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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.

Dear Reader,

Greetings. For the Swiss, watch-making is not a mere, mundane, manufacturing activity. It's a timeless tradition, wrought to perfection over centuries. Of course, the concept of perfection as perceived by the Swiss is nothing but an ongoing and endless process. The result is, the Swiss watchmakers keep competing, not against each other, but against themselves. The exercise to excel oneself is tough and never ends. And that's the mantra the Swiss watchmakers have been practicing all along. Companies such as Swatch, LVMH, TAG Huer posted excellent results for 2006, surpassing their previous best. The outlook projected for them in 2007 is equally bright. The cover story of the current issue of Indo-Swiss Business catches up with the exciting times that the Swiss watch industry has created for itself and, of course, for its customers worldwide. In their watch-making, the Swiss apply two technologies - electronic and mechanical, the latter dating back to the 14th century. We carry the tale of two technologies. The Swiss take pride in everything that is "Swiss Made". Because the world blindly believes in everything that is "Swiss Made." Precisely for this reason, the Swiss authorities are keen on making more stringent, the quality norms governing the label "Swiss Made". We carry an article as part of the cover story. The Swiss watch industry not only competes with other watchmakers across the world, but also with the fakes and counterfeits flooding the markets. A report says that a search for fakes is as futile as finding a needle in a haystack. We carry it. Then, we have watch news ranging from Raymond Weil's ad-campaign that highlights the aspects of Attitude, Look and Elegance to the continuing saga of TAG Heuer's Formula1. The issue covers in detail the annual watch and jewellery show at Basel, which has been scaling new highs, year after year, drawing into its glittering fold, more and more exhibitors and visitors. And the end result, of course, is a huge amount of business conducted. The World Economic Forum, one of the most active global think-tanks, has come up with a remarkable report on Tourism Competitiveness among nations. Judged by various parameters such as infrastructure, standards of facilities offered to tourists and policy measures, Switzerland has topped the list of 124 countries. Also out is Mercer's annual quality of living survey, in which two Swiss cities, namely Zurich and Geneva, have figured as the world's best for living. We carry both the reports. Indo-Swiss economic relations received a boost recently during a high-level B2B interactive session, held in Zurich between Indian and Swiss business leaders, thanks to Swiss Forum for International Business. The current issue highlights the event, besides offering other regular features.

Wish you happy reading



Satya Swaroop

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Swiss Watchmakers Post Remarkable '06 Results Ticking All the Way to Glory

The Swiss watch, the world's most trusted and prized piece of machine, is on a roll. In the face of competition, counterfeiting and various other market uncertainties, the Swiss watch has fared well in recent times, ticking all the way to success. Since 2004, the Swiss watch industry has been on a song, improving in leaps and bounds to an extent unheard of in many years. Records are tumbling year after year. The annual results of leading Swiss watchmakers for the year 2006 bear a testimony to the industry's sustained vitality. Take the example of LVMH, a world leader in the luxury products sector. It has chalked up an outstanding 2006 financial year for its watches and jewellery with prospects very favourable for 2007. The scenario is similar for all other major Swiss watchmakers.



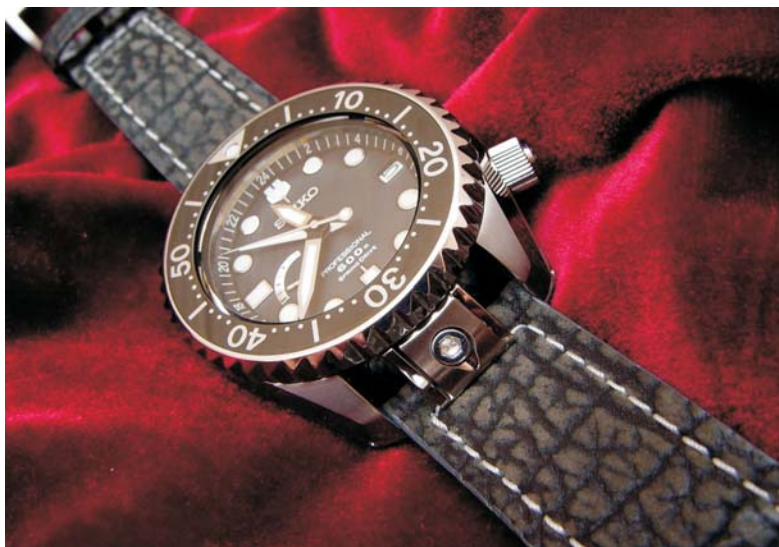
LVMH, the watch and jewellery arm of the Moët Hennessy Louis Vuitton (LVMH) group. With sales of 737 million euros, it registered a growth of 26 percent, rising to 28 percent on a comparable structure and exchange rate basis. And what can be said of the sector's operating profit, save that it literally rocketed: +281 percent to 80 million euros! Adopting a low-key approach, the world's number one in the luxury sector was content to note that "watch and jewellery activity recorded sales growth over the year well in excess of the industry average and increased its operating margin to 11 percent.

There are other reputed Swiss watchmakers who have notched up equally impressive results. TAG Heuer further increased its market share and recorded an excellent performance worldwide while continuing a highly innovative move upmarket. The iconic Aquaracer and Carrera lines showed great vitality. Zenith confirmed its progress in the United States, Europe and Asia and successfully introduced the Defy sports line. Montres Dior continued to grow, buoyed by the success of the Christal line. Chaumet opened a flagship store in Hong Kong and strengthened its distribution network in Europe. The joint enterprise with De Beers saw its sales increase

considerably in Japan, the United Kingdom and the United States and gained a foothold in Dubai and Taiwan."

By comparison, the group's other sectors of activity might almost be viewed as poor relations with increases in turnover of 7.0 percent to 3,891 million euros for selective distribution, 13 percent to 2,994 million for wines and spirits, 9.0 percent to 5,222 million for fashion and leather goods and 10 percent to 2,519 million for perfumes and cosmetics. In terms of operating profit too, other growth figures took a back seat: +28 percent to 222 million for perfumes and cosmetics, +15 percent to 400 million for selective distribution, +11 percent to 1,633 million for fashion and leather goods and +11 percent to 962 million for wines and spirits. All of which gives a global operating profit of 3,172 million (+16 percent) on turnover of 15.3 billion euros (+10%). Net profit meanwhile rose by 30 percent to 1,879 million.

After results such as this, LVMH is well placed to succeed in 2007. The group will pursue its strategy of focusing on internal growth and developing key brands. The launch of new products is planned, including a Christian Dior



perfume for women, and expansion of the network of Louis Vuitton boutiques with the opening of 20 new stores. The group has accordingly set itself the target of further "significant improvement" in its results this year. This is a target well within reach in the light of the current economic situation.

Despite a very unfavourable base effect, Swiss watch exports in December exceeded their excellent level of December 2005. They ended the year on a monthly value of 1,259.1 million francs, 3.3 percent better than the previous 12 months. This remarkable result brings down the curtain on a very solid performance in 2006 during which the trend showed no reverses whatsoever. The total value of watch exports was 13.7 billion francs, a new record generating growth in two digits for the second consecutive year. The increase compared to 2005 was 10.9 percent.

Demand remained strong throughout 2006, particularly for luxury products, which acted as a locomotive for the industry. The economic context also proved favourable. All in all, the Swiss watch industry now has three years of strong growth to its name, following +9.2 percent in 2004 and +11.5 percent in 2005.

Products

During December 2006, exports of wristwatches saw their value increase by 3.9 percent, thanks mainly to products manufactured from precious metals. Steel timepieces marked time compared to December 2005. The number of pieces exported showed a very positive trend, with an increase of 6.7 percent or 130,000 units in volume terms, taking the monthly level to more than two million watches.

Over the year as a whole, wristwatches recorded an increase of 11.6 percent in value terms. 18-carat gold (+17.6 percent) and steel (+10.3 percent) contributed greatly to this result. Platinum timepieces (+23.0 percent) were also a key factor. The strongest growth was recorded by gold-plated products (+59.6 percent). The number of

timepieces exported increased by 2.1 percent compared to 2005, due above all to steel (+2.7 percent) and the category of other materials (+7.0 percent). The latter consists in particular of plate (rolled), hard metals, plastic and mineral-based materials. The category of other metals, mainly aluminium, registered a downturn of 7.3 percent.

The industry's annual results were influenced greatly by luxury products, which showed very strong growth throughout 2006. In the final analysis, wristwatches with a value of more than 3,000 francs (export price) posted an increase of 27.0 percent by value and 34.7 percent by volume. Below this price, the value of exported timepieces remained stable, while volumes increased by 1.2 percent, generating slightly more than half of the total increase.

Wristwatches were not alone in registering growth in 2006, with exports of movements, watch cases, dials and bracelets also increasing. While cases and dials recorded a rate higher than the industry average, other products were content with a more modest increase. Exports of alarms and other clocks rose by 5.1 percent..

Markets

During the year 2006, the fifteen main markets showed the following trend (total value in million francs and % variation by comparison with 2005:

1. USA	2,287.4	+6.1%
2. Hong Kong	1,945.9	+8.9%
3. Japan	1,267.0	+10.4%
4. Italy	901.3	+5.4%
5. France	813.2	+21.3%
6. Germany	768.7	+21.0%
7. UK	590.0	+1.1%
8. Singapore	538.8	+12.1%
9. Spain	471.9	+15.6%
10. China	404.1	+14.9%
11. UAE	386.2	+11.2%
12. Taiwan	256.5	+1.8%
13. Russia	204.6	+5.3%
14. Thailand	202.9	+6.1%
15. S Arabia	178.8	+0.3%

The year ended with a decline for the two leading markets of the United States (-2.7 percent) and Hong Kong (-8.7 percent). In December, Japan (+10.8 percent) and France (+16.7 percent) registered growth in two digits. A number of markets lost ground: the United Kingdom (-12.8 percent), China (-18.0 percent), Taiwan (-15.4 percent) and Thailand (-13.1 percent).

For 2006 overall, the leading 20 markets all achieved a positive performance, with eleven of their number

posting increases in two digits. The United States was the foremost market for Swiss watchmaking products, followed by Hong Kong and Japan, cementing a top-three ranking that has been in place for some considerable time. Europe proved more dynamic than Asia and America with an increase of 12.7 percent compared to 2005. France and Germany played a particularly important role in this result. China remained in tenth place, while Russia was placed thirteenth.

The Tale of Two Technologies

At present, the Swiss watch industry is applying two parallel technologies: electronic technology, with the analog quartz watch (sometimes combined with digital display) and the more traditional technology of the mechanical watch whose origin dates back to the 14th century.

Almost 90 percent of the industry's production, in terms of volume, is currently made up of electronic, battery-operated watches, mainly of the analog type. The rest 10 percent is of mechanical products whose export value continues to be of fundamental importance, as these watches

represent more than 52 percent of Swiss watch exports in terms of value.

In an analog quartz watch, the heart of the watch is the integrated circuit, made up of a large number of electronic components grouped together on a base of only a few square millimeters.

