

INDO SWISS BUSINESS

The Newsmagazine of Swiss Business Hub India

Vol. 3 Issue 3

May-June 2006

member of **business network
switzerland**



Swiss Economy:

Back to Bounce & Buoyancy

Inside

Focus:

**Biotech - Where Science
Converges & Business Emerges**

Feature:

**Global Cooperation Vital
to Fight Financial Crimes**

In This Issue

Cover Story

06



Swiss Economy Bounces Back to Buoyancy

Focus

14

Switzerland - Ideal Gateway to EU Market for Biotech Products



Focus

19



Swiss Biotech Report 2006 Where Science Converges, Business Emerges

Feature

29

Fighting Against Financial Crimes, the Swiss Way



Photo Feature

34



Connecting Global Commerce The Launch of Open Trade

Event

39

Anchrom Steps into Bigger Premises, Brighter Future



Distributed by:

New Media Communication Pvt. Ltd.

in association with

Swiss Business Hub, India

Chairman: R.K. Prasad

Managing Editor: Satya Swaroop

Director: B.K. Sinha

Group Editor: Dev Varam

Consulting Editors:

Prabhu Sinha, Rajiv Tewari &

Archana Sinha

Head-Busi. Dev.: Veerendra Bhargava

Head-Projects: Prachi

Asst. Manager: Anand Kumar

Account Asst.: Vrunda Gurav

Circulation: Jawaharlal

Art Director: Santosh Nawar

Visualizers: Maya Vichare & Sagar Banawalikar

DTP: Nilima Kadam

Photographer: Bilal Khan

BRANCHES:

Kolkata:

Anurag Sinha, Branch Manager, A-7/1, Satyam Park, 2nd Lane, Near 3A Bus Stand, Thakurpukur Kolkata- 700 104

Tel: 098300 15667, 033-24537708

Email: anurag@newmediacomm.biz

Ranchi:

Dr. Shambhu Prasad, 22 Anjuman Plaza, 2nd Floor, Main Road, Ranchi- 834001

Tel: 0651-3095103, Telefax: 2246742

Pune:

Geeta Khaladkar, Regional Head, Sahyog Apartments 508, Narayan Peth, Patrya Maruti Chowk

Pune 411 030. Telefax: 020 24454642

Email: pune@newmediacomm.biz

Thiruvananthapuram:

Murugan, Branch Manager, TC-27/1749(3), PERA - 70, Vanchiyoor, Thiruvananthapuram

Tel: 09447555222, 0471-5540888

Email: murugan@newmediacomm.biz

Australia Office:

Bandhana Kumari Prasad, 129 Camboon Road, Noranda, Perth, W.A. 6062 Tel: 0061 892757447

Email: bandhana@newmediacomm.biz

International Marketing:

G. Biju Krishnan

E-mail: biju@newmediacomm.biz

New Media Communication Pvt. Ltd.,

B/302, Twin Arcade, Military Road, Marol, Andheri (E), Mumbai - 400 059 India

Tel: +91-22-28516690 Telefax: +91-22-28515279

E-mail: enquiry@newmediacomm.biz

www.newmediacomm.com

Printed & Published by

Satya Swaroop and printed at M/s Young Printers, A-2/237, Shah & Nahar Industrial Estate, Lower Parel, Mumbai - 400 013 and published from 101, Shivam, Military Road, Marol, Andheri (E), Mumbai - 400 059.

Editor: Manisha Saxena

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.

Relevant Internet site address

- Embassy of Switzerland <http://www.eda.admin.ch/newdelhi>

- Osec Business Network Switzerland <http://www.osec.ch>

- Switzerland Tourism <http://www.myswitzerland.com>

- General Information on Switzerland <http://www.switzerland-in-sight.ch>

- Investment in Switzerland <http://www.locationswitzerland.ch>

Office of the Consulate General of Switzerland

102, Maker Chamber IV, 222,

Jamnalal Bajaj Road, Nariman Point,

Mumbai-400 021 Tel: +91-22-2288 4563

Fax: +91-22-2285 6566.



