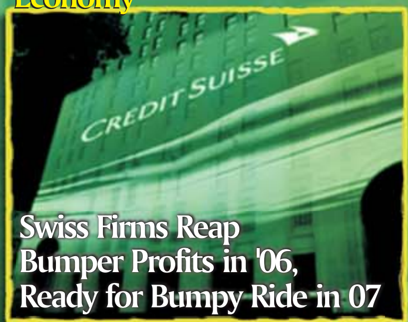


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The news items and information published herein have been collected from various sources, which are considered to be reliable. Readers are however requested to verify the facts before making business decisions using the same.

# Editorial

***Dear Reader,***

Greetings. In the past, we have time and again highlighted the legendary reputation of the Swiss banks, whose practices have been honed to the perfection of an art. The current issue of Indo-Swiss Business takes a look at their skill in managing global assets, amounting to a mind-boggling $ 6 trillion. A study by the Swiss Bankers' Association says nearly a third of the world's private wealth is managed by the Swiss banks. The study covers 200 large banks across the globe and highlights the fascinating features of the Swiss banks in attracting the rich, the super and ultra rich to their imposing gothic portals. The study appears in detail as the issue's cover story. Come January, Davos, the Swiss city, surrounded by snow-capped mountains, is all decked up to host the annual World Economic Forum's annual meeting. Global leaders from both governments and businesses, gather to hammer out solutions to world's unending economic ills. This time round, the hot topic was the WTO impasse, which hindered progress at the Doha round of talks. While ministers from various countries agreed to resume WTO talks some time in the near future in Geneva, our Commerce and Industry Minister Kamal Nath firmly reiterated that India would never sacrifice the interests of its farmers. Kamal Nath's Deputy Aswini Kumar declared India's commitment to reduce carbon emissions and took the opportunity to announce that the government would soon come up with a more liberal mining policy to attract foreign direct investment. This and other WEF proceedings form the focus of the current issue. BTS Investment Advisors is a unique, private equity fund raising firm with its focus on the SME sector. We carry an interview with BTS Chairman Alastair Guggenbuhl-Even, and K Srinivas, Managing Partner, on the company's outlook. The Swiss Embassy has recently organized a rail technology seminar in New Delhi in which top officials of the Indian railways participated. Impressed, they sought the Swiss rail safety technology for the Indian railways. We carry a report. The Swiss have surpassed themselves by designing and producing an 85-tool mega Swiss Army Knife, weighing 1.3 kg. We carry a feature on the wonder knife, whose mini version, is a popular, collectors' item the world over. The Swiss film industry is small but quite creative and has won as many as 37 awards at various international festivals in the recent past. We report. Then we have a write-up on a reclusive Swiss writer, Robert Walser, whose works are now being revived and read. We also take you on a breath-taking rope ride to Mount Pilatus. All these and other regular features will keep you glued to the current issue. Wish you a prosperous New Year.

Wish you happy reading

**Satya Swaroop**
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Close to $ 6 Trillion in Safe Hands to Ensure Further Growth

# The Great Swiss Banking Skill of Global Asset Management

By Dev Varam


Switzerland, the most bankable country in the world, is also the 'global benchmark' for asset management. The rich, super rich and ultra rich across the world's trust the Swiss banks more than their own banks back home. They keep their cash assets with the Swiss banks in Zurich, Geneva and other Alpine cities to ensure their safety and further growth. Historically, the Swiss banks and other financial institutions have maintained a great tradition of managing the global assets. A study made by the Swiss Bankers' Association has revealed that banks in the country hold just under a third of the world's private wealth deposited abroad, proving that Switzerland is still the most preferred location for the world's wealthy to park and secure their offshore capital.

The report, prepared by Steve Donze, head of Economic Advisory, studied the operations of Switzerland's 200 large banks, which include UBS, the world's largest wealth manager, and Credit Suisse, another top-10 company. According to the results, Switzerland is the world leader in international private wealth management at the end of 2005, with a market share of 28 percent. It's a huge chunk for a tiny landlocked, mountainous European country.

Switzerland also had 9.0 percent of global assets under management, placing it among the world's leading trio of wealth managing centers, the other two being the United States and the United Kingdom including all client assets managed or deposited in domestic and foreign branches, Swiss banks' global Assets Under Management (AUM) amounted to $5.9 trillion.

The study has attributed Switzerland's popularity as a wealth management center to its foolproof regulatory environment, its strict laws on banking secrecy and a great tradition of banking. The study has also looked at the spin-offs. For instance, the industry in the entire region continues to grow as international banks expand their wealth management operations into Switzerland because of its overall standing as a global financial centre.

Yes, the business of managing global assets is profitable. The study has revealed that gross margins in AUM had been stable, despite increasing competition. Despite their thriving economies, and increasing numbers of wealthy Asian clients, Hong Kong and Singapore secured only 4.0 percent and 3.0 percent, respectively, of global assets under management.

The study has said that Switzerland's banks owe their success to the strategy of becoming global, in addition to capitalizing on the success of their domestic market. It referred to Switzerland as a 'global benchmark' in the global wealth management industry. Of course, The Study did, however, warn that this prosperity could not be guaranteed forever. "Wealth managers, particularly smaller players, are exposed to periodic market downturns translating into falling asset-based revenues and sticky overhead costs," the study said.

Besides, the activities of the banks are well supported by the work of the independent asset managers who add value by rendering further financial services. Most independent asset managers work together with banks and receive a retro cession for their advisory work. Similar to Liechtenstein (Vaduz), also other services in the area of trusts, foundations and offshore companies are rendered. The cost of giving a mandate to either a bank or an independent asset manager is approximately the same and in the area of one percent management fee calculated on the average amount of funds managed during the year. For clients who prefer to have their money invested, the Swiss banks offer a vast variety of fund-products. The most important fund companies are daughter enterprises of leading banking institutes. For investors with a small investment volume, buying funds can make sense, since a reasonable diversification would require a certain asset size.

Following are excerpts from the study.

With 9.0 percent of global assets under management (AUM), Switzerland is among the world's leading trio of wealth management centres, beside the United States and the United Kingdom. It is the world's leader in international private wealth management, with a market share of 28 percent. The country's two largest banks are among the world's top ten wealth management firms, with UBS ranking first.

• AUM in Switzerland, which refers to client portfolio holdings in domestic branches, reached an all-time high of CHF 4.4 trillion at year-end 2005, equivalent to ten times the Swiss GDP. If all client assets managed or deposited for investment purposes in domestic and foreign branches are included, Swiss banks' global AUM reached a total of CHF 6.9 trillion.

• The Swiss banking sector had its most profitable year in 2005, posting an all-time high after-tax return on equity of 18% and a first-class cost-income ratio of 57%. This position of strength largely derives from high-quality earnings streams generated by wealth management business lines. Almost 7 in 10 banks in Switzerland offer whole or part of the wealth management value chain.

• The Swiss wealth management centre exhausts the spectrum of size and business model possibilities. It comprises 2 global players (with each over CHF 1,000 billion AUM and over 10,000 wealth management staff), 5 large players (CHF 100-1,000 billion AUM and over 1,000 staff), 52 medium players (CHF 10-100 billion AUM and over 100 staff) and 83 small players (CHF 1-10 billion).

• The performance of Swiss wealth managers has been remarkably resilient in the face of increasing international competition. Its strength lies in a strong on- and off-shore home market. Gross margin on AUM has stabilised at high levels, in the range of 80-120 basis points, consistent with top-tier peers. Whatever the underlying business model, operating margins of 50% are within reach.

• Although market fragmentation favours consolidation, players' approaches have varied. Larger players have embarked on worldwide acquisitions, either to establish physical presences or to expand market shares. Smaller players have merged with equal-sized domestic counterparts to offset cost pressures. Both of them pursue organic growth through high-intensity optimisation of business models.

• Swiss wealth managers have aggressively expanded their international franchise in both on-and off-shore destinations. In the past decade, the stock of capital investments abroad has risen by a factor of 5, to CHF 70 billion. The total number of foreign branches has increased by one third to 304 over 2000-2005, of which the two big banks and foreign banks are the primary sources (138 and 117 respectively).

Over the same period, the stock of banks' capital investments in Switzerland has doubled to CHF 29 billion. Top and mid-tier international banks have scaled up their international wealth management operations in and from Switzerland. Market positioning and brand management have been driving forces and have deepened the attractiveness and international reach of Swiss wealth management.

## Global Market

Needless to say, wealth management ultimately depends on new money growth. According to estimates by Merrill Lynch/Capgemini, global private wealth climbed to USD 33.3 trillion in 2005, with a global population of High Net Worth Individuals (HNWIs) at 8.7 million.1 From 1996 to 2005, HNWI wealth grew at a compound annual growth rate (CAGR) of 8%. North America is still the world's largest wealth management market, with 2.7 million HNWIs holding USD 10.2 trillion in financial assets. It is followed by Europe and Asia Pacific, totalling respectively 2.8 and 2.4 million HNWIs with financial holdings of USD 9.4 and 7.6 trillion. HNWI global wealth is forecasted to reach USD 44.6 trillion by 2010, growing at a CAGR of 6%.

Driven in part by pension reforms, the institutional asset market is also experiencing rapid growth. A useful yet imperfect proxy is the total assets accumulated in long-term savings an retirement systems, i.e., the sum of pension funds and life insurance assets

In 2004, OECD economies totalled USD 24.5 trillion of pension funds and life insurance assets, equivalent to 109% of the OECD aggregate GDP. Pension fund assets reached USD 15.6 trillion or 85% of GDP. With a total market share of 95%, ten countries dominate the pension funds and life insurance asset market. With total assets exceeding USD 13.4 trillion (USD 11.1 trillion of pension fund assets), the US is clearly the largest market.


## AUM in Switzerland

The classic figure of AUM in Switzerland, which refers to client portfolio holdings, reached an all-time high of CHF 4.4 trillion at year-end 2005, which is ten times the Swiss GDP. More than half of AUM (55%) is held on behalf of institutional investors, 35% from private individuals and 10% from corporate clients. The distribution by client domicile shows that more than half of AUM (60%) originates from foreign clients.

AUM include all client assets managed by or deposited with Swiss-based banks for investment purposes. Therefore, the inclusion of savings and time deposits (CHF 0.6 trillion) and fiduciary deposits (CHF 0.5 trillion) raises the AUM figure to CHF 5.5 trillion. It refers to branches in Switzerland and excludes AUM with foreign branches and subsidiaries. If foreign holdings are also included, SBA research estimates that Swiss banks' global AUM reached CHF 6.9 trillion at year-end 2005.

Referring to client portfolio holdings, the developments in AUM closely relate to boom-bust cycles in financial asset prices. The institutional asset segments, Swiss and foreign alike, have outperformed. Over 1998-2006, foreign- and Swiss-institutional-client AUM grew by the respective CAGR of 1 1.6% and 6.2%, where a aggregate AUM grew by 5.9% a year. As far as net new money is concerned, SBA research suggests that even the Swiss on-shore mature market appears dynamic. Net new money growth explains, on average, 30% of the variation in AUM.