The source of energy consists of a miniature battery which lasts several years. The time is divided by a quartz oscillator which is made to vibrate by the energy supplied by the battery. Quartz watches are extremely accurate thanks to their high frequency of vibrations (32 kHz); their annual variation is only about one minute per year, equivalent to less than a second a day. In this field there are two main kinds of products:

- 1) watches with an analog display (hands),
- 2) watches with digital display; this is fitted with liquid crystals which receive, directly from the integrated circuit, the impulses needed to display the time. So there is no mechanical transmission.

An electronic (quartz) watch

- 1) Battery, providing the power
- 2) Integrated circuit, controlling the quartz and the stepping motor
- 3) Oscillating quartz, dividing the time
- 4) Trimmer, regulating the frequency



5) Stepping motor, transforming the electrical impulses into mechanical power

6) Gear train, activating the hours, minutes, seconds hands

7) Analog display

These two types of products are sometimes combined together in the same finished watch (double display, particularly useful for measuring short time intervals).

The traditional mechanical watch is made up of about 130 parts assembled in the three main parts which are the source of energy, the regulating parts and the display. The number of component parts is much higher in so-called complicated watches (date, phases of moon, fly-back hand, etc.). The "ébauche" (about 60 parts) fitted with the regulating and certain other parts, forms the movement, in other words the internal mechanism of the watch, which makes it possible to maintain a constant tension in the spring once it has been wound manually or automatically (by movements of the wrist) and to regulate the display by means of the hands (hours, minutes, seconds). A watch is said to be finished when the movement has been fitted with a dial, hands, and case.

A mechanical watch

1) Barrel/mainspring providing the power

2) Gear train, transmitting the power

3) Escapement, distributing the impulses

4) Balance wheel & hairspring, oscillating, making the division of time



5a) Winding stem, for manual winding and setting

5b) Oscillating Weight, for automatic winding

6) Dial train, activating the hours, minutes, seconds hands

The combination of these two technologies recently brought on a new type of watch movement running like a traditional quartz movement but getting its energy the same way as in a self-winding mechanical movement (Self-winding watch with the quartz precision).

Its working principle is simple and however revolutionary: an oscillating weight stretches the mainspring which release starts a micro-generator converting the mechanical energy into electrical power. This power is then accumulated in a capacitor. The system works later as a traditional quartz watch, meaning that the integrated circuit controls the power supply and provides the impulses to the stepping motor. ■



Swatch Posts Record Results for 2006; Outlook Bright for '07

Everything is for the better in the best of worlds for the Swatch Group, which has posted record results for 2006 and announced a "very promising" 2007.

In 2006, the Swatch Group, one of the world's leading watch companies, saw its net profit increase by 33.7 percent to 830 million francs and its operating profit rise to 973 million, compared to 735 million in 2005 (+32.4 percent). Meanwhile turnover in 2006 exceeded the five billion franc mark for the first time with a total of 5,050 million (+12.3 percent).

By sector of activities, operating profit increased by 17.9 percent in watches and jewellery, to 738 million francs, by 212.8 percent in the production of movements and components, to 147 million, and by 32.5 percent in electronic systems, to 106 million.

In the light of these exceptional results, the board of directors of the Swatch Group decided when it met on 14 March to submit to the General Meeting of 11 May this year an increase in the dividend of 40 percent, to 3.50 francs per bearer share, compared to 2.50 francs last year, and 0.70 franc per registered share, compared to 0.50 franc in 2005. At the meeting it will also propose to shareholders the cancellation of shares bought during the last share buyback programme totaling 300 million completed on 23 November 2006. The board of directors has also decided to embark shortly on a new 400 million share buyback programme through the secondary market.

With these two measures, the Swatch Group shows once again its willingness to return to shareholders liquid assets not required for operation. It also demonstrates its commitment to optimizing the group's consolidated balance sheet. In this respect, mention should be made of the return on equity, which has been increased to 17.3 percent (14.0 percent in 2005) for an equity ratio of 71.9 percent on 31 December 2006 (69.9 percent on 31 December 2005).

In the 2007 financial year, the first two months show a strong upward trend in line with that of 2006, particularly in the watch, jewellery and production sectors (the more volatile electronic systems segment at present shows a slightly more modest rate of growth). So much so that the group already envisages another very promising financial report and has announced "dazzling prospects" for the current year. ■



Across the Arctic with Rolex

With the support of Rolex, Alain Hubert and Dixie Dansercoer have embarked on a four-month adventure, taking them 4,300 km across the Arctic. Their objective: to advance scientific research into climate at high latitudes.

Learning and progressing through adventure, Hubert and Dansercoer have set themselves a multi disciplinary challenge as part of the International Polar Year (IPY). Above and beyond the unique athletic aspect of their expedition, which is a world first, their journey will advance knowledge of the polar regions they are to cross. Because the programme comprises a scientific component, in which the explorer and the athlete will take an active part, in cooperation with ESA, the European Space Agency, namely carrying out studies, taking ice samples and analysing them, checking satellite data and validating mathematical models. An educational component is also central to this adventure: it will help to raise awareness among young people from the ages of 8 to 18 in 40 countries, through a broad and enduring educational programme, drawn up in cooperation with the International Polar Foundation.

The crossing, which began on 24 February in the Russian Arctic, will pass through the North Pole, continue towards the south across the icecap, and go as far as the southernmost tip of Greenland. The adventure will end around 13 June.

Two hundred and thirty projects in the fields of biology, physics and sociology, 50,000 scientists mobilised and more than 60 countries involved: the fourth IPY will once again bring together the scientific community of the whole world and encourage more than ever the development of research activities in the polar regions. A commission, the Education and Outreach Commission, has even been set up for raising awareness among the young generations. Its aim is to sensitize young people to the subject in a lasting way and encourage them to take action during the IPY. The Arctic Arc expedition fits perfectly within the parameters of this IPY.

Since the 1930s, Rolex has supported outstanding



personalities in the fields of sports and exploration. As of 1933, the Himalayan expeditions that set out to conquer Everest were equipped with Oyster Perpetual watches, including the successful ascent led by Sir Edmund Hillary and Sherpa Tenzing Norgay in 1953. As of the 1960s, Rolex forged privileged relationships with polar explorers such as Sir Ranulph Fiennes and Janusz Kurbiel. This commitment continued with the sponsoring of such pioneers as Erling Kagge and Rune Gjeldnes. All of them could count on the precision and reliability of the Oyster Perpetual, a vital tool indispensable to their success.

True to its spirit of enterprise, its sense of sharing and social responsibility, Rolex today is once again demonstrating its commitment by becoming an official sponsor of The Arctic Arc Expedition led by Alain Hubert and Dixie Dansercoer. The objective of this expedition is to contribute to a better scientific understanding of the polar regions and to draw attention to the importance of global warming.

With its sponsoring programmes, Rolex encourages visionary women and men who, through their exceptional talent and the quality of their achievements, make significant contributions to the world in which we live. ■

Move to Make 'Swiss Made' Stringent

The Swiss FH is taking an important new step by proposing at its forthcoming General Meeting a reinforcement of the Ordinance of the Federal Council on use of the name Swiss for watches.

Use of the Swiss Made label for watches is covered by an ordinance of the Federal Council dated 29 December 1971, the famous Swiss Made Ordinance, which for a number of years has been subject to many criticisms, particularly inside the industry, because it is considered too lax, but also in legal circles, where the view is that it no longer fully meets the legal mandate specified in the law on trademarks. It is for this reason that the FH Board called for reflection and discussions to maintain if not reinforce the value of Swiss Made on world markets. The FH is in fact convinced that this label is of tremendous benefit to the Swiss watch industry and that it is a vehicle for consumer expectations across the globe.

To protect these values and safeguard public confidence in the label, the FH and its Board reached the conclusion that stricter criteria of origin were required in respect of Swiss Made. They are therefore proposing a draft to their members to tighten up the Swiss Made Ordinance. The final decision will be taken at the General Meeting of 28 June, 2007, to be held in Biel. The main provisions of the draft concern the definition of Swiss watch and Swiss movement.

With regard to the watch, the draft introduces a new aspect in the form of a value criterion. Accordingly, any mechanical watch in which at least 80 percent of the production cost is attributable to operations carried out in Switzerland would be considered as a mechanical Swiss watch. For other watches, particularly electronic watches, this rate would be 60 percent. Technical construction and prototype development would moreover need to be carried out in Switzerland. Raw materials, precious stones and the battery would be excluded from the production cost.

The Swiss movement in the existing ordinance already has a value criterion, namely the rate of 50 percent. Considering that here, too, the definition needs reinforcing, the draft amends these value criteria. For mechanical movements therefore, the rate would be at least 80% of the value of all constituent parts. For other movements, particularly electronic movements, this rate would be 60 percent. Technical construction and prototype development in Switzerland would also be a requirement in this case. The draft also stipulates other provisions concerning the definition of Swiss constituent parts and assembly in Switzerland.

The minimum rate of 60 percent was not chosen at random: it corresponds to the rate used in the free-trade agreement between Switzerland and the European Union. In addition, with a rate of 80 percent, the FH proposes to lay particular emphasis on the mechanical watch.

With these proposals, objectives in terms of protecting the Swiss Made label should be attained. The proposed criteria also take into account the place of manufacture and the origin of components, thereby complying with the law on trademarks, which serves as the legal basis of the Swiss Made Ordinance. However, it will be up to the FH General Meeting to reach a final decision on the matter. ■



Longines is 175 Years Old

The Legend of the Winged Hourglass Watch

To commemorate 175 years since its foundation, Longines, the firm with the famous winged hourglass logo, is enlarging its museum and publishing a work devoted to the socioeconomic development of its birthplace, a region to which it has always remained loyal.

For the kick-off of festivities marking the 175th anniversary of Longines, a large presence gathered on 1 March, 2007 in Saint-Imier, where president of the company Walter von Känel welcomed journalists from around the world with his customary geniality, together with a number of leading local personalities and Lithuanian actress Ingeborga Dapkunaite, the ambassador of Longines elegance. It was a red-letter day for the Swatch Group subsidiary, which inaugurated two new rooms in its museum and presented an historical work to mark the occasion.

The Longines Museum is living testimony to the watchmaking tradition of the brand with the winged hourglass. To celebrate the company's 175th anniversary, two new rooms have been opened to add value to this precious heritage. The 1957-2007 space traces the last 50 years of watchmaking at Longines. Among the hundreds of models on display, the Longines Flagship (1957) and the L990 (1977) - the last automatic calibre manufactured - but also the Longines DolceVita (1997) and Longines Evidenza (2003), more recent successes for the brand, are milestones in this impressive retrospective. In the adjacent exhibition room no less than 800 *établissement* books reveal all the secrets of the 15 million watches produced by Longines before the IT revolution. This well-stocked library includes books of invoices from the 19th century, some specimens of which are on display. Thus the fortunate owner of a pocket watch from 1867 will be able to trace the

name of the watchmaker who checked the rate of his timepiece at that time.