Dear Reader,

Greetings. India and Switzerland have always enjoyed cordial and excellent trade relationship. Good news is that the Swiss economy is bouncing back to buoyancy after a period of slowdown in its pace of growth. Surveys by leading Swiss banks as well as the International Monetary Fund (IMF) show that the performance of the Swiss economy in the first six months of 2006 has been good, with industrial activity picking up sharply and exports surging forward accordingly. This augers well for Indo-Swiss bilateral trade. The cover story of the current issue of Indo-Swiss Business is on the resurgent Swiss economy. One of the key areas that India and Switzerland have identified for intense collaboration is biotechnology. In the last two years the two countries have exchanged biotechnology missions, exploring the specific areas of collaboration within this field. India recognizes the fact that Switzerland is a leader in biotechnology research and development. The Swiss participation in BIO 2006 held recently in Chicago has been a thumping success. In fact, Switzerland has emerged as the ideal gateway to the European Union market for biotech products. The Swiss Biotech's annual report for 2006 points out the importance of the convergence of science in Switzerland, which is leading to the emergence of business. The focus of the current issue is on the strides made by the Swiss biotech industry and the opportunities that it offers by way of collaborations to companies from India and other countries. We also carry various news developments involving Swiss companies, which have been successfully taking 'science to the market'. We present a feature on Swiss banking and its legendary practices, including client confidentiality. We carry an address by Swiss Bankers' Association CEO Urs Ph. Roth delivered at a media seminar on the legal aspects of global collaboration to fight money laundering. The features includes a write-up on the mechanisms that the Swiss governmental and banking authorities have put in place to fight financial crimes. There is also a declaration issued jointly by the Swiss Bankers' Association and the British Bankers Association on the need for intensifying efforts to fight global financial crimes. Education is of prime concern for the Swiss in its every aspect, from the primary level to the highest forms of scientific research. A recent vote conducted in Switzerland has indicated that the Swiss favour changes in the existing educational system, to raise its standards and achieve uniformity across the country. We carry a report. Anchrom, an Indian company leading in scientific equipment distribution, which has for the last 28 years maintained its connection with CAMAG of Switzerland, has acquired a bigger premises and is launching into bigger plans. We report the event. Finally, we present a photo feature on the launch of Open Trade, a magazine that New Media is publishing in association with the Trade Commissioners' Forum, Mumbai. We invite our readers to have a look at it.

Wish you happy reading

A handwritten signature in blue ink, appearing to read 'Satya Swaroop', with a long horizontal flourish extending to the right.

Satya Swaroop

Managing Editor

satya@newmediacomm.biz

Swiss Economy Bounces Back to Buoyancy



The Swiss economy is bouncing back to buoyancy. Various indicators point to this development. The brisk performance of the manufacturing sector, a surge in exports have indicated that 2006 will turn out to be a very good year for the Swiss economy. A survey of the Swiss corporate sector performance by UBS, the country's leading bank shows that industrial activity picked up sharply in the first quarter of 2006 and is set to continue unabated in the second quarter of the year.

Switzerland's leading banks have revised upwards their predictions for the country's annual gross domestic product (GDP), reckoning on healthy economic growth. UBS has recently raised its growth forecast from 2.3 to 3.0 per cent soon after Credit Suisse hiked its GDP prediction from 2.1 to 2.8 per cent.

The International Monetary Fund (IMF) has also said that "the Swiss economy is showing some spark" and forecast growth in 2006 of more than 2.0 per cent.

UBS said a "surprisingly" strong first quarter boded well. "It is promising that economic activity is not only robust but also broadly based. Most economic indicators suggest that the prospects for the current year remain good." Switzerland's largest bank predicted growth would slow down to 1.4 per cent in 2007, up from the 1.3 per cent previously forecast. Credit Suisse has also revised its forecast as a result of the unexpectedly strong growth at the start of the year.

The bank said the average unemployment rate would drop from 3.8 per cent last year to 3.2 per cent this year and to three per cent in 2007. The IMF said in its annual report that "unemployment has started to recede and

despite rising oil prices, inflation remains under control and the current account is running a large surplus". Consumer price inflation is just over 1.0 per cent.

The IMF statement said the recovery presented the Swiss with an opportunity to advance reforms to further boost growth. It added that short-term economic risks facing Switzerland appeared generally contained, and it credited the government with being "on track to eliminate its small structural deficit by 2007".