## Switzerland among peers

With 9% of global AIIM, Switzerland belongs to the world's leading trio of wealth management centres, beside the US and the UK. Switzerland is the principal platform for international private banking, with a market share of 28%. The two country's largest banks, UBS and Credit Suisse, rank among the world's premier wealth management franchises. The global wealth management market remains fragmented, as the assets of the top 10 wealth managers totalled USD 13.4 trillion, representing, according to P&I/Watson Wyatt, about one quarter of total assets.

### The world's largest wealth managers, 2005

| Rank | Manager | Country | AUM (USD billion) |
|---|---|---|---|
| 1 | UBS | Switzerland | 2 016 |
| 2 | Barclays Global | UK | 1 513 |
| 3 | Allianz Group | Germany | 1 493 |
| 4 | State Street Global | US | 1 441 |
| 5 | Fidelity Investments | US | 1 422 |
| 6 | AXAGroup | France | 1 260 |
| 7 | CapitalGroup | US | 1 166 |
| 8 | Credit Suisse | Switzerlan | 1 128 |
| 9 | Deutsche Bank | Germany | 1 027 |
| 10 | Vanguard Group | US | 958 |

## Swiss wealth managers

### Swiss banks

The Swiss banking sector makes up a large part of the Swiss economy and performs a sizeable international intermediation function within the global financial system. At year-end 2005, balance-sheet assets totalled CHF 2.8 trillion, corresponding to six times the Swiss GDP. The banking sector generates a disproportionate share of net output, 9.5% of GDP, twice as much as in, e.g., the US or Germany. Wealth management alone accounts for more than half of banks' value-added. Consolidation has resulted in 32% fewer institutions over the past 15 years.

In aggregate, Swiss banks had their most profitable year in 2005, posting CHF 25 billion of net profits and an all-time high after-tax return on equity of 18%. The robustness of prof-itability is further shown in the first-class cost-income ratio of 57%. This position of strength largely derives from high-quality earnings streams across retail, corporate, and wealth management segments. The increasing importance of commission- and fee-based revenues in recent years has increased banks' aggregate exposure to financial market cycles.

### Wealth management industry

Among the banking population (337 banks at year-end 2005), two thirds of institutions offer whole or part of the value chain of wealth management. Two universal banks, 70 private banks (of which 56 are asset management banks and 14 are private bankers i.e. industry purists with a partnership structure), 10 cantonal banks and 130 foreign banks (including most major international banking groups) represent the traditional players of the Swiss wealth management industry. More recently, a handful of Swiss-based retail banks have entered the wealth management market, while, at the same time, the number of independent asset managers grew to 2,600 by year-end 2004.

The world's two premier wealth management franchises rub shoulders with a mass of smaller-sized players. Global players manage over CHF 1,000 billion of assets and employ more than 10,000 staff in their wealth management division. Large institutions, typically staffed with more than 1,000 employees, enter the AUM range of CHF 100-1,000 billion. The third and fourth classes, no less than the bulk of wealth managers, encompass medium-to-small-sized players with an AUM base in the respective range of CHF 10-100 billion and 1-10 billion. Medium players typically have over 100 staff, whereas small players operate with a lesser head-count.

With the emergence of large-sized players, virtually non-existent in the not-so-distant

### The Banking sector at a glance, 1990-2005

| | 1990 | 1995 | 2000 | 2005 |
|---|---|---|---|---|
| Number of institutions | 495 | 413 | 375 | 337 |
| of which foreign banks | 142 | 155 | 148 | 150 |
| Number of branch offices | 5762 | 4945 | 4037 | 3839 |
| of which offices abroad | 216 | 276 | 228 | 304 |
| Number of staff (1,000) | 136 | 133 | 188 | 182 |
| of which staff abroad (1,000) | 16 | 23 | 76 | 82 |
| Total balance sheets (CHF billion) | 1082 | 1323 | 2125 | 2846 |
| of which foreign assets (CHF billion) | 389 | 514 | 1196 | 1849 |

### Banking system structure, 1990-2005

| Number of Banks | 1990 | 1995 | 2000 | 2005 |
|---|---|---|---|---|
| Big Banks | 4 | 4 | 3 | 2 |
| Cantonal Banks | 29 | 25 | 24 | 24 |
| Foreign Banks | 142 | 155 | 150 | 150 |
| Regional and savings Banks | 206 | 128 | 104 | 80 |
| Asset management Banks | 51 | 54 | 57 | 56 |
| Commercial Banks | 25 | 20 | 13 | 7 |
| Private Bankers | 22 | 17 | 17 | 14 |
| Other Banks | 5 | 5 | 7 | 4 |
| Total | 484 | 408 | 375 | 337 |

past, the Swiss landscape offers perhaps the most exhaustive catalogue of wealth management franchises, from universal banks to family office-type boutiques. Yet because of their different size, Swiss banks react to external operating conditions in different ways and to different degrees. For example, the increasing fixed-cost base forces smaller players to adjust, whereas larger franchises have greater scope to pursue active growth strategies.

## To on-shore or not to on-shore?

The Intel-nationalisation of wealth management has put business models to test. Players compete aggressively to grow at above market average and capture a disproportionate share of net new asset growth. While BRIC (Brazil, Russia, India and China) super-markets and the commodity-driven Middle East have received most attention, mature markets such as Continental Europe and the US, effectively the world's largest wealth management markets, still remain core regional specialisations. Expanding on- and off-shore franchises in growth markets is a capital-intensive route, pursued especially by the larger players.

The European on-shore strategy, which was initiated by the two global banks at the end of the 1990s, has become global. In 2005, the two big banks held 138 branches abroad ( + 31% over 2000-2005) or almost half of Swiss banks1 foreign branches (304 or +33% over the same period). While significantly enhancing global execution capabilities, Swiss banks have increased the total of their foreign capital investments by a factor of 5 over the past decade, to CHF 70 billion. Smaller institutions have expanded more selectively, engaged in on-shoring products and strengthening distribution channels.

In the meantime, inward capital investments have doubled to CHF 29 billion, showing that foreign banks have constantly strengthened their client base in and operations from Switzerland. Evidence suggests that leading international financial institutions, including major Wall Street and City firms, have established and grown their wealth management brands by scaling up their international private wealth management operations from Switzerland. Foreign banks have indeed been the most dynamic providers of branches abroad (117 or +46% over 2000-2005).

## M&A in wealth management

At a global level, consolidation in the highly-fragmented wealth management industry has accelerated in recent years. Increased cost bases favour larger, consolidated players seeking to increase their product capabilities, build economies of scale in existing geographies or expand market shares. According to Thomson Financial, the total number of completed merger and acquisition


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(M&A) deals in the industry worldwide increased to 258 in 2005, compared with 142 a year earlier and 113 in 2003. The Asia-Pacific region continued to dominate activity, accounting for 45% of all deals in 2005. Domestic acquisitions continue to dominate the sector, at 78% of all deals in 2005.

The pace of consolidation in Switzerland mirrors international trends. With over 60 transactions involving at least one Swiss wealth manager party in the past five years, the Swiss marketplace has witnessed fundamental structural changes. On the one hand, larger players have typically engaged in serial, small-to-medium-sized domestic or cross-border acquisitions with a view to increase market penetration, either through enhanced market share or de nova establishment. On the other hand, smaller players, chiefly concerned with business model optimisation, have acquired or merged with equal-sized, primarily domestic, institutions.

Landmark deals can be classified into three not mutually exclusive categories. A primary type of deal puts scale first. The principal motivation of such potential acquirers is to grow or diversify their existing wealth management franchise. A second type of deal relates to the acquisition of an established brand. Illustrative examples include the international takeovers of Swiss franchises to tap into the competitive advantages of a strategic off-shore market. A third type of deal seeks to mitigate fixed overhead cost pressures or downplay earnings volatility, particularly among smaller players.

After a prolonged period of intense M&A activity, the Swiss wealth management industry is likely to undergo a period of restraint, especially at the boom phase of the banking business cycle. However, wealth managers grow differentially even in benign conditions. Franchises that consistently grow below average are under more pressure to envisage strategic alliances. In the long run, consolidation opportunities remain afloat, particularly among the small player segment including independent asset managers. At the same time, organic restructuring such as non-core business outsourcing and value chain optimising will in all likelihood sustain its momentum. ■

# BTS Committed to make Investment in Indian SMEs

By Veerendra Bhargava


Alastair Guggenguhl-Even

BTS Investment Advisors Pvt Ltd is highly focused and uniquely positioned in promoting the Indian SME (Small and Medium Enterprises) sectors, by way of private equity participation. It has been extremely successful in raising funds for the Indian SMEs over the past 10 years, and will continue to develop a sustainable growth financing instruments for the Indian SME sector in the future; says Alastair Guggenguhl-Even, Chairman and K. Srinivas, Managing Partner of BTS.

Setup in 1996, BTS has come a long way with 19 investments in Indian companies from its first Fund which was backed by the Swiss Government. The focus of BTS has been on the manufacturing sector and the consumer driven goods and services. The role of BTS has been holding the hands of the Indian companies over the investment span extending from three to five years and helping the portfolio companies in tapping the overseas market, structuring the growth and in the process adding value to the portfolio companies.

Of the portfolio of 19 investments, BTS has divested 8 yielding a return of above 20 per cent to its Investors. BTS still holds certain investments which would reach their optimum value in the near future, during which these would be divested. Three out of the remaining portfolio companies have received the best SME awards titled as Emerging India Awards which are constituted by CNBC TV-18, ICICI Bank and Crisil in the last two years. This Fund in which the Swiss Government is involved has proved to be the most successful venture of the Swiss Government worldwide. The Swiss Government is keen to continue its mandate with BTS and is also interested in teaming up with other development agencies and institutions to proactively support BTS in development of the Indian SME sector.


K. Srinivas

"We continue to be committed to private equity investments in the Indian SME sector. In order to increase the corpus, leveraging on our credentials we have successfully launched a follow-on fund viz, BTS India Private Equity Fund Ltd which had a first closing at US$ 50 million in August 2006 and will finally close at US$ 80 million by April 2007" says Guggenguhl-Even.

"The Swiss Government, the Asian Development Bank, the Belgian Investment Company for Developing Countries (the development agency of Belgium Government), the International Cooperation and Development Fund of Taiwan (the development agency of Taiwanese Government) and number of reputed high net-worth individuals are stakeholders in BTS India Private Equity Fund Ltd" adds Guggenbuhl-Even with pride.

"During the fund raising exercise, BTS found that Indian markets have progressed tremendously and there has been growing interest from overseas investment in private equity. However, the SME space has not been serviced as much as it deserves. This is precisely where BTS plays an important role, in bridging the gap between global markets and Indian SME companies. Having brought in anchor institutional investors of the highest repute from Europe and the Far-East, which are continents apart, it's a challenge for BTS to service these investors by prudently investing the funds in the Indian SME companies" says Guggenbuhl-Even.

These SME firms that BTS is involved with are mid cap companies with a high growth rate and having a turnover of about Rs 100 crore to Rs 150 crore and most of them are export-oriented. "We look at the mid cap sector, we normally invest between $3 to 6 million," Guggenbuhl-Even says.

He explains the BTS strategy, from the point of view of an advisor to investors who have given the company a corpus of US$80 million. . "We provide these companies an access to overseas markets. We have very stringent corporate governance requirements in terms of social and environmental responsibility," he says, adding that BTS supports them in business development in order to ensure good returns to the investor.