For its side, the room with company advertising posters offers a trip into the world of publicity. From the end of the 19th century to modern times, visitors can follow the evolution in advertisements that have best illustrated the winged hourglass brand. Around fifty panels trace a history of Longines advertising, with the first engravings showing the factory to its best advantage and the medals it won, up to the "Elegance is an Attitude" campaign, via posters by major designers in the early 20th century or the early advertisements which associated the watch with distinguished ambassadors.

The anniversary celebrated by Longines in 2007 is an important event which should, as was the intent of Walter von Känel, president of Longines, "be remembered for

years to come, by, among other things, the publication of a book tracing the economic and social history of the region". Longines thus assigned Laurence Marti, a sociologist and historian, the task of writing a work which analyses the development of crafts and industry in the valley of Saint-Imier and the surrounding area. This produced a book

entitled "A Region in Time", covering the period 1700-2007. Although this account covers more than watchmaking and Saint-Imier, it does however underline the importance of watchmaking for the region and reminds us how, among the historic producers, Longines is the only company, still in operation, which was born, grew up and reached maturity in Saint-Imier.

This work, with its abundant illustrations, aims at being accessible to the major public. Longines made all efforts for this book to mark not only its own history but also, more generally, that of the region by telling a story which to date was little known. With 3,000 copies printed, the book is available in both French and English. ■





Raymond Weil's New Ad Campaign:

A Matter of *Attitude,* *Look & Elegance*

Visible since the beginning of the year, the new advertising campaign by Raymond Weil reflects the company's quintessential modernity and distinction through a gesture, an attitude, a look.

Piloted by photographer Joël von Allmen and Elie Bernheim, Marketing Director and elder son of Olivier Bernheim, President & CEO of the Geneva watchmaker, the new campaign corresponds perfectly to the world of Raymond Weil, blending luxury, elegance, glamour, refinement and modernity.

The ladies' watches are displayed to stunning effect by a magnificent Brazilian model. Her radiant beauty and velvet eyes were captured by Joël von Allmen's cool, professional lens in an ambiance imbued with the Raymond Weil spirit of independence and unparalleled creativity.

The new campaign pays tribute to women's beauty, charm and eternal powers of seduction, and takes a fresh look at the world of luxury based on a stand-out, novel concept. And look is everything... Sexy, young, bewitching, a little cheeky and provocative... all the different facets of the Raymond Weil woman!

"Joël is a peerless professional and has captured the essence of Raymond Weil's spirit and attitude. We have

been proud to work with him on this campaign, which is sure to raise eyebrows and, above all, make people look at the world of luxury and Raymond Weil with new eyes" explains Olivier Bernheim.

"We wanted a strong campaign that captures the imagination. That's why we called in Joël. He has fantastic talent and brought in other top specialists to see the project through. The result is fantastic!" adds Elie Bernheim.

The new female campaign, which was unveiled worldwide in January 2007, has two visual themes: the first devoted to the ladies' collection, Shine; the second to the Parsifal collection.

With style and elegance, this dynamic, cutting-edge campaign holds up as well the mirror to the man of today: both a seductive Don Juan in a tuxedo, with the timeless charm embodied by the Don Giovanni Così Grande; or a man of our times, exuding the casual chic of the Parsifal collection.

Instead of the mischievous twinkle of a doe-eyed Brazilian model, we are captivated this time by the enigmatic, blue-eyed gaze of a face full of character, with prominent, craggy features, brooding good looks, and an amused yet bashful smile. ■

Detecting Fake Watches

Are You Looking for 'A Needle in A Haystack'?



The seizure of a large consignment of fake Swiss watches in Gioia Tauro in Calabria in Italy on 5 January, 2007 could just be a minor setback for Chinese counterfeiters. However, the task of detecting fakes amidst tonnes of merchandize, is like looking for a needle in a haystack.

The port infrastructure of Gioia Tauro was built in the early 1990s with a view to absorbing container traffic. Indeed, containers have ushered in a minor revolution in the way maritime trade is conducted, in the sense that a single cargo can transport all kinds of goods in a motley collection seemingly inextricable to ordinary mortals. In reality, the system is child's play: all containers are numbered and a computer stacks them in logical order, taking into account from the outset all unloading methods registered by the forwarder. Container ships are one of the innumerable applications of the digital revolution. Their arrival sounded the death knell for the livelihoods of many thousands of dock workers. Today the most modern cargo ships, with a length of 350m, carry up to 10,000 containers and can be unloaded in a few hours by a team of just two or three people, assisted by a computer which itself controls automated lifting equipment! Needless to say, traditional ports are incapable of receiving these "cargo ships of the third kind" which are equal in size to super-tankers.

This framework of maritime trade is not without consequence for customs authorities responsible for controlling goods. While not long ago officials had several days to examine a cargo, today they must do so in a few hours. At Gioia Tauro, 5,000 additional containers are added to the stockpile every day God gives along the four kilometres of docks. For the 50 Italian officials, if God grants the days, the Devil counts the minutes. It is for

this reason that targets must be determined before the vessel even moors up at the quay side. Accordingly, 24 hours before the cargo arrives, customs officials are given "manifests", i.e. papers issued by the forwarder detailing the composition of goods carried in each container, albeit in a language indecipherable to the uninitiated. There lies the challenge: officials must search for clues that will prompt them to inspect one container rather than another. The shrewdest and most experienced customs officers take responsibility for this task, while their younger colleagues carry out spot checks. All means are deployed to complete the work quickly, from dogs that sniff out drugs to latest-generation equipment such as the famous "matrix scanners", which in less than a minute can display the contents of a container measuring 12m long by 2.60m tall by 2.40m wide, roughly the equivalent of 25 tonnes of extremely varied goods.

How to Detect Fake Watches?

The question arises as to how a consignment of fake watches can be detected concealed behind mountains of T-shirts, piles of blouses and stacks of jeans? "The recipe is simple: 20 percent talent, 80 percent work and the rest is just luck," answer the customs officers not without humour. Pride is their only reward as they unearth 160,000 counterfeit articles, including 80,000 timepieces, 40,000 of which are fake Swiss watches showing the logo of 22 different brands. They will not give more details, being closely bound by official secrecy. At the end of the visit, one fact looms large: with the explosion of commercial traffic and the planned expansion of Gioia Tauro, 50 customs officers and all the luck in the world will not be enough. Much more will be required to find the needle in the haystack. ■

Villemont & Amundsen in Pact to set up Watch-making Workshop

Two recently formed companies growing in renown and with promising prospects, Montres Villemont SA and Amundsen Oslo AS, are pooling their destinies as part of the Villemont Group. The marriage dowry is estimated at 10 million francs.

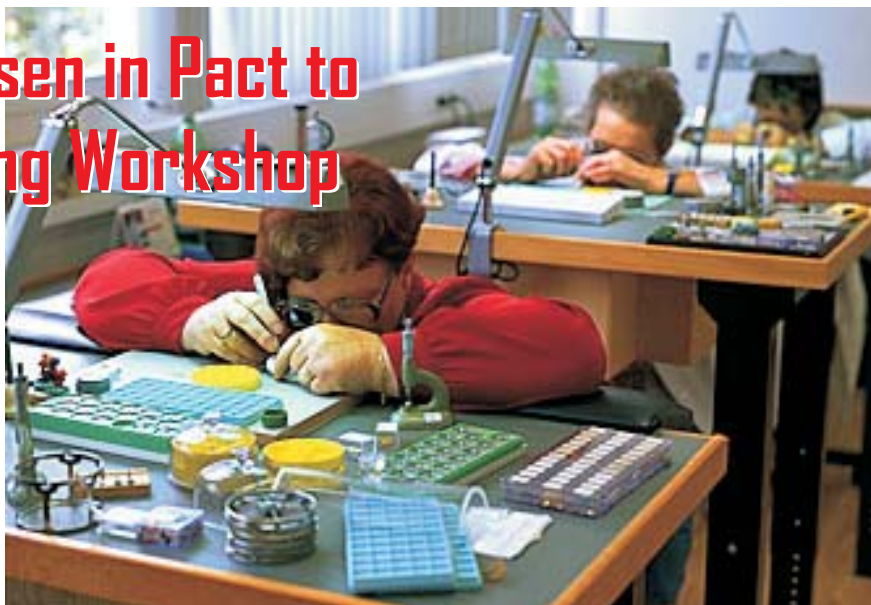
On 19 January, 2007, a new watchmaking adventure got under way with the official announcement of the merger of Montres Villemont SA, a company founded in 2004 by Olivier Müller, and Amundsen Oslo AS, a Norwegian watch manufacturer set up in 2002 by the designer Jorgen Amundsen.

To provide the growth impetus required by Montres Villemont and Amundsen Oslo, the private equity company ValleyRoad Capital raised an initial CHF 10 million from private investors. This sum will be injected into a new holding structure, established in Geneva, which will absorb the two brands under the corporate name Villemont Group SA. In the first instance, the new entity will fully integrate both Montres Villemont and Amundsen Oslo, their shareholders receiving a minority stake in the company's capital.

In order to create a veritable watchmaking group with extensive industrial capacities, Villemont Group will set up a workshop in Geneva, run by two watchmakers with recognised expertise who already work closely with Montres Villemont on watch casings. A percentage of the sum raised will also be invested in the group's industrial facilities, notably its fleet of machines.

In the long run, Villemont Group will thus be able to stake its claim to the highly sought-after title of "manufacture horlogère" (watchmaking workshop) thanks to a vertically integrated structure that is crucial for ensuring sufficiently short production times and gaining a solid foothold in the universe of high-end watches. In this respect, the group's sales network will gradually be extended to allow for selective distribution in all key markets, where Fine Watchmaking is going from strength to strength.

"The creation of this new integrated group represents a unique opportunity to invest in a fully-expanding sector," underlines Magali Berla Geay, partner and co-founder of ValleyRoad Capital alongside Pierre Kladny and Giovanni Locatelli. "Thanks to the recognised expertise of its directors, and notably Olivier Müller, who previously



worked for Chopard and Omega, Villemont Group SA has the ideal basis for a successful launch, including state-of-the-art production facilities."

The new group's strength lies in the fact that the two brands complement each other perfectly, sharing the same watchmaking DNA. Montres Villemont, naturally entitled to use the Swiss made label, has succeeded in forging an identity in the luxury segment thanks to the quality of its components, the inclusion of features (GMT, alarm, chronograph, etc) and designs that combine classicism and innovation. Jorgen Amundsen has launched a series of timepieces with a direct link to his great great-uncle Roald Amundsen, one of the finest explorers of the twentieth century and the first to reach the South Pole in 1911. The watches in the range have been designed to withstand the most extreme conditions in polar zones but also for sailing and aviation.