The IMF praised the Swiss authorities for their "prudent macroeconomic management, sound monetary and fiscal policy frameworks, and flexible labour markets". But the Washington-based institution warned that continued growth in the medium-term would only be possible if the country "addressed the fiscal pressures from an ageing population".

It also called on the government to liberalize further "sheltered sectors, including reducing red tape and state regulations, lowering non-tariff barriers to trade, and reducing the very high levels of protection and subsidization in the agricultural sector".

OECD

bets on lower unemployment rate

Switzerland's economic growth is set to accelerate in 2006 before slowing slightly in 2007, according to the Organisation for Economic Cooperation and Development. But the Paris-based grouping has warned that the improved outlook should not lead the Swiss government to cease efforts to control spending and implement reforms.

The OECD revised its 2006 forecast for the Swiss economy upwards on Tuesday from 1.7 percent to 2.4 percent. In 2007, growth is set to ease slightly to 1.8 percent. Switzerland's economy, whose growth rate has long been lagging behind those of other industrialized nations, is this year set to perform better than in most euro-zone countries. On average they are expected to grow by 2.2 percent.

In an upbeat assessment, the OECD said growth in 2006 should be stimulated by the "impulse provided by the European recovery". Despite some easing in 2007, growth would probably remain "fairly robust and above potential", the organization commented in its second Economic Outlook this year. The OECD, of which Switzerland is a member, commented that with economic activity firming a gradual tightening of monetary policy was "appropriate".

Recently, the Swiss National Bank has raised interest rates twice in quarter per cent increments, pushing them effectively to 1.25 per cent. It has also signalled that it will tighten credit further as the economic recovery seems broadly based.

Swiss unemployment should fall to 3.9 per cent this year from 4.3 per cent in 2005 and is expected to drop further



to 3.5 per cent in 2007, the OECD said. In its assessment the organization said the improved economic situation should not lead to a relaxation of efforts to control public spending, particularly in the social sector.

Reform process

Efforts should also continue in the reform process in product markets aimed at strengthening potential growth, which was weak. OECD analyst Claude Giorno, who is responsible for the Switzerland dossier, told the *SonntagsZeitung* newspaper recently that reforms were too slow in the telecommunications and agriculture sectors. The fact that the economy was doing well presented a problem, he added.

"The urgency of domestic competition and social reforms is considered less important. That can lead to unpleasant surprises in the not too distant future. "We see evidence of self-satisfaction which is out of place," he commented.

His comments echoed an OECD report last month that warned Switzerland would not remain among the world's richest countries if it failed to carry out more reforms and open its markets to competition.



Record oil prices pose no threat to the Swiss economy at the moment, the State Secretariat for Economic Affairs (Seco) in Bern has said.

Seco's chief economist Aymo Brunetti made the comment after London's Brent crude hit an all-time high of \$72.20 a barrel on fears that Iran's nuclear standoff with the West could cut oil exports.

Aymo Brunetti said other economic factors including low inflation were so favourable that the forecast of two per cent growth this year (based on an oil price of \$60) would not need to be revised.

Paradoxically, Brunetti said the sharp rise in the price of oil over the past couple of years was one of the reasons the Swiss National Bank had kept interest rates low, which in turn had boosted economic growth.

However, the economist said a further large increase in the oil price could drag down the economy. Analysts say any major loss in oil production could push prices above \$80 a barrel. Oil has almost doubled in price in two years due to increasing demand and threats to supply.

Increasingly sharp words between Iran, the world's fourth largest producer, and the West over the Islamic Republic's nuclear programme have led to fears that the dispute could cut Brunetti said other economic factors including low inflation were so favourable that the forecast of 2.0 percent growth this year (based on an oil price of \$60) would not need to be revised. Paradoxically, Brunetti said

the sharp rise in the price of oil over the past couple of years was one of the reasons the Swiss National Bank had kept interest rates low, which in turn had boosted economic growth. However, the economist said a further large increase in the oil price could drag down the economy.

Analysts say any major loss in oil production could push prices above \$80 a barrel. Oil has almost doubled in price in two years due to increasing demand and threats to supply. Increasingly sharp words between Iran, the world's fourth largest producer, and the West over the Islamic Republic's nuclear programme have led to fears that the dispute could cut Iranian oil exports.