When BTS was launched in 1997, India's economy was passing through an irreversible change following the initiation of reforms. The foreign direct investment (FDI) policy was liberalized and Indian companies were exposed to competition from their foreign counterparts.

"The SME sector was a niche area then. With opening up of the economy for the foreign counter parts, the SME sector went through a learning curve in terms of not only withstanding the competition but also establishing itself as a dependable outsourcing partner for the global MNCs with quality standards on par with global standards. During the process, only the best survived and have emerged much stronger, because they had gone through a learning curve during the last 10-12 years. In 1997-98 when we started our activities, we were the only one who was concentrating on the growth capital requirements of SME segment in India," says K Srinivas, BTS Managing Partner.

In 1997-98, when Information Technology was the flavour of the Indian economy, BTS looked ahead by five years and realized that the manufacturing segment would be the key driver for the Indian economy in the next growth phase.

"So we consistently took the exposure into various manufacturing sectors like textiles, pharmaceuticals, life sciences, engineering and auto components. In 1998-2000 we took on those sectors when all other private equity players were going to the IT sector," Srinivas says, adding, "We took a clear position before anybody could locate those opportunities. In the last five years we have seen many companies in the SME segment grow at 30-40 percent per year. To maintain this growth momentum, these companies require constant infusion of growth capital and we have identified that if we are to come into the SME segment we should have a significant minority stake, it should be between US$2 to 6 million, which will give a comfortable minority stake for a private equity player to participate actively by adding value through its network for the growth of the company."

As a private equity player, BTS has been meticulous in selecting companies that have an excellent track record, whose management teams are efficient. BTS has followed the same strategy in managing the 19 portfolio companies and that is how it expects to continue in the future.

"The only thing that we want to do as value addition is to convert these businesses which are very promoter-centric hitherto into more of institutional businesses by bringing in the corporate governance practices through our dual presence both in Zurich as well as in India. Bring them support from the external investors and help them to grow in the global market, " Srinivas said.

Essentially, BTS is looking at sectors in which India has proven its global competencies, such as IT, ITES, pharmaceuticals, and manufacturing, covering the areas of auto components, engineering and textiles.

"These sectors are becoming globally competitive and there are a lot of outsourcing opportunities that are coming to India. These sectors are definitely our focus areas. And then there are other industries, which are demand-driven, based on the domestic consumption. We have seen the middle class and its exploding growth rate and consumerism. The main sectors that are going to be benefited from this are the telecom and media. These are the sectors we want to concentrate apart from other manufacturing sectors," Srinivas says.

"Manufacturing has the dual effect of being export-driven as well as domestic demand driven. So these are the 5 focus sectors that we would like to consider for the new fund BTS India Private Equity Fund," Srinivas adds.

Traditionally on the manufacturing sector there is a lot of hand-holding support that is going on between most of the European and Indian companies. On the IT side there is a lot happening on the Indo-US corridor but on the manufacturing side we have seen the similar thing between India and the European countries.

Whether it is the US or the European countries or South-east Asia, BTS focus is to identify these companies and get them investment.

According to Guggenbuhl-Even, it is easy to enter the US market but not that easy to enter the European markets.

"We want to play a role in bridging the gap for India in helping the Indian companies enter the European markets," he adds. ■

## WTO Talks to Resume in Geneva

# India will not Sacrifice Farmers' Interests

- Kamal Nath


Trade ministers of some 30 countries, who met at Davos recently, have decided to resume full-scale talks at the World Trade Organisation (WTO), even as India cautiously welcomed the decision, hoping the development agenda is preserved.

"The process will begin in 10 days for technical consultations among members in Geneva and then the talks will start at the official level," India's Commerce Minister Kamal Nath said after an informal WTO ministerial meeting held in January at the Switzerland's famous global convention city.

Although no specific issue was discussed, a statement issued by Swiss Economics Minister Doris Leuthard said a strong wish was expressed for quick resumption of full-scale talks under different negotiating groups to hammer a deal.

Significantly for India, Leuthard also said that parallel to talks on agriculture and industrial goods, progress was also required in services, where New Delhi is seeking greater, cross-border access for its professionals.


Speaking to reporters, WTO Director General Pascal Lamy said he was not sure when the hard numbers in terms of cuts in farm subsidies and tariffs will be worked out. "But there will need to be a new U.S. offer on farm subsidies. There will need to be a new EU offer on tariffs. There will need to be a new offer from India and Brazil on manufactured goods," he added.

Trade analysts said the final contours of the accord must be in place by July, since the authority of President George W. Bush to enter into deals and send them to Congress for a yes-no vote under a fast-track approach will expire after that.

"Negotiations at the ministerial level will commence only if there is progress," he said. "Our position is absolutely clear. We will not negotiate the livelihood of our farmers."

The ministerial meeting was held on the sidelines of the World Economic Forum (WEF) meetings at this Swiss ski resort. The talks were suspended in July, 2006 because of differences between the rich and developing countries. The talks would be resumed in Geneva, but no time frame has been set so far.

"The resumption of talks would be meaningful and should reflect the sensitivities of developing countries," Kamal Nath said.

Articulating India's stand, Kamal Nath told reporters that New Delhi would be willing to move forward only if rich nations show flexibility. "The US and the EU have expressed some good intentions. But the resumption must be meaningful and should reflect the sensitivities of developing countries. This is a development round. For us, it is about getting, not giving," he added.

India, along with Brazil, has been a key player at the negotiations, also called the Doha Development Round. "I think that by end March or say the beginning of April, there should be some sort of breakthrough. But much also depends on how far EU and US move forward on subsidies," Brazil's Foreign Minister Celso Amorin said.

"I believe we are back in business," EU Trade Commissioner Peter Mandelson said, even as he hinted at offering an additional cut of 10 percent in average farm tariff against the offer of 39 percent made earlier.

The group of 20 developing countries, led by India and Brazil, want a cut of 54 percent by EU, while the US has been demanding a 75-percent reduction. Developing countries also want the US to cut trade-distorting farm subsidies.

India Inc welcomed the resumption of talks, saying it was a positive development. "At the same time, talks should not lose sight of the development agenda," said R. Seshasayee, president of the Confederation of Indian Industry (CII).

The ministers reached a consensus to restart global trade talks at a meeting held on the sidelines of the World Economic Forum here.

Doha Round of negotiations of World Trade Organisation were suspended in July last year as key member countries such as the US, EU, India and Brazil failed to bridge differences over cutting farm subsidies and reducing tariffs.

# India Better, can only get Better & Better

Commerce and Industry Minister Kamal Nath has said that India's economic reform process is a continuous one, and added that it has broad political consensus and is stable.

Addressing a group of select CEOs from India and overseas at a breakfast session organised by the Confederation of the Indian Industry (CII) and the India Brand Equity Foundation (IBEF) at Davos recently Kamal Nath said: "India is better today and it can only get better". There are many challenges that India traverses, which infact go unnoticed.

Responding to query on availability of sustained consumer market in India, he pointed out that technology leapfrogging was leading to huge consumer base. He gave the example of " no phone to cell phone" to elaborate this.

Congratulating CII Vice President Sunil Mittal on being conferred with the prestigious Padma Bhushan, Nath mentioned that Indian bred entrepreneurs have played a key role in taking India forward.

Ashwani Kumar, Minister of State for Industry, said that India s relevance in global scenario is now recognised. " India is looking for global partnerships" was a key message from Davos and to Davos, he said.

Dr Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, mentioned that Government was aware that Infrastructure was a key challenge for India s growth and was working towards putting down appropriate policy and regulatory framework.

Indian CEOs present confirmed that India is essentially a private sector country and that Government acknowledged this. Mr. Kamal Nath stated that one fact overlooked was that India was producing entrepreneurs.

Sunil Mittal mentioned that Indian Industry was working closely with government in taking India's growth story forward.

Other participants at the CII - IBEF Power breakfast were R Seshasayee, President CII, Markus Akermann, CEO, Holcim Ltd; Osamu Watanabe, Chairman and CEO, JETRO; Jeroen Van Der Veer, CEO, Royal Dutch Shell Plc, Arun Sarin, CEO, Vodafone Group; Michael Dell, Chairman, Dell Inc; Uday Kotak, Vice Chairman and MD, Kotak Mahindra, Ajay Dua, Secretary, Depart of Industrial Policy and promotion, Govt of India, A Tripathi, Indian Ambassador to Switzerland, Colette Mathur, Adviser, World Economic Forum (WEF) and S S Mehta, Director General, CII.

# India Drawing up More Liberal Mining Policy to Attract FDI

India's Minister of State for Commerce and Industry Ashwini Kumar has invited global mining companies to invest in the country, stressing that a liberal policy had been formulated to facilitate the flow of overseas capital in the sector.

Addressing the chief executives of some of the largest mining companies of the world at the annual meeting of the World Economic Forum (WEF) in Davos recently, Kumar said a long-term iron ore exploration and export policy was also being framed to draw investments. India produces 84 minerals and is self-sufficient in 35.

The participants at the meeting included top officials of Alcoa of the US, Alcan of Canada, Arcelor-Mittal Steel Company and Anglo-American of Britain, Severstal of Russia, Africa Rainbow Minerals of South Africa and the De Beers Group.

Kumar also underlined the importance of formulating a comprehensive strategy for the mining industry that will factor in environmental concerns and imperatives of resettlement of displaced persons.

"Democratic governments need to be responsive to the sensitivities of the people attached to land, which was also a symbol of their identity," he said.

Kumar also had a meeting David Cameron, leader of Britain's Conservative Party, and discussed with him ways to further reinforce the ties between the two countries.

Cameron was keen to further extend educational opportunities for Indian students in Britain, apart from strengthening the role of business associations in promoting trade and investment between the two countries.

Cameron was also invited to visit New Delhi in July, which was accepted in principle, officials said. ■

# India's Rise will not Affect ASEAN

Addressing another session, Kumar said that the rising economies of India and China will not have an adverse impact on the ASEAN but will only help the member countries of the South East Asian trading bloc.

"India's strengthened presence in the global economy would boost the country's imports, which can increasingly come from the ASEAN nations," Kumar said at a session on Regional Agenda Asia.

With the prestigious WEF annual meeting adopting the theme of 'Shifting Power Equation', the focus has turned toward Asia, particularly on India and China. However, questions have also been raised on whether the two most populous countries of the world would grow at the cost of others in the region.

"In fact, as a result of high growth leading to increase in wages, some of the production bases could shift to the ASEAN economies," Kumar said. ■

# India Vows to Cut Carbon Emissions

India is committed to achieving the UN Millennium Development Goals in reducing carbon emissions provided the developed world is willing to devise policies and initiatives in this direction, Minister of State for Commerce and Industry Ashwini Kumar has said.

"The preservation of our environment is a matter of sustained trust which must be redeemed by global leaders in the spirit of statesmanship," Kumar said Friday while addressing a session on climate change at the World Economic Forum (WEF) in Davos in January.

"The Gleneagles Dialogue and the follow-up action provides the way forward," he added. Kumar said India is eager to support a productive involvement of corporate leaders and trans-national companies in developing an agenda for reducing carbon emissions.

Environment is a common heritage of mankind that needs to be conserved and protected and deforestation, municipal waste management and resettlement of displaced people constituted integral components of sustainable development objectives, Kumar added.