This exceptional historical background will act as a powerful vector for the group's two product lines, extreme sports and classic elegance, for both men and women, sold under the Villemont brand to ensure consistency and take advantage of a name that is already established as a benchmark. To mark the birth of this new watchmaking entity, Montres Villemont and Amundsen Oslo have collaborated on the design of a one-of-a-kind timepiece, the Limited Edition Villemont Mario Julen Solar Navigator, paying tribute to the Everest expedition led by Mario Julen last spring, which commemorated the fiftieth anniversary of the first Swiss team to reach the world's highest peak. This self-winding mechanical watch is the perfect symbiosis of two styles, integrating all the features required for navigation: hours, minutes, seconds, date, a central alarm hand and a solar navigator, providing a manual alternative to the universal GPS. ■



Countdown Begins for Mega Omega

the timepiece is more than six metres tall and three metres wide and weighs more than one tonne. Two displays show the days, hours, minutes and seconds remaining before the opening ceremony.

"It is a great honour and a privilege to return to Canada as official timekeeper of the Olympic Games after Montreal in 1976 and Calgary in 1988. Omega's history abounds with important landmarks and achievements, but our roles in the Olympic movement and the conquest of space are the most significant," said Stephen Urquhart, CEO of Omega.

The clock counting down the seconds to Vancouver 2010 is the latest creation of the Biel based firm in its long history of precision timekeeping and the Olympic Games. Its pendant for Beijing 2008 meanwhile is displayed prominently in Tiananmen Square. ■

Representatives of Omega, Vancouver 2010 and the Canadian government, as well as Olympic and Paralympic athletes, gathered at the intersection of Hornby and Georgia in the city centre on 12 February this year to unveil the clock marking the countdown to the Olympic Games scheduled to start on 12 February 2010 in Vancouver. A spectacular blend of technology and art,

Richemont-Ralph Lauren JV to make luxury Watches & Fine Jewellery

The luxury group Richemont, based in Geneva, and the American group Polo Ralph Lauren have decided to set up a joint venture. The jointly-owned company will design luxury watches and fine jewellery which it is hoped will be launched on the market in the autumn of 2008.

The Polo Ralph Lauren Watch and Jewellery Company will develop, produce and distribute its designs through Ralph Lauren stores, but also via specialist luxury retailers. Each partner will own 50 percent of the joint venture and is committed on a long-term basis. It is the first time that Richemont has formed a joint venture with a fashion designer and the first time that Ralph Lauren has ventured into the world of watches and jewellery. ■



Bulgari Crosses 1 bn. Euro Mark

In 2006, the turnover of Italian jeweller Bulgari topped the one billion euro mark for the first time (1,010.4 million), showing an increase of 10.0 percent compared to 2005 (+12.0 percent at constant exchange rates). Despite a very high base of comparison, sales rose 4.0 percent higher in the fourth quarter, to 323.6 million euros (+7.5 percent at constant exchange rates).

While all of the group's sectors of activity recorded positive results last year, it has to be said that watchmaking lagged behind in terms of performance, with +7.9% to 289.1 million euros over the year and even -7.3% to 89.2 million over the last three months. Ahead of it come jewellery (+9.1% to 401.7 million),

perfumes (+10.5% to 201.6 million) and accessories (+15.5% to 88.8 million).

In terms of markets, Europe (excluding Italy) had a very good year (+17.2% to 256.5 million), as did the Americas (+15.1% to 159.1 million). Further down the list come Japan (+7.5% to 256.7 million), the Far East (+7.4% to 149.9 million) and the Middle East (+6.9% to 57.1 million), with Italy bringing up the rear (+1.2% to 131.4 million).

On the basis of this excellent overall result, the group expects increases in operating and net profit for 2006 above the level recorded for turnover. ■

The Continuing Saga of TAG Heuer's Formula 1 Tag

Two leading Formula 1 champions have joined the TAG Heuer "dream team" as ambassadors: the Spanish driver Fernando Alonso, two-times winner of the F1 World Championship and the youngest title holder in its history, and Britain Lewis Hamilton, a long-time "protégé" of McLaren and Mercedes-Benz.

"It is a real honour and a privilege to welcome Fernando and Lewis into the TAG Heuer family," said Jean-Christophe Babin, chairman and CEO of TAG Heuer. "Just knowing that the number one Formula 1 driver is now racing with the legendary N°1 on the bonnet of the Vodafone McLaren Mercedes is something that sets all of our pulses racing. For Lewis, this partnership has an even greater significance insofar as we've had the chance to work closely with him for many years, since we decided to sponsor him personally in all categories in which he competed and won previously," says Babin.

Fernando Alonso and Lewis Hamilton today join the long list of legendary Formula 1 drivers who have been associated with TAG Heuer, whose names include Juan-Manuel Fangio, Joe Siffert, Jacky Ickx, Emerson Fittipaldi, Clay Regazzoni, Ronnie Peterson, Mario Andretti, Niki Lauda, Jody Scheckter, Gilles Villeneuve, Alain Prost, Ayrton Senna, Nigel Mansel, Mika Häkkinen, David Coulthard, Juan Pablo Montoya, Pedro De La Rosa and Kimi Räikkönen.

While TAG Heuer enjoyed an association with the McLaren stable back in 1974, when Emerson Fittipaldi was crowned F1 World Champion for the second time,

the current partnership between the watch manufacturer and McLaren began in 1985 when TAG Heuer became the team's official sponsor. This particularly fruitful partnership is now a part of motor racing legend, being responsible for six Constructor World Championship titles and eight driver titles (three with Alain Prost in 1985, 1986 and 1989, three with Ayrton Senna in 1988, 1990 and 1991 and two with Mika Häkkinen in 1998 and 1999).

Today, the partnership between TAG Heuer and McLaren is stronger than ever! These two leaders in their respective fields share the same values of innovation, prestige and performance. In its capacity as official watch manufacturer, official timekeeper and sponsor of the Vodafone McLaren Mercedes Formula 1 team over the coming seasons, the watch manufacturer from La Chaux-de-Fonds also takes an active part in the McLaren Technology Centre by making available sophisticated timekeeping systems for test sessions and pursuing the "TAG Heuer SLR for Mercedes Benz" joint project, a fantastic watch inspired by a fantastic car!

All managers, mechanics and engineers in the Vodafone McLaren Mercedes team will wear different TAG Heuer models, while Fernando Alonso will display on his wrist the Carrera Chronographe Tachymètre and Lewis Hamilton the new Chronographe TAG Heuer Formula 1. ■

Swiss Promote Trade Accord with India



A free trade agreement between Switzerland and India would be a major milestone in economic relations between the two countries, a recent conference in Zurich has resolved.

The state secretary in the Swiss economics ministry, Jean-Daniel Gerber, said such an agreement would provide a further boost to bilateral trade and investment. He was speaking at The Forum for International Business organised by the country's main trade promotion organisation, Osec - Business Network Switzerland.

The idea of such an accord has been mooted for some time but no date has yet been set for the start of any negotiations. A joint study group is exploring the possibilities. "One reason is the sheer size of the Indian market with a billion inhabitants, then there's the development of the economy which has grown at rates of up to nine per cent," Gerber said.

He said that since India was discussing such an accord with the European Union, it was in Switzerland's interest to take a similar step. Otherwise Swiss companies might have less favourable conditions than, for example, competitors in Germany, Britain and Italy. Gerber said there was no precise timetable but he would like to see movement in the near future.

"We would like to go as rapidly as possible but it would not be prudent of me to say that it [the accord] will happen in a short time. I'm happy if it happens in the next three years."

He reminded the audience of 600, mainly representatives

from small and medium-sized enterprises, that in the framework of Switzerland's foreign economic strategy, India had been identified as a country of high importance.

India's Minister of Commerce and Industry Kamal Nath also encouraged further bilateral trade ties, noting that there was a "natural partnership". There was his country's huge market and young, skilled workforce, while Switzerland had the technology and innovation.

"In the new [global] economic architecture that's emerging, what better country than India for Switzerland to partner with?," Kamal Nath said.

Intellectual property

Nath also touched on intellectual property rights, an issue on which India has come in for much criticism because of what is considered weak protection.

Swiss pharmaceutical company Novartis is currently going through the Indian courts over patent protection for its blockbuster leukaemia drug Gleevec /Glivec.

"The ethos of India respects intellectual property. India is not a country where you can go and get a fake Rolex watch. You'll have to go to some other country in Asia to get that. "We've built in patent legislation and we want to see good implementation of the laws," he added.

Gerber said that India had made "quite a lot of progress" in comparison with the situation that existed three or four years ago, but there was room for improvement. "The question is how it [the legislation] is implemented and how it is interpreted.

"We'll have a working group with India to improve the situation. Work is in progress and it's going in the right direction," he said. ■



Indo-Swiss Economic Relations Get a Boost



Indo-Swiss relations have received a major impetus with high-level business-to-business contacts that took place at the Swiss Forum for International Business, held recently in Zurich with India as the focus country.

Kamal Nath, Minister of Commerce & Industry and Ms. Doris Leuthard, Swiss Minister of Economy and Federal Councilor participated in the event.

Earlier, the 10th Meeting of the Swiss India Joint Economic Commission (JEC) took place in Grindelwald (Switzerland) on 26 March 2007. The Swiss delegation was led by Ambassador Monika Rühl Burzi, Head of Bilateral Economic Relations, State Secretariat for Economic Affairs (SECO), Government of Switzerland and the Indian delegation was led by O.P. Arya, Additional Secretary, Department of Commerce, Government of India. Representatives of Swiss business and industry also participated in the discussions.

The JEC noted with satisfaction the positive development in the bilateral economic relationship and reiterated their commitment to further enhance bilateral trade in view of the huge potential for widening and deepening the trade basket. The sustained economic growth in India presents an attractive opportunity to Swiss business to make investments in various sectors.

The delegations welcomed the initiative for setting up an

India- European Free Trade Association (EFTA) Joint Study Group to explore the feasibility of a broad-based trade and investment agreement between India and EFTA. It was noted that the first meeting of the India-EFTA Joint Study Group is scheduled to take place in April 2007.

Both sides agreed to enhance cooperation in the area of Intellectual Property Rights and Geographical Indications by establishing a formal structure through a Memorandum of Understanding (MOU) to facilitate dialogue between experts on both sides.

Discussions in the JEC covered cooperation in areas such as Intellectual Property Rights, science and technology, organic products, food processing, Air Services Agreement.

Both sides exchanged views on regional and multilateral issues of mutual concern including the present position of the Doha Round. Both sides expressed their commitment to a rules based multilateral trading system.

The year 2008 marks the 60th anniversary of the signing of the Indo-Swiss Treaty of Friendship. This would be an opportune time to organise a series of promotional events and programmes in India as well as Switzerland with a focus on strengthening the bilateral economic relationship.

The JEC noted with satisfaction the existing cooperation and progress made in the areas of organic agricultural and marine products and agreed to explore the possibilities of enhancing cooperation in the food processing sector covering technological as well as infrastructure aspects.

The JEC identified information technology and tourism sectors as having potential for larger bilateral economic flows. Both sides agreed that henceforth the JEC shall meet annually. The next meeting will be held in New Delhi in 2008.





The Greatest Global Watch & Jewellery Show Scales New Highs

This year's BASELWORLD has proved a glittering showcase that has gone down on record as a top visitor attraction. In April 2007, the World Watch and Jewellery Show closed its doors after eight extremely successful days. With a record number of 101'700 visitors (+ 8 percent/2006) and outstanding sales, the exhibitors were delighted. The new ranges and latest trends on show confirmed BASELWORLD's international reputation as the leading trade show for the watch and jewellery sector.