The dispute comes as Iraq is struggling to boost production and supply from Nigeria has been slashed by almost a quarter by rebel attacks.

Consumer prices

Swiss consumers are currently paying around SFr1.70 (\$1.33) for a litre of petrol, and the cost of heating oil is about SFr10 for 100 litres higher than it was a year ago. The leading motorists association, the Touring Club of Switzerland (TCS), said the strong demand coupled with limited capacity at refineries in the United States would push prices at the Swiss pumps up to SFr1.80 a litre in the coming months. The previous record for a litre of petrol in Switzerland was SFr1.77 last September.

Industrial sector shows dynamic growth

Industrial activity in Switzerland has risen sharply in the first quarter of 2006, climbing to its highest level for six years, according to a survey by bank UBS. The bank has said that it expected the upturn to continue unabated in the second quarter of the year. A quarterly survey of 330 companies in March showed that all sectors benefitted from the strong growth. Firms said they believed that it had not yet peaked. "The positive results means the entire Swiss economy is likely to shift up a gear in the first half of 2006," UBS said in a statement. Growth is expected to be more than three per cent for the first two quarters of 2006. The last time such figures were recorded was in the boom phase of 2000, it said.

Rise in orders

A majority of companies recorded rising order intakes and while only 15 per cent registered a drop in orders. This was mainly due to increased demand in exports, but domestic business was also significantly higher.

Watch Sector Upbeat

The companies survey were "decidedly optimistic" about the second quarter. Capacity utilization was up, extra staff are being taken on and inventories reduced in order to best meet demand. The most upbeat sector was watch-making, followed by the lumber and furniture industry. More cautious, but still positive, were plastics, food and paper, printing and graphics.

Jobless rate drops as economy picks up

The Swiss jobless rate fell to 3.6 per cent in March the lowest level in six months, according to the State Secretariat for Economic Affairs (Seco).

Experts forecast a further drop in unemployment figures later this year as the Swiss economy continues to show signs of recovery.

At the end of March 143,249 people were registered as unemployed down 6,850 or 0.2 per cent compared with February, a Seco statement has said. It is the biggest seasonal drop in six years, according to Jean-Luc Nordmann, Seco's deputy director.



The number of job vacancies increased slightly to 11,721 in March while the number of registered job seekers dipped by just over 5,900 to 212,486. The unemployment rate is higher in the French- and Italian-speaking parts of the country - 5.1 per cent on average - than in the main German-speaking region. The age group of the 15-24 year old people are still hardest hit by joblessness at 4.6 per cent.

Analysts welcomed the latest figures. "The decline was substantial compared to what we had in the first half of last year," said Bernard Lambert of private bank Pictet. For Roland Kläger of Credit Suisse, the data is better than expected.

"It's an indication of the strength of the recovery and a continuation of what we have been seeing. Companies are hiring more staff in anticipation of more business." For his part, Janwillem Acket of Julius Bär sees a confirmation of the upward trend.

"The major feature is that seasonally adjusted figure continues to retreat in absolute terms. This is underpinning domestic consumption which has been revving up again lately," he said.

Forecast

The Seco statement came shortly after three of Switzerland's major economic research institutes published their latest growth and unemployment forecasts.

The Zurich-based Institute for Business Cycle Research (KOF) expects the jobless rate to drop to 3.4 per cent in line with the Seco predictions for the current year. Both Basel Economics (BAK) and the Créa Institute in Lausanne forecast a drop to 3.5 per cent. Other prognoses range from 3.3 to 3.9 per cent for 2006. KOF and BAK have also revised upwards their growth forecasts to 2.1 per cent and 2.0 per cent respectively.

UBS survey of 300 firms shows sharp upturn

The Great Swiss Corporate Surge



Industrial activity in Switzerland picked up sharply in the first three months of 2006, and the latest UBS survey shows the pace of business climbing to its highest level for six years. The upturn is set to continue unabated in the second quarter of the year.

UBS's quarterly survey in March of some 330 companies indicated that the upturn in Swiss industry continued in the first quarter of 2006, enjoying broad support across sectors. Survey participants believe that growth has not yet peaked, and instead expect the upward trend to continue unbroken in the second quarter.