He said the challenge was to channel vast sums of money to developing countries so as to encourage development of new technologies, equipments and processes to reduce carbon emissions in a manner that would not hamper industrial development and employment generation in developing countries.

The session was attended by some senior officials such as Yuriko Koike, special adviser of the Japanese prime minister, Jim Leapi, director-general of WWF International, Dave Mikbend, British secretary of state, and Bjorn Stigson, president, World Business Council for Sustainable Development.

Kumar also spoke about the need for an all-inclusive growth that would empower 250 million Indians living below the poverty line.

Earlier in the day, the minister invited global mining companies to invest in India, pointing out that a liberal policy had been formulated to facilitate flow of overseas capital in this sector.

Addressing the chief executives of some of the largest mining companies of the world at the WEF meeting, Kumar said a long-term iron ore exploration and export policy was also being framed to draw investments.

The participants at the meeting included top officials of Alcoa of the US, Alcan of Canada, Arcelor-Mittal Steel Company and Anglo-American of Britain, Severstal of Russia, Africa Rainbow Minerals of South Africa and the De Beers Group.

He underlined the importance of formulating a comprehensive strategy for the mining industry that will factor in environmental concerns and imperatives of resettlement of displaced persons.

"Democratic governments need to be responsive to the sensitivities of the people attached to land, which was also a symbol of their identity," he said.

## Blair happy over Germany's G8 Leadership

Germany's current presidency of the G8 group of major industrialized countries means a chance to set new targets for carbon emissions, British Prime Minister Tony Blair said during the World Economic Forum meeting held recently at Davos in Switzerland.

He said that German Chancellor Angela Merkel was providing "excellent G8 leadership. The German G8 presidency gives us an opportunity to agree at least the principles of a new, binding international agreement to come into effect when the Kyoto Protocol expires in 2012," Blair said.

"It is a prize of tantalizing significance, and I think it is possible.," he said, adding, that any agreement was meaningless without China, India and the US committing to cutting their carbon emissions.

"If Britain shut down our emissions entirely - that is, we closed down the country - the growth in China's emissions would make up the difference in just two years. Without the world's biggest economies there was "no earthly hope of success," Blair said.

He believed there was a significant shift by the US, after President George W. Bush set the first targets to reduce petrol consumption in a major speech this month. Many individual US states, such as California, were already setting their own targets for emissions.

Blair further said he felt it was imperative to help Africa and prevent countries like Somalia and Sudan from slipping further into the abyss. "The effect of their fall will not stay within their region, never mind their nation," he said. ■

## Climate Changes Issue Takes Centre Stage at WEF

The World Economic Forum's annual meeting held recently in Davos has put the issue of climate change firmly at the centre stage of debate. In 17 sessions related to global warming, the Forum gathered the world's top academics, business leaders, NGO representatives, UN agency chiefs, politicians and many others in order to advance the discussion and explore practical opportunities for progress through partnership. The meeting clearly illustrated the deepening commitment of business to engage other groups in addressing this issue.

**Following are examples of some of the concrete developments from this year's Annual Meeting:**

The Forum announced the formation of a new international partnership of seven organizations to establish a generally accepted framework for climate risk-related reporting by corporations.

- Founding members of the institutional consortium, the Climate Disclosure Standards Board (CDSB),
- The California Climate Action Registry,
- Carbon Disclosure Project, Ceres,
- The Climate Group,
- International Emissions Trading Association,
- World Economic Forum Global Greenhouse Gas Register
- World Resources Institute.

CDSB member organizations have agreed to align their core requests for information from companies in order to ensure that they report climate change-related information in a standardized way that facilitates easier comparative analysis by investors, managers and the public. ■

# WEF 2008: The Year of China

China will remain the focus of the World Economic Forum in 2008 though Northeast Asia is expected to top the agenda, a top official with the Forum has said.

Lee Howell, the Asian Department director of the World Economic Forum said "The next year will be an interesting year for Asia, particularly East Asia," adding that the agenda is yet to be decided.

This year, around 2,400 participants took up a variety of issues, ranging from the world economic future, climate change and geopolitical changes to technology and society. Howell said that next year the three Northeast Asian countries - China, Japan and South Korea - may top the agenda.

"In 2008, of course, there will be great celebration around the Beijing Olympics, Japan is to be the president of G-8, and also South Korea will have a new president," Howell said. "So it will be an interesting year, I hope, particularly for Northeast Asia, that we will see strong presence from those three countries in Davos in 2008," reiterated Howell. ■

# 'China is a Friend, not a Threat'

Davos, Jan 27: China is a friend and it is part of the Asean Plus Three fraternity, Malaysia's Prime Minister Abdullah Ahmad Badawi has said.

"We ought to do away with this talk of the China threat, there is no such thing as a China threat. China challenges us, yes. We (Asean) have proven that today China is a friend and is as a part of us (in the Asean Plus Three process)," he said, when responding to questions at an open press conference at the World Economic Forum here on efforts to whittle down China's influence in East Asia.

Abdullah, who said that he was responsible for pursuing efforts in getting China into the Asean Plus Three process, said China was important for East Asian cooperation.

He said there were still a lot of discussions on the establishment of an Asean-China Free Trade Area and it was hoped that such a proposal would bring about greater prosperity for the region.

He said that the East Asian Summit had mechanisms and modalities that could embrace countries with strategic influence that wanted to be a part of the East Asian process. However, these countries must abide the condition of having the Treaty of Amity and Cooperation (TAC), he said.

Abdullah said he believed in the value of the Asean Plus Three and East Asian Summit processes as they epitomised the spirit of engagement rather than containment. Asked what he thought of the resumption of the six-party talks to discuss the issue of North Korea's nuclear programme from next month, Abdullah said the world should give the discussions a chance. China, he said, was also playing an active role in them.

"I don't believe any other mechanism or groups can solve the problem. We have to wait (for the outcome). If it cannot be solved, at least at the moment they can manage the situation so that it does not flare up into something disastrous," he added.

# Hindujas to Make $1 bn Foray into India's Healthcare Industry

The Hinduja Group is making a $1 billion foray into India's commercial healthcare industry with specialty hospitals in several cities and a modern research centre, a senior member of the Europe-based family has said.

"We already have a charitable hospital in Mumbai. This will be a commercial venture with hospitals in cities like Ahmedabad, Bangalore, Chennai, Hyderabad and Pune," Prakash P. Hinduja said.

"We will be investing $1 billion in this project. The finer details of the new venture are being worked out," Hinduja said on the margins of the annual meeting of the World Economic Forum (WEF) in Davos.

According to officials of the Europe-based group of the famous businessmen brothers, the Hindujas' foray into India's booming commercial healthcare will be at three levels. At the top will be a research and knowledge centre that will have highly specialised people involved in clinical research and diagnostics.

The second level involves hospitals at various cities followed by daycare centres at smaller towns that will provide only outpatient service there but make referrals to the hospital network as and when required.

"The P.D. Hinduja National Hospital and Medical Research Centre in Mumbai is internationally acclaimed with best services. We want to replicate that in the commercial healthcare space," Hinduja said.

The multi-specialty hospital, with over 350 beds, also has a medical research centre in collaboration with the Massachusetts General Hospital in Boston and the same model will be considered for the new venture, officials said.

In tertiary healthcare, the hospital chain will offer services that will cover investigation and diagnosis to therapy, surgery and post-operative care, the officials added.

# Davos Makes Every Convention Unique

Davos makes every convention and conference unique. Not just because Davos Congress offers a conference centre with imposing architecture and a hi-tech infrastructure. Not even because in this Alpine metropolis, an urban atmosphere and the surrounding environment complement each other beautifully. In Davos you find the most intriguing blend of nature and technology, of a holiday resort and world-class city, of confidence in the future and pride in tradition all at the same time. This is what makes Davos so special.

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Actually, Davos invites you to relax, breathe and come back to your senses. Because Davos is a skiing paradise, a rambling centre, en El Dorado for sports enthusiasts, a spa resort, cultural metropolis, gourmet attraction, entertainment hotspot, shopping oasis and conference town. International in outlook, Davos always guarantees a friendly welcome!

## Summer offer

Davos Tourism is launching its summer offer under the name "Davos Inclusive" with the focus on free travel on all mountain rail and cableways. The Guest Card entitles the holder to unlimited free travel on Davos mountain rail and cableways..

"Davos Inclusive" embraces all the attractions in the "Active Summer" guest programme, including the historic-cultural tour around Davos, guided tours through the belle-époque Hotel Schatzalp, wildlife watching, a range of guided hikes and the popular old-timer tours around Davos and its surroundings. ■

# After Reaping Bumper Profits in '06, Swiss Firms Ready for Bumpy Ride in '07


Swiss companies enjoyed a bumper year of profits in 2006 that fuelled a record high on the stock exchange and a highly anticipated end of year bonus bonanza. But economists have warned firms to brace for the effects of a temporary global slowdown next year and the early signs are already visible in Switzerland.

Buoyed by the strong momentum in evidence during the latter stages of 2005, the two main Swiss banks, UBS and Credit Suisse, turned in impressive first-half results. Net profits leapt 68 per cent at Credit Suisse, which sold its insurance arm Winterthur, and by 40 per cent at UBS.

However, the banking industry's reputation took a battering as details of suspicious trading activity during last year's merger of Swissfirst and Bellevue banks became public. Criminal prosecutors are currently investigating why some pension funds sold Swissfirst stock just prior to the deal, thereby depriving themselves of substantial gains. Swissfirst chief executive Thomas Matter resigned from his post in August amid allegations of illegal insider trading.


The pharmaceutical and biotechnology sector, led by Roche and Novartis, in general also posted healthy profits. One struggling firm, Serono, appears to have dug itself out of trouble by selling up to German drug maker Merck, while prospering vaccine producer Berna Biotech agreed to a takeover from Dutch firm Crucell early this year.

Analysts predict further takeover activity in the mid-sized biotechnology industry in the coming months and years.

The insurance sector showed signs it was weathering the effects of last year's catastrophic storm damage. Swiss Re shrugged off a storm-related profit hit by buying the reinsurance arm of General Electric, in a deal costing more than SFr11 billion ($9 billion), to become the world's largest re-insurer. Converium continued along the path to recovery after returning to profit in 2005.

Strong exports boosted the manufacturing sector with the once troubled engineering group ABB completing its turnaround from virtual ruin five years ago with a return to robust growth.

Switzerland's other home-grown giant, Nestlé, increased its voracious appetite by gobbling up Novartis's Medical Nutrition business for just over SFr3. billion and United States diet firm Jenny Craig.

More than half of small and medium-sized enterprises registered higher sales in the third quarter of 2006 compared to the previous three months, according to a new barometer measuring SME health launched by UBS.

The surge in profits pushed the Swiss Market Index to a record high of 8,836 points in November, bettering the previous 8,312 set during the dotcom bubble days eight years ago. The SMI ended the year at 8,786 points, 16 per cent higher that at the end of 2005.

### Brakes applied

The fast pace of economic growth prompted the Swiss National Bank (SNB) to raise interest rates by 25 basis points for the fifth consecutive time in December to set raise its benchmark target rate to two per cent. The SNB also predicts two further such rises next year.

However, even this measure has failed to convince economists that the Swiss economy can carry on at such a pace for much longer. The general consensus is that Switzerland will feel the effects of a cooling in the US economy next year, but that slowdown will result in a soft landing.