Over eight days at the 35th BASELWORLD World Watch and Jewellery Show, watch and jewellery producers, as well as representatives of the industry's suppliers from 45 nations, exhibited their international exclusive new ranges and luxury collections in Basel. An impressive 2758 journalists (+ 9 percent/ 2006) from every continent were present to report on the event.

Record visitor attendance & delighted exhibitors

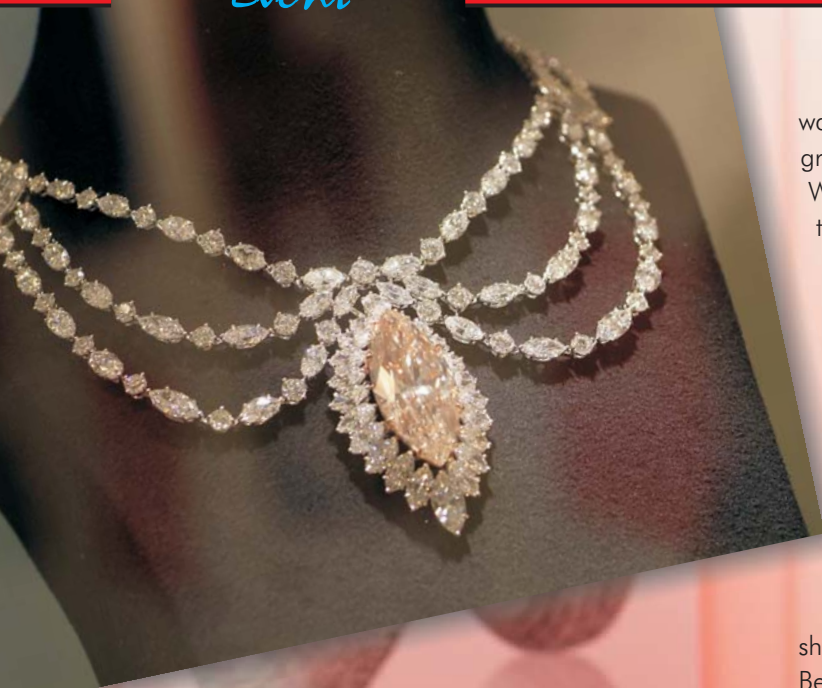
Once again, this year the visitor figures can only be described as overwhelming: 101,700 visitors from over 100 countries results in a new record for BASELWORLD and an increase of 8.0 percent compared with the previous year. Feedback from the exhibitors esteemed the visitors' knowledge as outstanding.

This year those companies exhibiting were delighted with the level of business transacted at the show and record sales.

Jacques J. Duchêne, President of the Exhibitors' Committee, said at the close of the show: "We take pleasure in reporting that the atmosphere has been excellent. As exhibitors, we are extremely pleased and have achieved very positive sales. In view of the annual improvement in the quality at BASELWORLD, I am thrilled to be able to repeat my previous statement: it is an honour for us to exhibit in Basel".

François Thiébaud, President of the Swiss Exhibitors at BASELWORLD, said: "This show





was a superb event for us. We have recorded constant growth in a very strong global economic context. Without a doubt, BASELWORLD plays a key role in this."

For Alberto Colangelo, Communication Manager at Zenith International, the show was a great success: "Our exhibition stand attracted an outstanding flow of visitors both from specialist traders and also journalists. We have recorded a two-digit growth in figures compared with last year.

"The number of business transactions completed at BASELWORLD emphatically underlines the significance of this show.

"BASELWORLD is extremely important for us. This show went fantastically well for us", commented Olivier Bernheim, CEO of Raymond Weil.

The unique character of the World Watch and Jewellery Show offers opportunities for networking and exchanging information that were used to full effect. Pascal Ravessoud, Marketing Manager for Harry Winston, concludes: "This show is enormously important for exhibiting our new ranges. We were able to secure some very good business deals".

Jewellery brands

On behalf of jewellery exhibitors, David Yurman, the owner of the David Yurman company, voiced his approval: "BASELWORLD 2007 is our most successful show to date. Our participation in Basel continues to be a very good investment for our brand. The event is uniquely international and co-exhibitors represent the most prestigious brands."

Georg Wellendorff, Managing Director of Wellendorff, is convinced: "For us, the BASELWORLD World Watch and Jewellery Show is unrivalled as the leading global jewellery show. Here we meet an exclusive and international clientele and the entire jewellery world meets up at this event".

Guiseppe Picchiotti, the owner of Picchiotti, also commented favourably on success at the show: "Without doubt: this show is the most important for us and it went simply brilliantly this year".

For Francesco Spanedda, Marketing Manager of Pasquale Bruni there is also no doubt: "2007 was even better for



us than 2006. Pasquale Bruni chose to exhibit at BASELWORLD as the only international show, because this event is vitally important for our sales. It also permits us complete freedom to express our creativity."

On the show's final day, only positive feedback was heard from other sectors also represented at BASELWORLD. Robert Taché, CEO of Taché, therefore made the following comment: "BASELWORLD is a prestigious showcase for leading international diamond dealers to contact their most important buyers. It is the key market hub for business contacts with established and new clients."

On behalf of the Country Pavilions Winchell Cheung, Director in Germany for the Hong Kong Trade Development Council, expressed his delight with the way the show went: "Visitors to the Hong Kong Pavilion ordered more products than in 2006. In particular, new contacts with dealers from Russia, Brazil and the Middle East were especially encouraging. Basel is still the most important show for our watch and jewellery sectors."

"BASELWORLD Village" a popular new feature

The new BASELWORLD Village located in Basel's city centre emerged as one of the highlights at this year's World Watch and Jewellery Show. Every evening, visitors, exhibitors and journalists could meet up at this venue and enjoy the relaxed, but elegant surroundings. The dedicated restaurants, bars and lounges outside the exhibition halls delivered a unique networking platform. BASELWORLD Village can be described as a magnet for international guests and it satisfied a real need.

Renewed growth in media interest

The tremendous media interest is reflected in the number of 2,758 accredited journalists from over 70 countries, which corresponds to an increase of 9.0 percent compared to the previous year. The entire range of leading specialist journals for the luxury goods sector was represented in Basel. International reports on BASELWORLD in the daily press, business press, TV and radio are constantly increasing. "The quality of interviews with journalists and the number of media contacts were especially pleasing for us", comments Pascal Ravessoud, Marketing Manager of Harry Winston.



BASELWORLD
World Watch and Jewellery Show

Date 2007:	April 12 -19, 2007
Date 2008:	April 3 -10, 2008
Location:	Exhibition Center Basel
Organiser:	MCH Swiss Exhibition (Basel) Ltd.
Website:	www.baselworld.com
E-mail:	visitor@baselworld.com
Visitors 2007	101'700
Exhibitors 2007	2,109
Gross floor space	160,000 m ²
Net floor space	111,292 m ²
Accredited journalists	2,758



BASELWORLD 2008

The event organisers of BASELWORLD can now look forward to the future with optimism. One thing is clear for the Show Director, Sylvie Ritter: "This was the best BASELWORLD ever. Moving onwards, we will devote our efforts to sustaining this achievement and developing our success even further. This show will remain the key and most prestigious event for the international watch and jewellery industry."

The BASELWORLD 2008 World Watch and Jewellery Show will take place from April 3 to 10, 2008 at the Exhibition Center Basel.



Swiss Economy Posts Fastest Growth in Six Years in 2006

The economy in Switzerland expanded by 2.7 per cent in 2006, the fastest rate in six years, according to a recent announcement by the State Secretariat for Economic Affairs (Seco). The news comes a day after the International Monetary Fund (IMF) reported in its annual assessment that as economic expansion entered its fourth year "growth [in Switzerland] is balanced, inflation is low and employment is strong".

Seco said that the Swiss economy had picked up speed in the fourth quarter of 2006, but at a slower rate than expected, as exports soared but consumption and investment growth slowed. At 0.5 per cent the robust growth in private consumption also continued in the fourth quarter.

"It was pretty close to the 0.6 per cent we expected," said Patrick

Franke at Commerzbank. "The biggest surprise was the strength of imports, since final domestic demand was not as strong."

Seco said spending on transport rose sharply, but there had also been a discernible increase in the fields of healthcare, hotels and restaurants and financial and insurance services. In contrast, spending on clothing, furniture, leisure and culture fell slightly. In comparison with the same quarter of the previous year, real gross domestic product rose by 2.2 per cent.

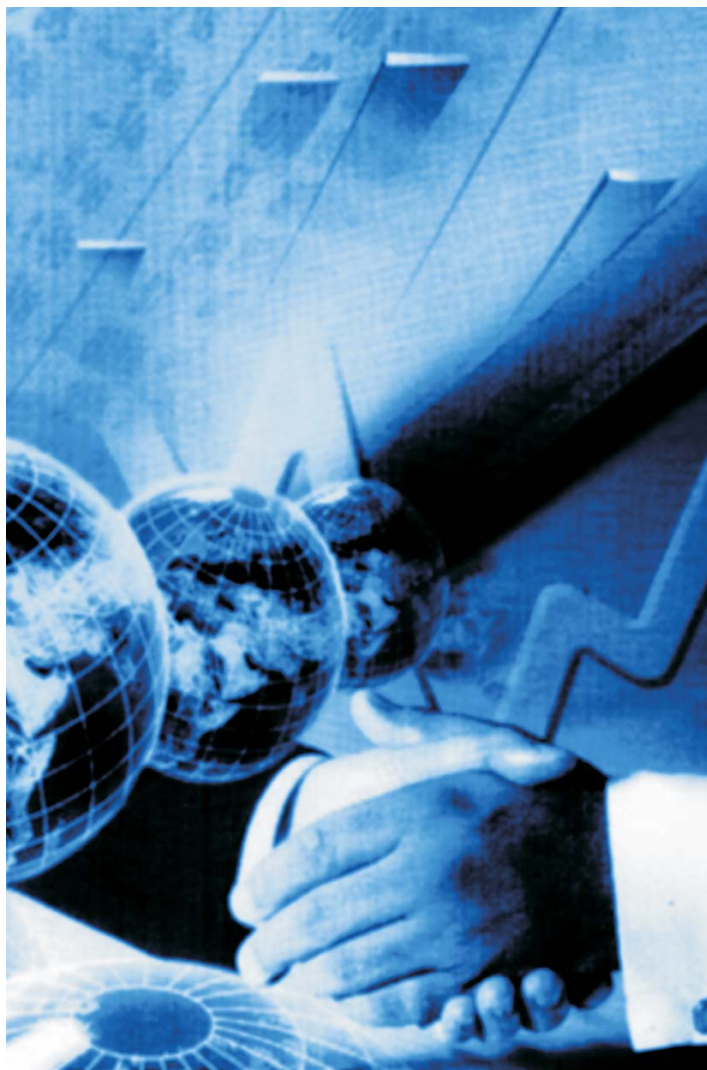
Aymo Brunetti, Seco's head of economic analysis, spoke of a very good year with "healthy development" and pointed to the broad base of the economy's growth. Seco said that on the expenditure side the increase in GDP was primarily due to the positive evolution of private consumption and investments in fixed assets and software.