Business cycle indicator highest level since 2000

These positive results mean the entire Swiss economy is likely to shift up a gear in the first half of 2006. That is the message from the UBS business cycle indicator, which is derived from the results of the quarterly industry survey and has proved a reliable indicator of the near-term economic trend in Switzerland over a two-quarter horizon. A trend barometer for gross domestic product (GDP), it is pointing to annual growth rates comfortably in excess of 3% for the first two quarters of 2006. The last time it recorded such figures was in the boom phase of 2000.

Upturn across a broad front

For the first quarter, 61 percent of the companies surveyed reported rising order intakes and just 15 percent

a drop in orders (balance: +46 percent). This was due above all to increased export orders, but domestic business was also significantly higher. The industrial upturn therefore has broad support. For sales and production too, the percentage of those reporting an increase far outweighed those reporting a decline. At 87 percent, capacity utilization rose above the normal long-term level. The negative trend in employment was also broken for the first time since 2001: 28 percent of companies surveyed had recruited extra staff, while only 23 percent had to make cuts.

Continuing confidence

The companies surveyed by UBS were also decidedly optimistic about the second quarter. Their expectations for domestic and international orders, production and sales were higher, even versus the strong trend of the previous quarter. Capacity utilization is being stepped up, extra staff taken on and inventories reduced in order to best meet demand. The easing pressure on selling prices should also contribute to stronger earnings.

All areas of industry in positive territory

A majority of companies in each of the sectors surveyed by UBS shared the upbeat assessment of the business environment for the second quarter. The most optimistic sector was watchmakers, followed by the timber and furniture industry. More cautious but still positive on balance were plastics, food, and paper, printing and graphics.

IMF Survey of Swiss Economy in 2006



The Bright Spark After A Dull Show

After a period of mixed performance, the Swiss economy is showing some spark. Supported by a favorable external environment and accommodative monetary policy, the economy recovered in 2005, with the financial sector accounting for almost half of the rebound. Unemployment, has started to recede. Despite rising oil prices, inflation remains under control and the current account is running a large surplus.

As the recovery gained traction, the Swiss National Bank (SNB) resumed raising its policy interest rate. Nonetheless, monetary conditions remain supportive as short-term interest rates are still slightly negative and the effective exchange rate has weakened somewhat. The general government deficit was halved in 2005 to 0.6 percent of GDP but the structural deficit remained unchanged owing to the deterioration of the underlying position of social security. The federal government is on track to eliminate its small structural deficit by 2007.

The staff projects growth to accelerate in 2006 to over 2.0 percent, closing the negative output gap, and consumer price inflation to remain just above 1 percent. The risks to the short-term outlook are mostly external and appear balanced, assuming Switzerland is able to make additional progress on structural reform.

Executive Board Assessment

Switzerland's economy continues to gain momentum with

low inflation and increasing employment. Directors commended the Swiss authorities for their prudent macroeconomic management, sound monetary and fiscal policy frameworks, and flexible labor markets, and welcomed continued efforts to advance structural reforms. While potentially exposed to a disorderly unwinding of global imbalances, short-term risks facing Switzerland generally appear contained. Directors noted that the main medium-term policy challenges are to strengthen potential economic growth while addressing the fiscal pressures from an aging population.

Directors noted that the current recovery presents an important opportunity for Switzerland to advance with ambitious economic reforms in order to boost potential growth. In this regard, they welcomed the efforts at reforming and further opening up the domestic product markets and network industries. At the same time, Directors underlined the importance of moving forward decisively with further liberalization of sheltered sectors, including by reducing red tape and state regulations, lowering non-tariff barriers to trade, and reducing the very high levels of protection and subsidization in the agriculture sector.

Directors supported the authorities' intention to eliminate the structural federal deficit by 2007. Noting the strains likely to be put on the public finances by population aging, Directors strongly supported the authorities'

launching of structural fiscal reforms to place social programs on a sound long-term footing. In this context, a number of Directors were disappointed that several cantons preferred to use their share of the proceeds of the gold sale to lower taxes. They welcomed the authorities' commitment to prepare a Long-Run Fiscal Sustainability Report, which should bolster public understanding of the issues involved, and help forge the needed consensus for reform, including at the sub-national levels.