A range of leading economic indicators predicts a growth in gross domestic product of between 2.6 and three per cent this year, followed by between 1.7 and 2.2 per cent in 2007.

Possible signs of this deceleration showed up in an unexpectedly sharp slowdown in the Swiss economy in the third quarter. UBS profits between June and September also plunged 22 per cent from the corresponding period of last year.

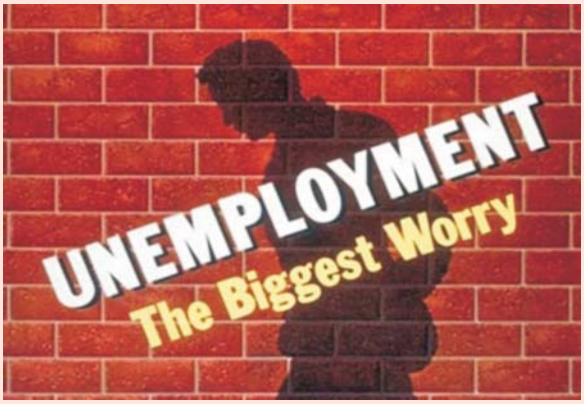
But the picture is not by any means grim. In a survey conducted by the weekly business newspaper Handelszeitung, many top firms are planning to recruit more employees in 2007 and the State Secretariat for Economic Affairs (Seco) predicts unemployment to drop from the current 3.1 per cent to 2.8 per cent next year.

# Keeping Unemployment Under Control

The annual unemployment rate has fallen for the second straight year in Switzerland, dropping half a point to 3.3 per cent for 2006. The jobless rate rose slightly at the end of the year after spending six months at 3.1 per cent, but this was due to seasonal factors according to experts.

"It's a fact that the improved economy had an impact on the job market," Swiss Economics Minister Doris Leuthard has said recently in Bern. "Last year saw the creation of 60,000 new jobs."

According to the State Secretariat for Economic Affairs (Seco), continuing good economic growth helped keep in check the number of jobless in the second half of the year. The number of unemployed fell from 154,204 in January to 121,725 in July before finishing the year at 128,850. The 2006 average was 131,532, while the number of job seekers averaged about 197,414.



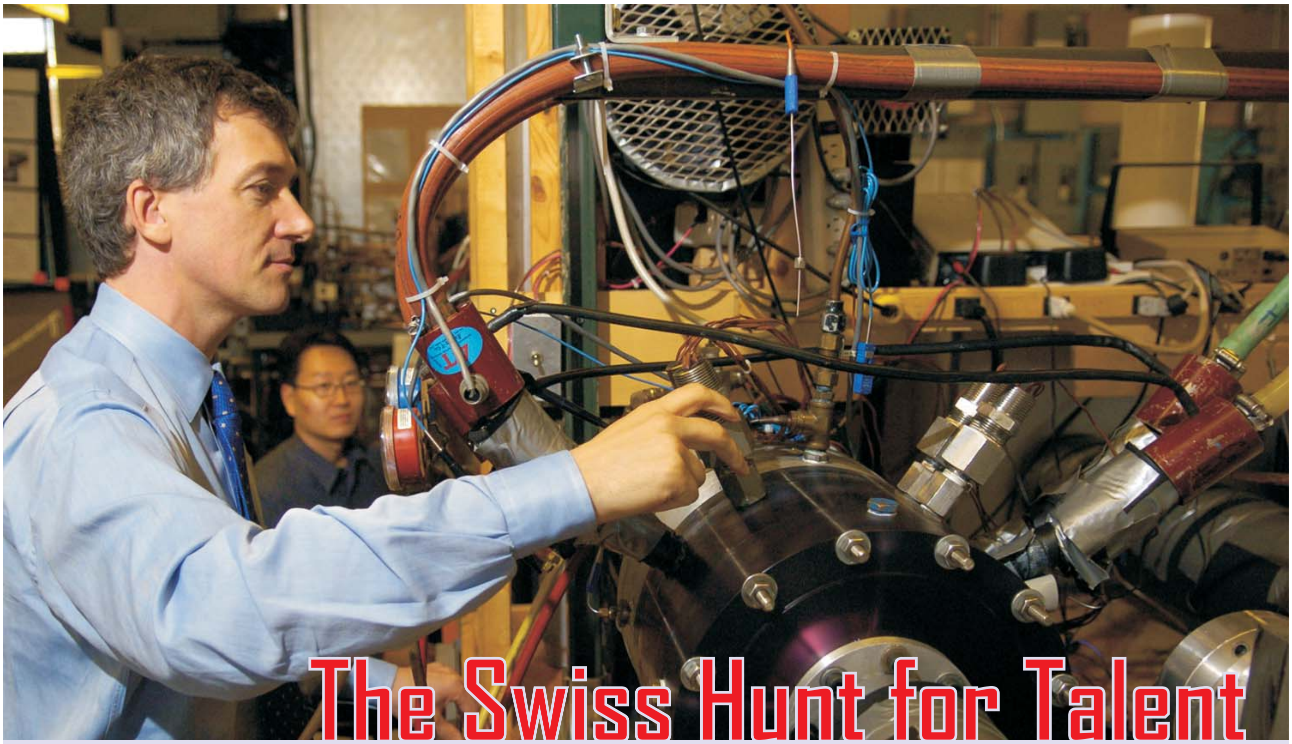

French-speaking Switzerland continues to be hardest hit by unemployment, with a rate approaching 4.8 per cent, two points higher than in the German-speaking part of the country. Geneva is the canton with the most people receiving unemployment benefit (seven per cent). Unemployment among foreigners fell by 0.7 points to 6.1 per cent, compared with 2.5 per cent for Swiss nationals.

The jobless rate for 15 to 24 year olds fell the most (0.8 per cent) to 4.3 per cent, while it dropped to 3.3 per cent for 25 to 49 year olds. Unemployment for over-50s averaged 2.9 per cent last year. Specialists blamed the slight increase in unemployment registered at the end of 2006 - 3.3 per cent - on seasonal factors.

The Swiss National Bank expects Switzerland to reach full employment this year with the jobless rate below three per cent. The government has forecast an average rate of 2.8 per cent.

Addressing the media, Leuthard emphasised that her goal was not only to continue to create jobs but to ensure the Swiss enjoyed a better work/life balance. She said she hoped to achieve this by expanding childcare services and providing greater subsidies for them, which would encourage more women to enter the workforce.

Leuthard said she would lead the way by introducing family-friendly policies within the economics ministry, including more flexible working hours and covering up to 50 per cent of childcare costs.



# The Swiss Hunt for Talent

A major shortage of skilled workers in Switzerland is frustrating many businesses as they look to cash in on the expanding global economy. Employment specialists Manpower Switzerland say more than half of Swiss companies are struggling to recruit suitable candidates to fill vacancies.

"We are now seeing a big shortage of qualified personnel in certain areas," country director Charles Bélaz has said. "This started last year in the technical and finance sectors." The Swiss engineering industry announced in October 2006 that it was facing a shortfall of at least 1,500 skilled workers and perhaps as many as 5,000.

Bélaz warned that as long as the economy continued to grow, the situation would only get worse owing to demographic changes. Lower birth rates mean the talent pool in Switzerland is likely to remain small.

"This will become a serious problem within the next five years," said Bélaz.

The situation is not being helped by the country's traditionally low unemployment rate. On Monday the economics ministry announced that this fell for the second year in a row, dropping half a point to 3.3 per cent in 2006.

Manpower said the falling jobless figure was exacerbating the "acute" situation in Switzerland. Bélaz said last year the recruitment agency had already been forced to go looking for qualified staff in France, Germany and Italy.

But he predicted that this resource would dry up in the near future as neighbouring countries became caught up in their own "war for talent".

## Talent Contest

Michael Agoras, managing director of Adecco Switzerland, said it too was having to cast its net ever wider. He pointed out that the recruitment firm was increasingly using the internet and targeting jobs fairs across Europe to corner talent.

Agoras said the main demand at present was for highly qualified finance personnel, research and development specialists, and watchmakers.

"I expect this situation to continue throughout the year. But it is not only down to the economic situation; the marketplace in Switzerland has changed," he said. "The past five years have seen greater demand for white-collar workers than blue-collar workers."

At its annual press conference in October last year, Geneva's banking and financing sector warned that it was already finding it hard to recruit sufficient qualified personnel.

Steve Bernard, managing director of the Geneva Financial Center, said on Tuesday that the rapid expansion of the city's banking sector over the past two years had raised demand for talent, both in the trade finance and the asset management business.

He singled out the commodity sector as one area where managers increasingly had to shop abroad for staff.

"The search for talent is now a global business," he said. "Banks in Switzerland and Geneva are in competition with places like London, New York and Singapore."

According to Le Temps newspaper, Switzerland's leading banks Credit Suisse and UBS are looking for up to 600 and 700 staff respectively.

## Engineering

Engineering giant ABB has also been feeling the pinch. Last year it turned to China and India for skilled workers to fill 100 vacancies.

Other engineering companies such as Sulzer and Georg Fischer are also experiencing problems recruiting the right staff.

The Swiss watchmaking industry is after an additional 2,000 workers to cope with the rise in demand for luxury goods.

Fully trained watchmakers, technicians and other specialists are in short supply and employers are looking abroad, creating special training programmes and asking employees to stay on beyond retirement age.

Manpower's Bélaz said firms needed to face up to the changes in the labour market by persuading people to keep working longer, taking on more women and offering retraining courses. ■

# Lonza Results Surpass Expectations

The Basel-based chemical and biotechnology company, Lonza, has reported an 18-percent rise in net profit in 2006, beating analysts' expectations. Profit rose to SFr222 million ($178 million) from SFr188 million in 2005, while turnover was up by 15.6 per cent to SFr2.91 billion.

Lonza said it expected sales growth of eight to 12 per cent over the next few years and operating profit growth in the mid to high teens. The company has repositioned itself away from speciality chemicals in recent months with a series of deals to strengthen its high-margin biopharmaceutical business.

It concluded agreements with drugs firms, including scooping up two units from Cambrex and buying a biotech manufacturing plant from Genentech.

It also listed its Polynt SpA unit on the Italian stock exchange - part of a shifting of Lonza's business away from the traditionally low-margin speciality chemicals products, which have been hit by higher raw materials prices and increasing competition from the Asia-Pacific region.

In a statement, Lonza said biopharmaceuticals would make up 90 per cent of its sales in 2007.

An analyst from Bank Vontobel said turnover and operating profit growth was impressive. "On the whole the accounts confirm that the company is in a strong growth trend," Alexandre Pasini said. Analysts had expected profits of around SFr212 million. ■

# India Seeks Swiss Rail Tech to Upgrade Safety Infrastructure


The Swiss Embassy in New Delhi has organised a Swiss rail technology seminar recently, coinciding with the 17th International Engineering and Technology Trade Fair (IETF 2007) of the Confederation of Indian Industry (CII). Swiss Rail, an Industry Association is primarily an export promotion organization for the Swiss guided transport system Engineers and Industry.

Thirteen Swiss Railway Infrastructure companies made presentations on the services they offer and also informed the participants on the new technologies and new areas of their expertise. The objective of the seminar was to explore new partnerships.