Total investment expanded by 0.5 per cent compared with the previous quarter. While investment in fixed assets and software recorded a rise in all areas apart from telecommunications, real investment in construction fell by 0.5 per cent due to a slacking off of dynamism in house building.

The expansion in exports of goods and services rose in the fourth quarter to 3.3 per cent, with rises in exports of goods (3.7 per cent) and of services (2.2 per cent). After two weak quarters imports of goods and services recorded record growth 9.5 per cent, which is largely due to goods imports (10.7 per cent). However there was also a clear increase, of 3.2 per cent, in imports of services.

Seco added that on the production side there were "extremely positive" impulses from added value generated by the financial sector.

"Overall I would say the Swiss economy is doing very well but has come off highs," Franke said. "We expect the pace of growth to continue in 2007 but with a slight deceleration towards the end of the year."



IMF Pats Swiss Economy, Warns Against Complacency

The International Monetary Fund (IMF) says the Swiss economy is performing well but it warns the authorities to avoid complacency. In its annual assessment, the IMF comments that as economic expansion enters its fourth year "growth is balanced, inflation is low and employment is strong".

It argues for "deeper structural reform" in the internal market, such as adopting the "Cassis de Dijon" principle although it is not a member of European Union.

Under this principle, a product legally manufactured in one EU state may circulate freely in another.

In its report released recently, the IMF said adoption of the ruling would strengthen domestic demand and make a contribution, appropriate for Switzerland's size, to the reduction of global imbalances.

The government came out in favour of the "Cassis de Dijon" principle last year, but parliament still has to decide on the issue. The IMF adds with a "positive" outlook for 2007, it expects growth of GDP of two per cent. This is in line with the forecast of the Swiss National Bank but slightly higher than the government's own estimation of 1.7 per cent growth.

Economists from the IMF recommend the Swiss to take a closer look at the factors generating the country's current account surplus, which it describes as "very strong".

Banking supervision

The economists say currency weakness,



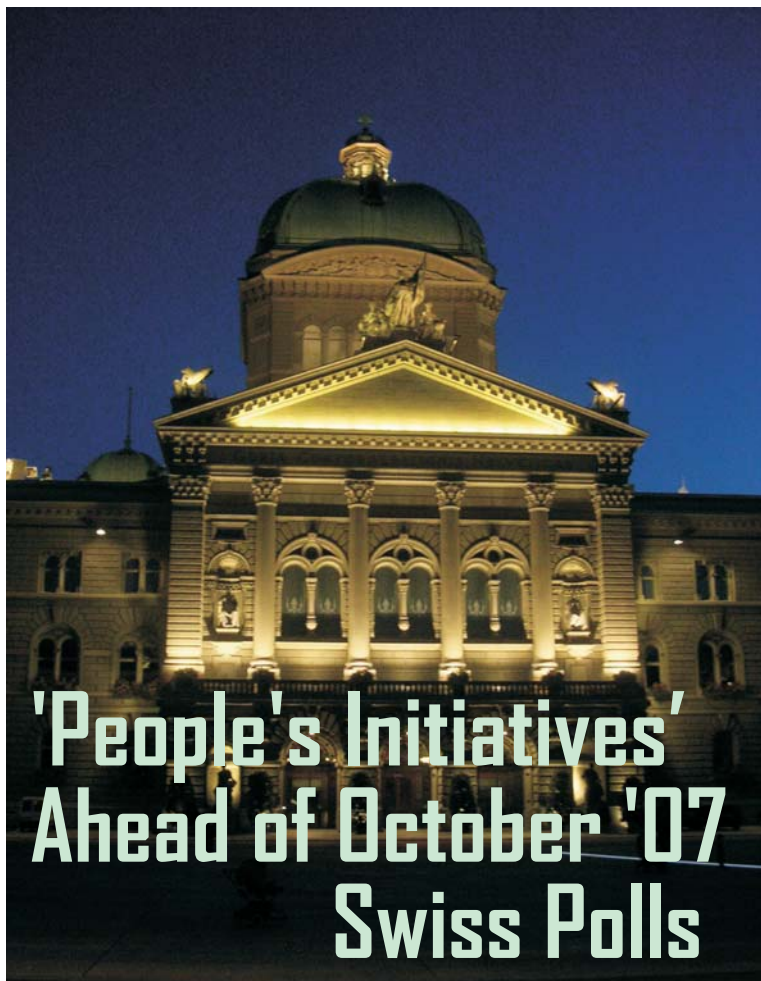
Switzerland's large stock of net foreign assets, and its position as an international financial centre and provider of wealth management services, could be playing a role.

The IMF noted that the financial sector was performing well and banking supervision had been strengthened. But it said one area that required attention was overseeing liquidity.

Given the complex nature of the banks and their systemic importance, continuing efforts should be made to evaluate regularly their evolving risk exposures and complex operating models, it said.

Turning to fiscal matters, the IMF commented that the government's debt brake had worked well but warned that additional measures were needed. It noted that it covered the federal budget but not the growth in social security entitlements. While welcoming the fact that the retirement age for women will rise to 65 by 2009, the IMF felt that the retirement age for men and women should be raised further in view of increased life expectancy.

A senior finance ministry official, Peter Siegenthaler, said the main message from the IMF seemed to be that Switzerland should be aware of all the risks even in good times. ■



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.

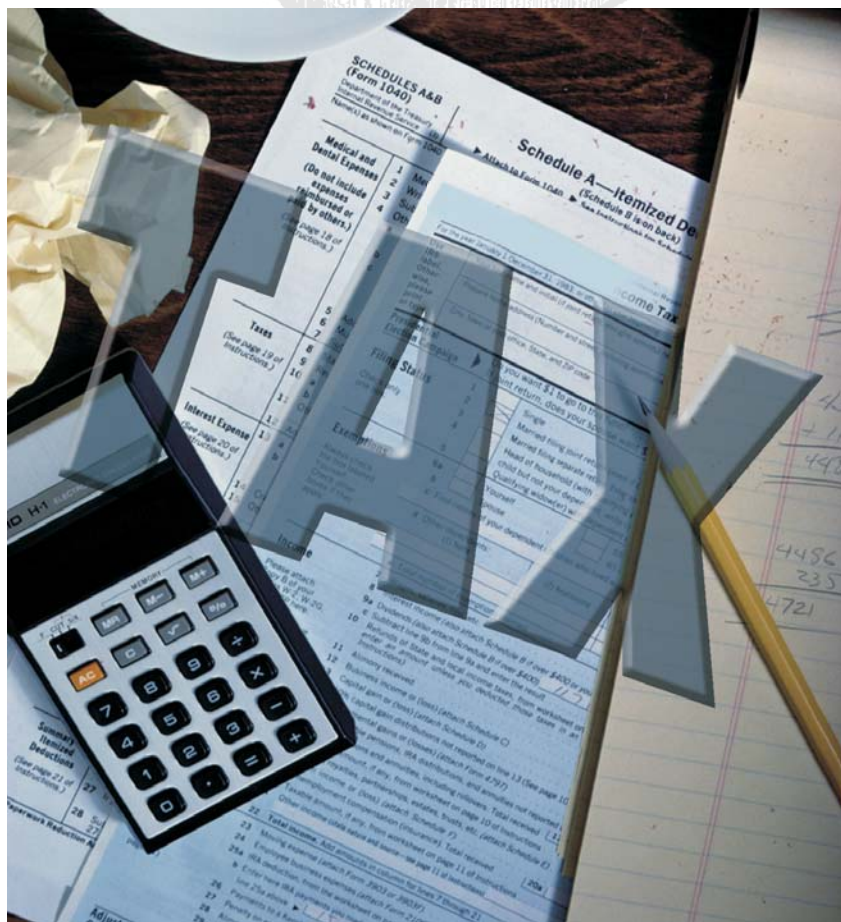
As from January 1, gay and lesbian couples will be able to tie the knot at a registry office thanks to a new partnership act. Their civil unions will be granted the same protection and rights as marriages, with the exception of the right to adopt and to have recourse to assisted conception.

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.



WEF Releases First-Ever Travel & Tourism Competitiveness Report

Switzerland Tops Global Rankings

Switzerland, Austria and Germany have the most attractive environments for developing the travel and tourism industry, according to the very first ranking of its kind in the *Travel & Tourism Competitiveness Report 2007*, released recently in Berlin by the World Economic Forum. Iceland, the United States, Hong Kong, Canada, Singapore, Luxembourg and the United Kingdom complete the top ten list.

"Our study is not a 'beauty contest', or a statement about the attractiveness of a country. On the contrary, we aim to measure the factors that make it attractive to develop the travel and tourism industry of individual countries. The top rankings of Switzerland, Austria and Germany, Hong Kong and Singapore demonstrate the importance of supportive business and regulatory frameworks, coupled with world-class transport and tourism infrastructure and a focus on nurturing human and natural resources, for fostering an environment that is attractive for developing the travel & tourism (T&T) sector," said Jennifer Blanke, Senior Economist of the World Economic Forum's Global Competitiveness Network.

This cross-country analysis of the drivers of competitiveness in travel and tourism provides useful comparative information for making business decisions and additional value to governments wishing to improve their travel and tourism environments.

The rankings are based on the first-ever Travel & Tourism Competitiveness Index (TTCI) covering 124 countries around the world. The TTCI uses a combination of data from publicly available sources, international T&T institutions and T&T experts, as well as the results of the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum, together with its network of Partner Institutes (leading

research institutes and business organizations) in the countries covered by the Report.

The Survey provides unique data on many qualitative institutional and business environment issues. Further, for the purposes of this study and this specific report, a number of new questions related to T&T competitiveness were added to the Survey on issues such as the quality of destination marketing and the government's prioritization of the T&T industry. These questions provide entirely new data related to T&T competitiveness.

The TTCI measures *the factors and policies that make it attractive to develop the T&T sector in different countries*. It is composed of a number of "pillars" of travel and tourism competitiveness, of which there are 13 in all. These are:

- Policy rules and regulations
- Environmental regulation
- Safety and security
- Health and hygiene
- Prioritization of travel and tourism
- Air transport infrastructure
- Ground transport infrastructure
- Tourism infrastructure
- Information and communication technology (ICT) infrastructure
- Price competitiveness
- Human capital
- National tourism perception
- Natural and cultural resources

"Showing the full economic impact of the sector in the Index will enhance travel & tourism's relevance for policy-

makers. The Index makes clear that, although industrialized states currently dominate, poorer countries have a massive potential to be the leading force in international tourism," said Geoffrey Lipman, Assistant Secretary General of the World Tourism Organization (UNWTO).

"The Index will encourage governments to understand the importance of travel & tourism and create an economic environment, which will help this economic activity to create entrepreneurs, jobs and careers. It will also stimulate the public and private sectors to play leading roles in the issues the world is facing in terms of environmental, social and cultural challenges," said Jean-Claude Baumgarten, President of the World Travel & Tourism Council (WTTTC).

"The *Travel & Tourism Competitiveness Report 2007* is designed for any executive looking to grow in global markets with a specific focus on emerging markets. Learnings from this report will allow industry to effectively and efficiently engage governments in creating blueprints for sustainable and viable travel & tourism industry development," said Thea Chiesa, Head of Aviation, Travel and Tourism at the World Economic Forum.

"Adopting a balanced regulatory framework that attracts private investors, facilitates access for domestic and international travelers, and encourages competition in the market is a key factor of driving competitiveness in the travel and tourism industry," said Jurgen Ringbeck, Partner and Senior Vice-President of Booz Allen Hamilton. "These factors improve operational efficiency, services and price levels."

"The World Economic Forum has been actively engaged in studying issues related to national competitiveness for nearly three decades. Given the importance of the travel and tourism industry to the world economy, the objective of the *Travel & Tourism Competitiveness Report 2007* is to explore the factors driving travel and tourism competitiveness worldwide.

The World Economic Forum has engaged a number of industry and thought leaders, through its Industry Partnership Programme, with the goal of constructing a platform for multi-stake holder dialogue to ensure the development of strong and sustainable national travel and tourism industries capable of contributing effectively to international economic development," said Klaus Schwab, Executive Chairman of the World Economic Forum.

The report also features a number of essays on key T&T issues, ranging from an analysis of how air transport connectivity boosts national productivity and economic

Travel & Tourism Competitiveness Index

Country/economy	Rank	Score
Switzerland	1	5.66
Austria	2	5.54
Germany	3	5.48
Iceland	4	5.45
United States	5	5.43
Hong Kong SAR	6	5.33
Canada	7	5.31
Singapore	8	5.31
Luxembourg	9	5.31
United Kingdom	10	5.28
Denmark	11	5.27
France	12	5.23
Australia	13	5.21
New Zealand	14	5.2
Spain	15	5.18
Finland	16	5.16
Sweden	17	5.13
United Arab Emirates	18	5.09
Netherlands	19	5.08
Cyprus	20	5.07

growth to the role of electronic payments and destination marketing in driving T&T competitiveness.

The last part of the report contains detailed country profiles for the 124 economies featured in the study, providing a comprehensive summary of the overall position in the Index rankings as well as a guide to what are considered to be the most prominent T&T competitive advantages and disadvantages of each. Also included is an extensive section of data tables including each indicator used in the Index's computation.

The report was produced by the World Economic Forum in close collaboration with our Strategic Design Partner, Booz Allen Hamilton, and the Forum's Data Partners: the International Air Transport Association (IATA), the World Tourism Organization (UNWTO) and the World Travel & Tourism Council (WTTTC).

The Forum has also received important feedback from a number of key companies that are industry partners in the effort, namely Bombardier, Carlson, Emirates Group, Qatar Airways, Royal Jordanian Airlines, Silversea Cruises, Swiss International Airlines, and Visa International. Several thought leaders from these companies and organizations have also contributed insightful papers addressing various aspects of travel & tourism competitiveness. ■

Lindt & Sprüngli

Shows sweet returns



Swiss chocolate maker Lindt & Sprüngli has posted a record net profit of SFr209 million (\$172.7 million) for 2006, up 21 per cent on the previous year. Turnover was up by 14 percent to SFr2.58 billion, with particularly strong sales registered in North America for the first time exceeding \$500 million.

In a statement issued recently, the firm said that all sectors of the group had contributed to the impressive overall growth. "Owing to many innovative products and outstanding marketing activities, the group once again outpaced the growth of the overall chocolate market many times over, leading to substantial gains of market shares," it said.

Earnings before interest and tax (Ebit) increased by 19 per cent to SFr296.9 million – the highest increase in the group's history. The company, which is based near Zurich, confirmed its mid-term goals of achieving sales growth of six to eight per cent and operating profit growth of eight to ten per cent.

Impressive results

"The results were strong and the company benefits from the trend to premium chocolate, particularly among Anglo-Saxon countries, which have traditionally preferred their chocolate cheap and sugary," Kepler Equities analyst Jon Cox said. "The

company has excellent products and excellent management. However, we have a question mark about valuation and believe the firm benefitted from problems with competitors last year, for example at Nestlé, Cadbury and Hershey. This might not happen again in 2007," he said.

The group said its directors would propose raising its dividend to SFr275 per registered share from SFr225, and to SFr27.50 per participation certificate from SFr22.50. The firm also unveiled its biggest-ever investment programme, saying it would spend SFr500 million over three years on new facilities. It said it would invest in several locations, improving the processing, storage and logistics at eight facilities it operates, including several in the United States. ■

Clariant in Red as Revamping Cuts into Profit

Swiss specialty chemicals company Clariant of Basel has recorded a net income of SFr131 million (\$106.2 million) for 2006 from its ongoing operations. But because of the firm's deep restructuring programme, it posted a loss of SFr78 million when all operations – current and discontinued – are taken into account.

Clariant saw sales rise for the year to SFr8.1 billion, with 7.0 percent growth in Swiss francs. Overall, selling prices remained stable. "We achieved robust top-line growth with stable pricing in 2006," said Clariant chief executive Jan Secher in a statement recently. "Profitability

increased, but we see considerable room for improvement."

Net income from ongoing operations was slashed in half, falling from SFr262 million to SFr131 million, mainly impacted by a goodwill charge of SFr100 million in its leather business. If discontinued operations are included, Clariant went from a net profit in 2005 (SFr192 million) to a net loss of SFr78 million last year.

High costs

The company said it had faced high costs for raw

Swiss MNC Holcim Posts Record Net Profit



Holcim of Switzerland, the world's second-biggest cement maker, posted a 39 per cent rise in net profit in 2006 at SFr2.1 billion (\$1.72 billion). The company said the result was boosted by a dynamic construction sector and favourable weather conditions.

Holcim's Operating profit rose about 32 per cent to SFr4.4 billion, while sales were up 30 per cent at SFr24 billion. The results beat analysts' expectations, which had forecast net growth to rise 25 per cent. Holcim, which recently announced it had increased its stake in Ambuja Cements of India, said it benefitted from its broad geographical spread as well as its position in emerging markets in eastern Europe, Asia and Latin America.

"We have 75 per cent of our cement capacity in emerging markets. These markets are growing very fast - between five and ten per cent in cement consumption annually, so we are excellently positioned," company CEO Markus Akermann said recently. But he said there were other factors that had contributed to the result.

"It was also the excellent weather conditions in the northern hemisphere. We had an exceptionally strong fourth quarter and it was our programmes that we have been developing over many years to work on efficiency. These were all factors in our results."

Efficiency

Analysts also point out the growth in the global economy and strong results by the world's leader in cement production, Lafarge. The company said it also boosted plant capacity by improving efficiency and introducing innovative products.

"The group has the necessary financial strength to avail itself of opportunities for attractive acquisitions in all segments," it said. The company also said it expected to again notch up long-term growth of five per cent this year in its internal operating earnings despite the slowdown in some markets.

Holcim is a leading supplier of cement, gravel and sand, as well as aggregate products such as asphalt and ready-mixed concrete. The group has a workforce of 90,000 in about 70 countries, including 1,200 employees in Switzerland. ■



materials and energy, as well as increased competition from Asia. It has also struggled since acquiring British chemicals group BTP for SFr3.2 billion six years ago.

The group has been forced to slash costs, restructuring since 2004. Late last year it announced yet another round of job cuts - 10 percent of its workforce - and a reduction of its product range by a quarter.

Clariant, which makes pigments for products from textiles to cars, posted a net loss for the third quarter of 2006 because of one-off charges, although sales and operating profit beat expectations thanks to strong demand.

Rival Ciba Specialty Chemicals said last week it would slash its workforce by 16 percent as it attempted to save up SFr500 million by 2009. It posted a SFr42 million loss for 2006. ■

Swiss Winter Gets Warmer Due to less Snowfall

Temperatures have been three degrees Celsius higher than average over the past three months, in what has been the warmest winter since measurements began 140 years ago. The national weather service, MeteoSwiss, said the densely populated lowlands were the most affected, with average temperatures of 5°C in Basel and 3.7°C in Zurich.

After two relatively cold winters, the report said, this year's high temperatures have been more in line with the trend of the past few decades towards warmer weather at this time of year.

"Since the mid-1970s, there has been a clear rise in average monthly temperatures in winter," MeteoSwiss said on its website. The high temperatures have been reflected in the lack of snow, particularly in low-lying areas and in the north of the country.

Zurich, for example, receives an average of 70cm of new snow spread over 16 days in December, January and February. But there has only been 12cm of snow this year, which fell over the course of two days. MeteoSwiss said the situation was similar in other towns and cities. The only year with less snow was 1989/90 when Zurich reported 3cm.

Places at higher altitudes - in the pre-Alps - have also suffered, receiving only a quarter of the snowfall of an average winter which quickly melted due to above freezing temperatures. Many ski resorts with runs concentrated below 1,500m have been unable to operate for much of the season.

Global warming

"This development [in temperatures] is consistent with the predictions made in global climate models which take into account the effect of man-made greenhouse gases on the climate,"



MeteoSwiss added.

Martin Hoelzle, climate scientist and glaciologist at Zurich University, told recently that such warm winters are having an impact on public opinion. "The realisation that things are changing is probably the best thing that can happen," Hoelzle said.

"The first IPCC (United Nations climate panel) report published in the early 1990s did not receive much attention even though it said more or less the same as the latest [published earlier this month], so people now recognize climate change as a very important issue."

This winter has only been the second warmest on record in the higher mountain regions (after 1989/90) and around Geneva (after 2000/01). ■

Schindler Lists Record Profit for '06

Swiss elevator and escalator maker Schindler has recorded a 27.4 percent rise in net profit for 2006 thanks to strong growth in its core business. The company benefitted from heightened demand in emerging markets in Asia and the Middle East for installation of high-rise buildings and the launch of new elevator systems in Europe.

Net profit rose to SFr511 million (\$412.1 million). Besides growth in new markets, the consolidation of Finnish company GNT Holding acquired by Schindler subsidiary ALSO and the sale of real estate worth SFr41 million boosted the bottom line. Operating revenue exceeded SFr10 billion for the first time, reaching SFr11.106 billion, an increase of 25.2 percent. This was boosted by foreign exchange rates, which added another SFr177 million to revenue according to the group. Sales in the elevators and escalators division rose 13 per cent to SFr8.417 billion.

However, market reaction was not enthusiastic, with the registered share price falling by 4.85 per cent to SFr80.40 at the close of trading on the Zurich stock exchange.

Better Qualified Migrant Workers Arrive in Switzerland to take up New Jobs



More and more highly qualified foreigners are moving to Switzerland to take up new positions, according to the Federal Statistics Office. Over the past decade, more than three quarters of migrant workers have arrived with an upper secondary school diploma or a university degree in their pocket, especially those from northern and western Europe.