Some of the Swiss companies who made presentations were, ABB Switzerland; ACS Solutions, Switzerland; Basler & Hofmann; Flury Arthur AG; HaslerRail AG; Huber+ Suhner AG; Kummler +Matter AG; MEI Inc.; Nencki AG; Prang+ Partner AG; Secheron SA and Selectron Systems AG.

Kul Bhushan, Advisor - Electrical, Railway Board, Ministry of Railways in the Indian Government, delivered the welcome address and said that the consortium of Swiss Industry is engaged with Indian Railways in discussions to upgrade the latter on the technology front.

"The Swiss technology is much advanced and the Indian Railway is working closely with them to develop the Railway Infrastructure," he mentioned. The transfer of Swiss technology in locomotive manufacturing has brought down the cost of manufacturing to just one-third.

Kulbhushan said that with enhanced services, rational passenger tariffs, creation of fresh freight corridors, technical up gradation, imports of critical components, increased investment, optimal utilization of assets, superb infrastructure Indian Railways is in a turnaround phase.

Safety and technological up gradation is the top priority of Indian Railways and this has thrown open several opportunities for private sector participation. There has been a 10% increase in traffic with additional revenue last year. He also said that the Indian economy is in the boom phase with 9.2% growth in GDP and is projected to grow at 10%, this would mean an expected increase of 12 13% in Railway traffic. The Indian Railway is gearing up to meet the challenge through development railway infrastructure. Two corridors, namely Delhi-Mumbai and Delhi-Kolkata are all set to come up. Three new factories, one for the coaches, producing more than 1000 coaches, one factory for diesel locomotives, and one for the manufacturing of the electric locomotives are likely to be set up soon, he mentioned.

The seminar was attended by V C D Shreni, Additional Member - Electrical, Railway Board. ■

# UNICEF Goodwill Envoy Federer Visits Tsunami Orphans in India

Roger Federer, the world's top tennis player and a Unicef Goodwill Ambassador, has visited India to mark the second anniversary of the Indian Ocean tsunami.

On his two-day trip, Federer visited Unicef's tsunami recovery programmes in Cuddalore, in the country's hardest-hit state of Tamil Nadu, including a protection centre for children and orphans.

More than 18,000 people in India, a third of them children, were killed or reported missing by the tsunami on December 26, 2004. In Tamil Nadu alone, 8,000 people were killed and 186 schools destroyed.

"I have spent a lot of time with the children and I think I now know each of them by their first name," Federer has said recently. "Children are our future, and for that reason I have tried to inspire them."

Federer, who was recently named Swiss Sportsman of the Year, refused to talk about tennis on his first trip as a Goodwill Ambassador. "I told the children that I would always be there for them. This first visit in India has been fantastic."

Unicef has designed its tsunami programmes to not only restore services but to improve the standards and provide access to those that were lacking or not available to everyone.

In India, that approach has steered programmes in health and nutrition, provided safe drinking water, raised the quality of education, developed policies on child protection, and raised HIV/Aids awareness.

Roger Federer

More than 200,000 people around the world lost their lives in the 2004 tsunami. Unicef has been working on tsunami relief and recovery in eight countries since the tsunami struck.

Federer was appointed Unicef Goodwill Ambassador in April 2006. The nine-time Grand Slam champion first teamed up with Unicef two years ago when the Indian Ocean tsunami struck.

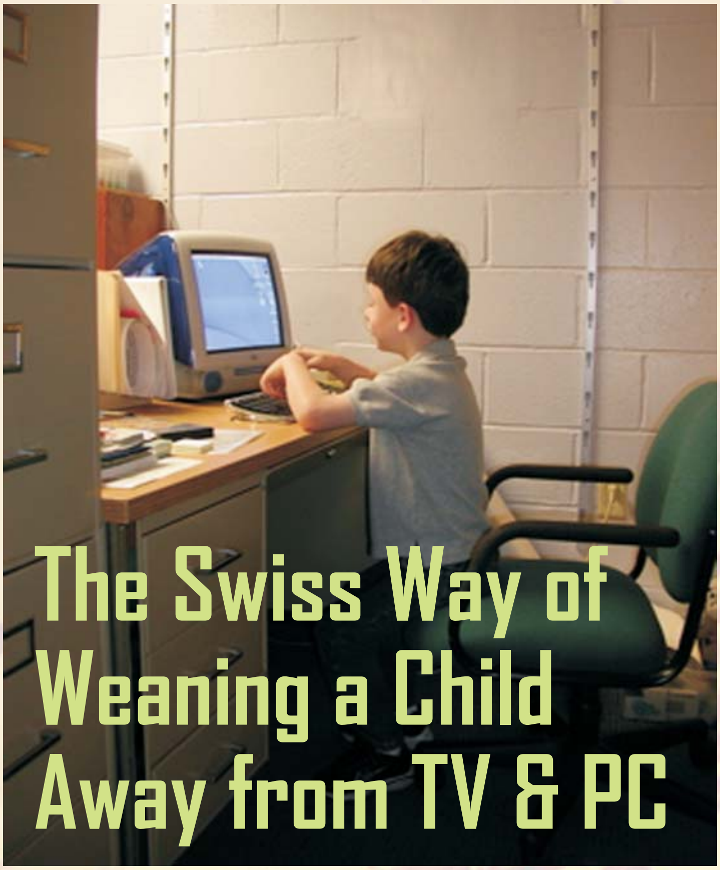
After the disaster Federer led several fundraising initiatives including the ATP All-Star Rally for Relief, a unique exhibition tournament with proceeds benefiting Unicef's tsunami-relief programmes.

"It is remarkable how these young people have seized this reconstruction as a opportunity to improve their lives and to strengthen their communities," he said.

Federer is also the founder of The Roger Federer Foundation, which focuses on disadvantaged children in South Africa.

Unicef Goodwill Ambassadors are active on a national, regional and international level to support projects aimed at improving the lives of children. The first Goodwill Ambassador was the US actor Danny Kaye in 1954. Current ambassadors include Sir Roger Moore, Jackie Chan, Shakira and Harry Belafonte.

Roger Federer is the first Swiss-born Goodwill Ambassador. English-born Sir Peter Ustinov, who later took Swiss nationality, had been UNICEF Goodwill Ambassador for more than 35 years when he died in 2004. ■



# The Swiss Way of Weaning a Child Away from TV & PC

Swiss paediatricians are warning of the dangers of children spending excessive periods of time in front of a television or computer screen.

In the latest edition of the health booklet distributed to parents, they advise that children should not sit in front of a screen for more than seven to ten hours a week.

"When some toddlers tell me about the film they just watched before coming to school, the mind boggles," said one teacher in Zurich, who is in no doubt that the number of children who watch a lot of television  often alone  is increasing.

The Swiss Paediatrics Society is also ringing the alarm bell: from now on a warning can be found in the health booklet, which children keep from birth until they are 14.

The warning is not meant to be moralistic, but aims above all to raise awareness.

In the chapter on "growing and developing", the doctors warn: "Did you know that spending too much time in front of a television or computer (more than seven to ten hours a week) harms the physical and psychological development of children and adolescents?"

"Television does not meet the cognitive, emotional and psychomotor needs of young children," said Nicole Pellaud from the Swiss Paediatrics Society, who is responsible for the new edition of the health booklet.

"It could even have a negative effect by depriving them of other stimuli appropriate for their age and by getting them used to a "televised" solution to their needs in the future."

Paul Bouvier, director of health for young people in the canton of Geneva, confirms that television is not a tool designed for the very young. "They like it there's movement and colour  but there's no real meaning to it," he said.

"What's more, this constant mental stimulation is tiring. Television can provide something  it can help develop skills  from the age of three, however viewing should be limited to a few short periods a day and always supervised by an adult."

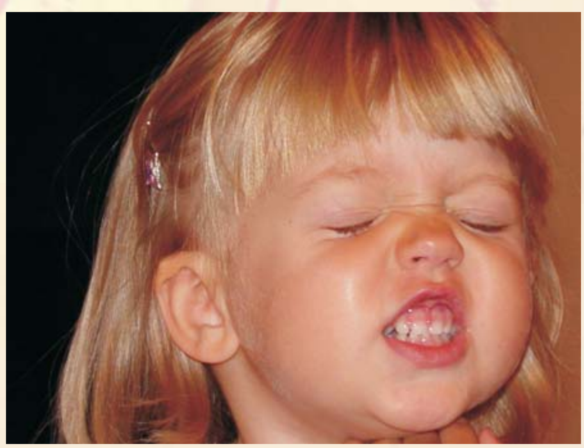
The amount of television watched by children in Switzerland is far lower than levels measured elsewhere, especially as the small screen loses ground compared with video games and computers.

"An estimated ten per cent of [Swiss] adolescents watch four hours of television a day," said Bouvier. "In the United States, it's a third."

If the two fundamental factors  time spent in front of the screen and the content  are combined, they can cause aggressive behaviour in the very short term.

"All studies show that," said Bouvier. "A book never has this effect."

The alert has also been raised for another reason, which the health booklet mentions in a chapter on food. "The effects of too much television on obesity remain under-estimated," said an angry Bouvier. "What's more, television extols the benefits of mass-produced food  it's a real disaster in terms of public health."



More Than A Collectors' Item

# The 85-Tool Mega Swiss Army Knife Cuts Through the Market

A knife with just about everything you can wish for in a set of tools is currently giving the Wenger company of Delémont in western Switzerland a welcome boost. And while "normal" users of the Swiss Army knife might scoff and say it is just too big, unwieldy and unusable, collectors are snapping it up.

The Giant Swiss Army Knife weighs in at 1.3 kg and contains all 85 tools that are in Wenger's catalogue for 2007. "We wanted to show what a Swiss Army knife could look like with all the tools in one product... to show this handy toolbox in its most extreme form," Wenger's chief executive Peter Hug has said.

"Everything has to be functional, it has to have the quality of Wenger but here we overdo it," he added. The idea to make such a giant knife came when the company was preparing for the major annual watch and jewellery fair in Basel.

"As Wenger also sells watches we were looking for a surprise piece that people could immediately recognize the name as a brand of the maker of the genuine Swiss Army knife."

A former head of production mentioned that there had once been an idea to put more of the tools together and finally it was decided to try to put them all in one product. After ten weeks of development, the company had come up with a first prototype and the giant began to take shape.

"Of course it's more of a showpiece than a serious Swiss Army knife. I used to say this was our trick to sell more backpacks and you need a backpack to carry this around," Hug said.

Inside the Wenger plant, Michel Champion is a busy man because until now he alone has been responsible for putting the knife together.

The knife has to be assembled by hand because there is no machine that can do it. And Champion knows exactly where each tool should go.

In the beginning he could make two pieces a day but by gaining experience the figure has now gone to up to about ten.

## Awesome Tool

The price in Switzerland of this awesome tool is between SFr1,100 ($910.56) and SFr1,200.

"Given the price that we're selling this at, we are collecting orders from our distributors and once we have an amount that is high enough, we launch production of maybe 20 or 30 pieces," Hug said.

Despite its price tag and size, the knife is enjoying a positive echo in the marketplace.

"It's selling very well, far beyond what we expected quantity-wise. What's even more important is the press attention we get is incredible. We could sell a couple of hundred a year, which is far more than we expected."