At the end of June last year, 850,000 foreigners were working in Switzerland, an increase of 2.4 per cent over 2005. Two thirds of those over the age of 25 have at least a high school diploma, a figure that rises to 90 per cent for the Swiss themselves.

However, the statistics office noted that a foreign person's qualifications depended to a considerable extent on their origin. Around 94 per cent of workers from northern and western Europe arrived with a higher education certificate of some kind, while this figure drops to 48 per cent for immigrants from southern Europe and the west of the Balkans.

For the Portuguese, only 28 per cent of those with a Swiss job have an education beyond compulsory schooling. More than three quarters of workers who have moved to Switzerland in the past 10 years have a certificate, but this figure falls to 55 per cent for

longer-term foreign residents.

Highly Qualified

Many immigrants hold down highly qualified positions. A third of those who moved in the past decade have managerial jobs, or are employed in an intellectual or scientific capacity.

For Germans, this figure rises above 50 per cent, while it is only a quarter for the Swiss, reflecting a trend for northern and western European immigrants. Only 13 per cent of recent arrivals are considered to have no specific qualifications, down from 25 per cent 10 years ago.

The number of foreign workers showed its strongest rise in five years between June 2005 and June 2006, with another 20,000 people taking up a position in Switzerland. Apart from the 850,000 foreigners with Swiss residence papers, there are another 255,000 workers who live in border areas as well as asylum seekers.

Another 10,000 Germans moved to Switzerland (up 10.6 per cent) during the year ending in June 2006, while 7,000 more Portuguese (7.4 per cent) took up jobs. The number of immigrant workers from Italy (-5,000) and the western part of the Balkans (-2,000) fell at the same, although they still constitute the largest groups of foreign employees, totaling nearly one fifth of the total.

Germans and Portuguese account for 12 per cent each. More than 60 per cent of foreign workers come from the European Union and the European Free Trade Agreement zone. ■



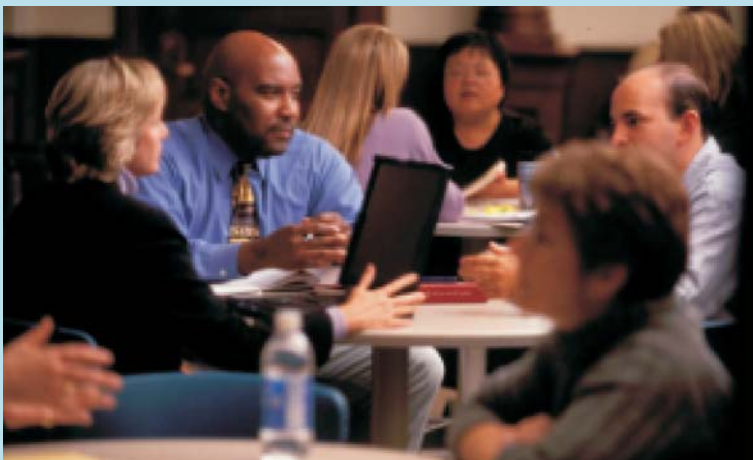
"These results are somewhat disappointing on the surface, and it looks as if the company has had difficulties in working down an abnormally large order increase," said Helvea analyst Volkan Goecmen in a note. Schindler competes with Germany's Thyssen Krupp, Otis of the United States and Kone of Finland on the world market.

Record fine: The Swiss firm, these three companies and Japan's Mitsubishi Electric, were fined a total of €992 million (SFr1.6 billion) by the European Commission recently for fixing prices and carving up markets. It is the biggest cartel penalty in European Union history. Schindler has already announced that it will appeal its individual fine of €144 million for price fixing. But the company remains optimistic for the year ahead despite the penalty. "Excluding the EU fine and any unforeseeable events, it is anticipated that Schindler will report a net profit of approximately SFr530 million for the financial year 2007," the firm said in a statement. "This corresponds to an increase of around 12 per cent compared with the net profit for 2006 before the real estate gain." ■

Zurich & Geneva Top World City Rankings as Best for Living

Zurich has been confirmed as the city with the highest overall quality of living in the world, according to a survey by Mercer Human Resource Consulting. Geneva came in second position, ahead of Vancouver, Vienna and Auckland. European, Canadian and Australian cities continue to dominate the rankings, which saw little movement among the top 50 cities and none among the top 10.

Mercer's yearly worldwide quality of living survey evaluates 215 cities on 39 criteria including political, social, economic and environmental factors, personal safety and health, education, transport, and other public services. Each city is awarded a score according to how far the quality of life available exceeds or falls behind New York, which is the base city at 100. Zurich scored 108.1 and Geneva 108.0. The survey helps governments and multinational companies to choose relocation destinations and place employees on international assignments.



"Companies managing a global workforce must take into account a range of factors when structuring remuneration packages for their expatriate employees," said Yvonne Sonsino, principal consultant at Mercer.

Incredible Achievement

Business leaders in Zurich were delighted. "The importance of quality of life as a decisive factor for company expansions and relocations has steadily increased in recent years," said Sonja Wollkopf, chief operations officer of the Greater Zurich Area AG.

"To have bested the greatest cities in the world six times in a row is an incredible achievement and underlines the competitiveness of Zurich and the Greater Zurich Area as a business location and place to live." The Greater Zurich Area AG, a non-profit organisation, is



the marketing association for the Greater Zurich Area business region.

It recruits international companies abroad and assists them with setting up companies and making investments in the Greater Zurich Area.

Different Strokes

While global businesses pay close attention to such rankings, the cities at the top of the list might not be for everybody. "A city with a high quality of living index is a safe and stable one," said Mercer.

The consultants admit, however, that such destinations "may be lacking the dynamic 'je ne sais quoi' that makes people want to live in world-renowned cities such as Paris, Tokyo, London or New York [which come 33rd, 35th, 39th and 48th respectively]."

"Sometimes you need a little spice to make a city interesting," Mercer continued. "But that 'spice' may also give a city a lower ranking." It is doubtful, however, that a lack of spice is why Baghdad remains the world's least-enticing city for expatriates, with a score of 14.5.

"In recent years the gap between low-ranking and high-ranking countries has widened," said Slagin Parakatil, a senior researcher at Mercer. "While standards have improved in some regions, there remains a stark contrast between those cities where overall quality of living is good and those experiencing political and economic turmoil." ■

Zurich Researchers Make Diabetes Type 2 Breakthrough

Scientists at Zurich University have developed a promising new therapy that targets the progression of diabetes type 2, the most common form of the disease.

Type 2, which affects 90 per cent of diabetics, is on the rise worldwide due to health and lifestyle factors, such as being overweight.

Several companies are already interested in the treatment the first of its kind for type 2 diabetes - with a drug estimated to come onto the market in three to five years' time.

The results of the international study, led by Marc Donath, Professor of endocrinology and diabetes at Zurich University Hospital, were published in the prestigious New England Journal of Medicine recently.

Diabetes is an incurable condition in which there is too much glucose in the blood. Type 2 normally develops in later life and can lead to health complications, such as heart and liver problems.

In the study, Donath and his team found that daily injections of anakinra - a drug also used to treat rheumatoid arthritis helped patients by targeting a cause of the disease.

"Until now we had treatments which weren't able really to stop progression of the disease and here we are interfering with a mechanism responsible for it," Donath said.

Insulin problems

Type 2 diabetes occurs when the body cannot produce enough insulin or use it effectively. Insulin, a hormone produced in the pancreas, is needed to transport sugar from the blood to cells, where it is used for energy.



Insulin-producing beta cells are sometimes destroyed in type 2 diabetes. Donath and his team already knew that a substance called interleukin-1 beta was responsible for this in type 2. Anakinra is an interleukin-1-receptor antagonist - it blocks the action of the interleukin-1 beta.

To test the effects of the drug in type 2 diabetes, 36 people received a once-daily placebo injection and 34 people received a daily dose of 100 mg of anakinra for 13 weeks.

Scientists found that glucose levels were lower and the secretion of insulin better in the group that had taken anakinra. Patients also showed reduced systematic inflammation in the body - a contributory factor for diabetes-related complications, such as heart problems.

The drug was found to have few side effects and Donath and his team are planning to conduct follow-up studies.

Common disease

The discovery could help fight a disease that is becoming increasingly common, said Donath. Around 500,000 people are said to have diabetes in Switzerland.

"Around 246 million patients worldwide have diabetes," he said. "What is especially worrying is that a dramatic increase is expected in the next

TYPE 2 DIABETES

Many patients who develop the disease are overweight and most are in the 40-59 age band, but children and young people are becoming increasingly affected. Once developed the condition persists throughout a patient's lifetime.

Apart from lack of exercise and a poor diet, family history, genetics can also contribute significantly to the risk of developing type 2. Many people do not realise they have it.

The rise of diabetes type 2 is causing widespread concern among health experts. In the next 20 years the number of those affected is expected to rise to 380 million worldwide. There also exists type 1 diabetes where the body is unable to produce any insulin. This usually starts in childhood or young adulthood. Treatment is through diet control and insulin injections.

years, not only in western countries, but also in Africa and India."

Donath said his next step was to develop a treatment that could be used at least once a month, rather than the daily medications currently used by patients. Two United States companies have expressed interest in developing the research.

Donath is convinced the new treatment could help thousands of patients lead more normal lives, especially as it has already been used for many years to treat rheumatoid arthritis. "I'm not saying it's a magic pill but currently it seems to be very safe," he said. ■

The Swiss get more Web-friendly

The Swiss people watched less television, listened to fewer hours of radio but went online on the Internet more often last year than in 2005, a study reveals. The annual survey, which was published recently reveals regional differences, but confirms long-term trends.

People in the majority German-speaking part of the country as well as in the French-language region watched one minute less TV per day in 2006. Their Italian-language compatriots sat in front of the screen for five more minutes.

Mediapulse, the media research group of the Swiss Broadcasting Corporation (SBC), said television viewing in the German and

French parts of Switzerland stood at 146 minutes and 170 minutes respectively every day. Viewers in the Italian speaking part watched 180 minutes of TV daily. The main SBC programmes remained the market leaders in all language regions.

Popular radio

Radio has kept its title of most followed medium with nine out of ten inhabitants tuning in every day. Mediapulse said there was a slight decline in the number of listeners, down 0.7 per cent to 90.3 per cent in 2006.

They listened to 100 minutes of radio broadcasts per day last year, down four minutes compared with 2005. Drops were registered in the German and French speaking parts of Switzerland while figures remained stable in the Italian and Romansh parts.

The most frequent listening times were early morning, at around lunchtime and, to a lesser extent, in the evening. Public radio increased its share of the market slightly to nearly 68 per cent, according to Mediapulse.

Web

Around 72 per cent of the population aged 15 and up used the Internet at least once per quarter in 2006. There has been a 21 per cent increase in usage since 2001, the study said. The use of internet in private homes had increased by 24 per cent over the past five years. In 2006, more than two-thirds of the population had Internet access at home. Slightly more than three-quarters of men and 68 per cent of women used the internet last year. ■