The Wenger company was taken over by its "big brother" Victorinox in April last year in a move that kept the company in Swiss hands and secured its future. Hug said cash problems were solved by the takeover, which proved a "great relief" to management and staff.

## Concentrate on Brand

"Now we can concentrate on our brand, our products and our clients because we do not have to fight to survive, to organise the cash." Wenger is focusing much more on what Hug calls high-mechanical solutions.

"We are the 'high-mech' knife brand. One example is the Swiss Army Knife with the nail clipper."

"Victorinox is more taking the high-tech approach. They built in the USB stick and the MP3 player. We are not going in this direction. It's not our key competence. We really focus on where our strength is," he commented.

Hug is proud at what Wenger has achieved since it came under the wing of Victorinox, which is based at Ibach in central Switzerland.

"Just look at the results. This year for the first time since 2001, since the September 11 attacks, Wenger will sell more Swiss Army knives than the year before, so this is clearly a turnaround situation."

## And the award goes to...

# The Booming Swiss Film Industry

Swiss films have enjoyed a golden year, with 37 awards at international festivals and reaching a domestic market share of ten per cent for the first time. But political squabbles threaten to stymie the industry's impetus and make the New Year not quite as prosperous as Swiss moviemakers would like it to be.

Fifty-five Swiss films (18 features, 15 documentaries and 22 shorts) were selected at the major international festivals and 37 picked up awards. In 2005 only ten of 45 films won awards.

The performance abroad was echoed in record audiences for Swiss films at local theatres: out of 14,000,000 total admissions (as of December 1), more than 1,400,000 were for Swiss films. This compares with a 5.96 per cent market share in 2005 and 2.59 per cent in 2004.

Grounding, Michael Steiner's populist dramatization of the collapse of national carrier Swissair, was the most successful Swiss film of the year one of four films to break the 200,000 mark.

It was a good year for Steiner: his previous film, Mein Namen ist Eugen (My name is Eugen), won the 2006 Swiss Film Prize and was the most successful Swiss film since Die Schweizermacher (The Swiss Makers) in 1978.

## "Quantum leap"

"I wasn't surprised that there was a success but I was surprised by the extent of it," Micha Schiwow, head of the national film promotion organisation Swiss Films, has said. Explaining the "quantum leap", as he put it, Schiwow believed a positive perception of Swiss films had been built up over the previous years.

"There was certainly an element of chance that so many films came out in one year, but the fact that the audience reacted so positively to Swiss films and that this interest also grew so much internationally is not down to luck," he said.

Peter-Christian Fueter, producer of Grounding, told swissinfo: "There's a new generation [of directors] with a different approach to cinema they are not afraid to entertain people and hopefully they do it in an intelligent way, because the public is not stupid."

Although Swiss films still struggle to break through to international audiences, they made it to eight of the 12 "Category A" film festivals.

Switzerland was well-represented at Cannes in the Cinemas of the World section, three features were screened at the Piazza Grande at Locarno and Sundance hosted three documentaries, including Christian Frei's The Giant Buddhas.

Nachbeben (Aftershock) by Stina Werenfels, Vitus by Fredi M. Murer and Thomas Imbach's Lenz all had their international premieres at the Berlin Film Festival.


Vitus the Swiss contender for the Oscars in February also won the Audience Award at Rome, Chicago and Los Angeles and the Bronze Bear for Best Director at Berlin. The schmaltzy drama about a child piano prodigy has already been sold to more than 30 countries, including the United States.

Das Fräulein (Fraulein), a relationship drama by Swiss director Andrea Štaka, won the Golden Leopard at Locarno the first Swiss film to do so for 21 years and picked up two prizes at Sarajevo.

## Challenges

Despite all the good news, not everyone is happy. Earlier in December Cinésuisse, the umbrella organisation for the Swiss film industry, said the government's "Succès Cinéma" scheme, which is meant to reward successful Swiss filmmakers, was in fact "punishing" them.

Under the SFr4.5 million ($3.8 million) scheme, films that sell more than 10,000 tickets receive one SFr10.30 "success voucher" per ticket (up to a maximum of 100,000 tickets).

What's needling Swiss filmmakers however is that in a bumper year such as 2006 there's simply not enough in the government pot to go around, resulting in lower payouts. This in turn threatens filmmakers' chances of recovering costs.

Cinésuisse called for parliament to increase the Succès Cinéma budget for 2006 to SFr7.5 million, but this demand was later rejected.

One thing is certain: January 24 will see the most interesting Swiss Film Prize for a while, with Vitus, Grounding and Das Fräulein all fighting it out for the SFr60,000 award. Vitus might sneak it. ■

## Swiss Revive Robert Walser to Fame

# Remembering the Lonely Writer Lost in the Snows


Switzerland has marked the 50th anniversary of the death of Swiss writer, Robert Walser, who enjoyed most of his success posthumously. At a ceremony in Herisau where Walser died and is buried, Finance Minister, Hans-Rudolf Merz, who hails from the eastern town, paid tribute to the author.

Robert Walser died aged 78 of a heart attack on Christmas Day, 1956. He had been walking in the snow not far from the asylum where he had been living for 23 years. In a curious twist, photographs of his body bring to mind images of a dead man in the snow in Walser's first novel "Geschwister Tanner" (The Tanner Siblings).

Merz, who encountered Walser when he was alive but did not get the chance to speak with him, asked to whom the author now belonged. The fact that he constantly moved around was proof of his restlessness and lack of roots, and showed that Walser belonged to no one, said the minister.

Swiss writer Jürg Amann, who has written a literary biography of Walser, said: "You have to look between the lines with Walser. He hid himself in his writing so that he could be discovered by us in the small detail. It's really taken the 100th and 125th anniversaries of his birth and the 50th anniversary of his death to make him known at last to the broad public that he deserves."

Walser's works have now been translated in many languages and the past year has seen a number of events both in Switzerland and abroad to mark the anniversary. Amann says one of the reasons Walser was not recognized during his lifetime lay in his character: he retreated from his readers and publishers when a breakthrough was possible.

Walser, who had eight brothers and sisters, felt his mother did not give him enough love a factor that was to play a major role in his life. He describes this feeling in detail in his play "Der Teich" (The Pond). The main character pretends to commit suicide so that he can find out how much he is missed.

"This had an influence until his death. It was only by making himself small and disappear, and through his writing, that he could secure the love of the world," Amann said. "He was always a lone individual. He was not really capable of relationships or love."In 1905, after failing to become an actor, Walser moved to Berlin where he wrote three novels, in addition to many short stories. There was admiration for his work and authors such as Hermann Hesse and Franz Kafka counted him among their favourites.

The eight years he spent in Berlin were to be the high point of his career and photographs of him there show a self-confident man. But that all changed in 1913 when he returned to Switzerland. He asked for money from the Swiss Writers' Association to help him out, but the organization did not even know him and Walser was forced to start all over again.

For eight years he lived in an attic room of a hotel in Biel. "It was cheap and cold but he managed more or less to survive mentally, although it was difficult because he lost his father and two brothers," said Amann.

He then moved to the capital, Bern, changing addresses frequently and living a solitary life, although his years in the city were productive. After suffering a mental breakdown in 1929, Walser was admitted to the Waldau psychiatric clinic, with medical records saying he confessed to "hearing voices". He was roughly diagnosed as being schizophrenic.

He abandoned pen and ink and wrote in pencil, writing in letters that became smaller and smaller, which experts have found hard to decipher. "I think this was the last step of disappearing. Before giving up [writing] completely, he began to write so that only he could read it," Amann said.

"First people thought it was a secret language but that turned out to be wrong. It was simply that his writing got smaller and smaller." Walser gave up writing completely when he left the Waldau clinic for a similar home in Herisau, where his father was from. In the 23 years he spent there until his death, Walser shunned company and loved long and lonely walks, particularly in snow. In the end, his death in the snow was perhaps rather symbolic.

# A School for Swiss Hospitality

The Lausanne Hotel School has been passing on its expertise to other countries eager to learn more about Swiss-style hospitality. Particularly appreciated are the typically Swiss values of precision, quality and attention to detail.

The Hotel School, known by its French acronym EHL, is the oldest in the world. When it opened in 1893 it had just 24 pupils. But such has been the explosion in the hospitality industry over the years it now encompasses far more than just hotels that the school now has more than 1,400 students from 87 countries. The globalisation of the hotel and hospitality industry has long led to EHL graduates finding jobs around the world.

Working abroad is also a way for former students to gain valuable experience and of course, put their Swiss know-how to use. "This sense of precision and detail is still being passed on by the EHL today," said Kallegeris Augoustinos, a Greek student at the school.

This expertise is also much in demand from other countries. "The school's training programme has itself become a Swiss-made export service," said André Mack, a senior consultant at EHL.

"The EHL has been asked by governments, professional organisations and colleges from more than a dozen countries to provide a type of coaching while they set up their own hotel schools," added Mack.

This includes Lebanon, which wants to bring its hotel business up to international standards. A Beirut university is cooperating with the Lausanne school. Oman, which is experiencing a tourism boom, wants to attract more domestic staff.

"Until recently the Omanis were not trained in this type of service," explained Betrand Willi, head of the EHL's Alumni Centre. Previously such posts were normally held by internationally experienced professionals from India or the Philippines.

The lack of homegrown professionals is a problem that can be solved by setting up proper training colleges, which is where the EHL comes in. Added to this is the fact that the Gulf region is slowly coming to terms with the fact that its women could also work in the hotel business. The EHL is also cooperating with the United Arab Emirates in its national training programme for hospitality.

EHL director Ruud Reuland says that other important tourism countries, such as Italy and Spain, do not appear to have such influential hotel schools. "The tendency there is either theory-heavy universities or the totally practical start as a cook or skilled labour," he said.

The Swiss way, says Reuland is to go to college where theory is combined with practice. This also happens in Finland and in the Netherlands. Reuland added that the EHL was extending its training services to other sectors of the hospitality industry. This type of management is also in demand in hospitals, old people's homes, prisons and asylum centres.

There are concerns that Swiss service values have become a bit watered down over the years. "Whoever still wants to have a Swiss-made programme must still come to Switzerland and do their training here," said Mack. Those who want to have a training specific to their home countries should visit a local hotel college, he added. ■

# Mt. Pilatus

## The Ropeway to the Top of the World

### EVENTS & ACTIVITIES 2007

**Until March:** Fun & action on the 6 km long sledding-slope between Fräkmüntegg and Kriens
**June 9:** 1st Pilatus Mountain Triathlon
**Sep. 9:** 'Salsa on the Rock' Salsa party an workshop with live band at the Hotel Pilatus-Kulm
**Nov. 18/19:** Europe's highest Christmas market on top of Mt. Pilatus.

If you want to experience the breath-taking sensation of being at the top of the world, take the ropeway to Mount Pilatus in Switzerland. If you're in love with mountains and their snow-capped peaks, again, Pilatus is the right spot to visit. If you want to shout and scream from the mountaintops, Pilatus is the answer. Pilatus is the world's steepest cogwheel railway. The highlight of the Mt. Pilatus experience is the magnificent view from 7,000 feet above sea level. At the summit, you'll see over 70 peaks and five different lakes. The world's steepest cogwheel railway operates from May to November (depending on snow conditions). However you can still visit the top of Mt. Pilatus via the panoramic gondolas and the aerial cable cars that continuously operate from Kriens to Pilatus Kulm during the entire winter.

So close to Lucerne and so easy to reach by public transport, Mt. Pilatus is the perfect peak for everyone, young and old, large or small. Central Switzerland's biggest suspension rope park the Pilatus Seilpark on Fräkmüntegg had had a successful season in 2006, with more than 15'000 visitors. From May to November , the Pilatus Seilpark offers action-packed fun for outdoor fans, families, schools, companies and clubs.

## Pilatus-bahnen Strikes 'gold'

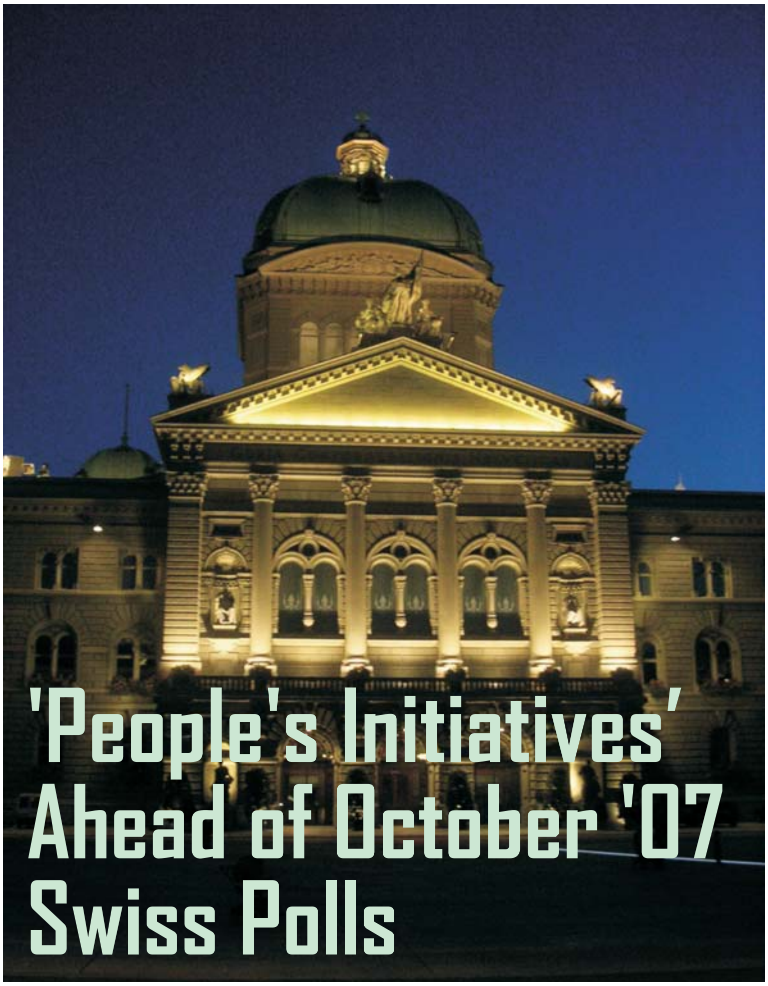
In 2006, PILATUS-BAHNEN was successfully tested by a renowned Austrian company in cooperation with the trade magazine SEILBAHN & BUS TOURISMUS. In the anonymous Summer Test held from the beginning of July to mid-September, 2006, the company testers evaluated railways and cableways, hotels and gastronomy and leisure activities. PILATUS-BAHNEN took first prize in the overall ratings and also won the "Fun & Action" award for touristic development. The awards ceremony took place in Innsbruck in January 2007

## Longest Summer Toboggan Run Now Operated By Pilatus-bahnen

Get into the groove on Switzerland's longest summer toboggan run 1350 m of tempo and top-notch fun. The racy ride down the 1350-metre shiny steel channel begins on Fräkmüntegg (1415 metres altitude). Plenty of cool curves and dragon caves make every toboggan run an unforgettable fun experience. From 2007, the summer toboggan run 'Fräkigaudi', operated by PILATUS-BAHNEN, is open from May until End of October (in dry weather only).

## 1st Pilatus Mountain Triathlon (9 June)

The unforgettable nature experience in the unique landscape of Mount Pilatus and the family atmosphere promise this sports event to be one of the most impressive sport spectacle in Central Switzerland. Sport in front of the most beautiful scenery in the world and a real challenge even for the trained. ■



# 'People's Initiatives' Ahead of October '07 Swiss Polls

In the pre-election year, the Swiss electorate have made good use of their right to make changes to the constitution through "people's initiatives". Ten were launched in 2006  the largest number for eight years, however well short of the record set in 1998 when 19 were tabled.

Experts were surprised by the large number of people's initiatives set in motion this year, after the launch of only two in 2005. There was much talk at the time of "democracy fatigue". But they now believe the parliamentary elections scheduled for October 2007 may have rekindled interest.

The environmentalist and animal rights activist, Franz Weber, has launched two initiatives to stop unchecked property development and to put a cap on the number of second homes that can be built in tourist regions.

The centre-left Social Democrats are heading a campaign to put an end to what it calls "unfair tax competition", in response to the introduction of degressive tax rates by several cantons in recent years.

These cantons have among the lowest corporate tax rates in the world, which has attracted multinational companies to set up holdings there. The issue has also led to a dispute between Switzerland and the European Union, which says it may contravene a 1972 Free Trade Agreement.

## Rip-off mentality

The head of a small Swiss company is more concerned about what he deems excessive salaries earned by the top managers of Swiss companies. Thomas Minder, the boss of the Trybol cosmetics firm in canton Schaffhausen, launched an initiative in October against this "rip-off mentality". He claims government plans to revise company laws do not go far enough and is also demanding an increase in shareholders' rights.

Another individual, Pius Lischer, wants to see the income generated by the tax placed on tobacco and alcohol go to subsidising Switzerland's health insurance, and a tax put on non-renewable energy sources in order to finance the country's social insurance schemes.

## Animal rights

The leading Swiss animal-welfare group, Swiss Animal Protection (SAP), is campaigning for the introduction of legal representation for animals. According to SAP, animal rights groups are not granted a fair representation in legal cases.

Also of note, a leading pacifist organisation Switzerland without an army  wants to see a total ban placed on the exports of war materials. It has until the end of this week to collect the 100,000 signatures needed to force a nationwide vote.

The organisation came to prominence in the late 1980s when it launched a people's initiative to do away with the Swiss army. Although it lost the 1989 initiative at the ballot box, it won over more of the electorate than had been expected  35.6 per cent.

The next initiative due to be voted on is the proposal for a single state-run health insurance company. Even though parliament and the government have already come out against the plan, voters will have the final say on March 11, 2007. ■

# New Year Ushers in New Laws

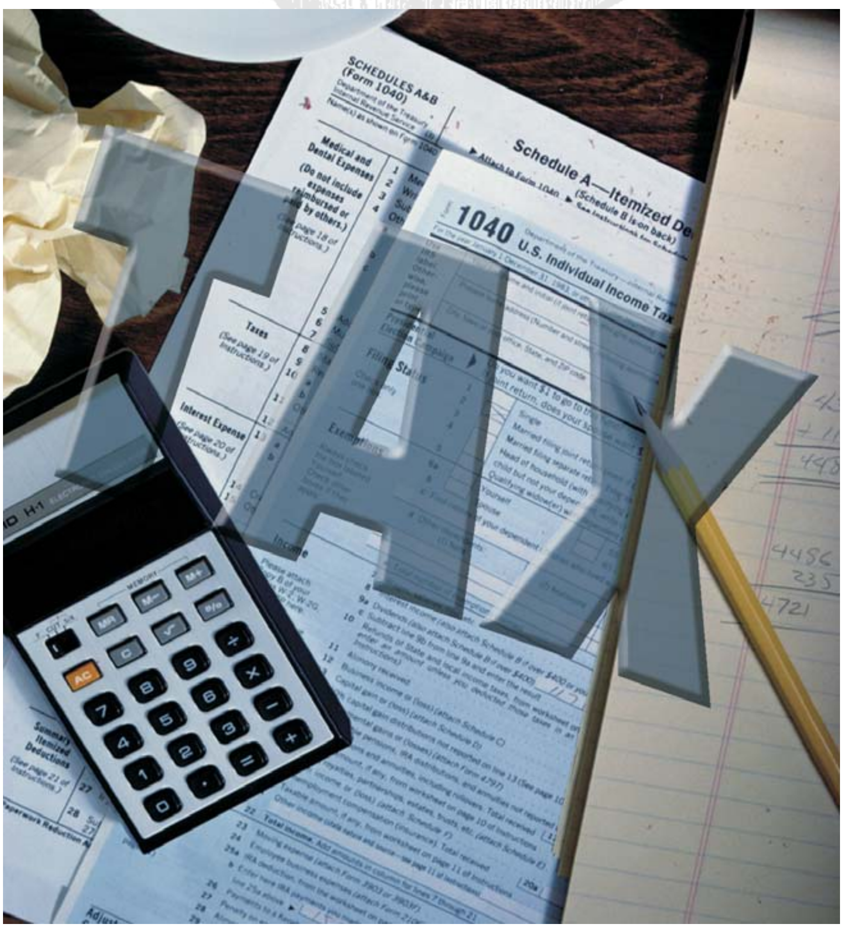
Around 600 legal modifications and new federal laws are being introduced on January 1 twice the number of last year. The new changes, some quite controversial, concern asylum, as well as the penal code, and civil, economic and administrative law.

From January 1, money paid out by the state-run pension and invalidity insurance schemes will be increased by 2.8 per cent. But a number of new law changes are expected to be harder on the wallet.

Household insurance for natural disasters is due to go up, and basic health insurance will be much stricter on whether or not it reimburses psychotherapies. Also, smokers will be hit, as a packet of cigarettes is due to rise by 30 centimes ($0.25).

But some of the biggest changes will be made to the Swiss legal system. Under the revised penal code, people sentenced by a Swiss court will in most cases no longer head to jail if their prison term is shorter than two years. Offenders will be given a community service order or face a fine. In the case of driving offences, fines will be income-related and could be steep.

Among other legal changes, the Federal Court will henceforth be merged with the Federal Insurance Court. A certain number of its functions will be transferred to the new Federal Administrative Court, while the Federal Criminal Court will be given new responsibilities.




Regarding asylum-seekers, new measures will allow the authorities to hold people for up to two years longer than in the past. And ahead of the 2008 European football championships, to be held in Switzerland and Austria, a new law increases the Swiss police's range of control measures, from restrictive bans to police custody.

As from January 1, gay and lesbian couples will be able to tie the knot at a registry office thanks to a new partnership act. Their civil unions will be granted the same protection and rights as marriages, with the exception of the right to adopt and to have recourse to assisted conception.

Changes in the law should also offer new business opportunities in 2007, thanks to clearer tax regulations, new forms of collective investment and export risk insurance.

But from now on, directors and executive board members of companies listed on the Swiss stock exchange will no longer be able keep their salaries a secret.

The New Year also brings with it a raft of changes concerning agriculture and the army. Anyone now wishing to keep their weapon at home following compulsory military service will have to confirm in writing that they do not suffer from psychological problems.

And Swiss winemakers will now be able to officially use wood chips to flavour their wines. This money-saving measure is designed to speed the ageing process and cut out the need for long and expensive storage in oak barrels. ■