Directors noted that the monetary policy framework continues to serve Switzerland well, underpinned by effective communication practices of the Swiss National Bank (SNB). Directors supported the SNB's move to tighten monetary policy gradually to a neutral stance, while closely monitoring the pace of tightening against evolving economic conditions. They noted in particular

that the SNB should stand ready to act promptly and decisively if signs of price pressure emerge or in the event of disruptive exchange rate volatility. Directors welcomed the authorities' policy of non-intervention in the foreign exchange markets, in keeping with the Swiss franc's freely floating regime.

Directors noted that the Swiss financial system appears to be healthy and dynamic. They welcomed the strengthening of the regulatory and supervisory framework, and the authorities' appropriate vigilance in monitoring financial sector risks. Nevertheless, Directors noted that there remains room for improving pension industry regulations, and urged the authorities to consider a unified regulatory and supervisory system, to introduce risk-based supervision, and to improve disclosure standards.

Export Surge Spurs Growth

The Swiss economy picked up pace in the first quarter of 2006, growing by a real 0.9 per cent compared with the previous quarter. The State Secretariat for Economic Affairs (Seco) has said that on an annual basis growth of gross domestic product (GDP) had reached 3.5 per cent. It said the acceleration was mainly due to stronger exports and a rise in capital investments but private consumption had also been strong.

Economists polled by the Reuters news agency have expected the annual growth figure to come in at slightly below 3.0 per cent. Exports of goods and services during the first three months of 2006 rose 4.3 per cent, with goods providing most of the growth. Imports also increased, although to a lesser extent (+2.5 per cent). Investments grew by 0.7 per cent, boosted by capital investments (3.7 per cent).

Spending on construction fell 2.7 per cent despite plenty of orders. Seco said this was due to a particularly long winter, which delayed projects.

Other data showed that annual consumer price inflation reached 1.4 per cent in May, up from 1.1 per cent in April. This result was more than economists expected, but is still considered "benign".

The figures came soon after the Swiss Institute for Business Cycle Research (KOF) upped its economic barometer for economic growth to 2.30, its highest level in two years.

"If you look at the KOF leading indicator, we're heading for the



strongest year since 2000, and this bodes well for the quarters ahead," said Janwillem Acket, the chief economist at the Julius Bär bank. "Clearly there is an acceleration taking place in the Swiss economy in 2006."

Heightened indicators all around seem to support the Swiss National Bank's case for higher interest rates. Favourable economic data prompted the central bank to raise them in March for the second time in three months. Most economists expect the bank to raise its target interest rate to 1.5 per cent at its meeting scheduled for June. ■

Switzerland - Ideal Gateway to EU Market for Biotech Products

Situated in the centre of Europe, Switzerland is an ideal gateway to the markets of the European Union and is well placed for hosting an extensive high-tech sector. Excellent R&D in public and private research institutions, positions Switzerland among world leaders in innovation and product development in the biotechnology industry.

With a well-educated and highly skilled workforce, Switzerland is also home to approximately 250 small and medium-sized enterprises active in the field of biotechnology. Having identified biotechnology as a key factor for future development, the Swiss government has undertaken various efforts to create an attractive business environment for this sector. The proximity to Switzerland's prestigious chemical and pharmaceutical companies and to national and international knowledge clusters makes this country an ideal place to set up your biotech business.

Biotechnology enjoys a favourable regulatory and administrative environment in Switzerland. Existing regulations not only cover current technology, but strengthen the legal basis for further developments in biotechnology. On the administrative side, the federal coordination centre for biotechnology provides one-stop processing of notifications and applications for authorization.

Accounting for 79 of the 465 European products in the pipeline, the Swiss biotech industry ranks an impressive second in Europe in terms of revenue and market capitalization. Switzerland is home to many biotech companies including world leaders who value a business environment supporting solid growth in Europe. Switzerland lies at the heart of one of the world's leading biotechnology regions, which also includes the neighbouring areas of France, Germany and Italy. The Swiss biotech industry is among the largest and most

diversified in Europe.

Best for locating business

A sophisticated scientific environment with leading-edge competence in life sciences, microtechnology, precision instruments and medical devices. With an annual total expenditure of CHF 8 billion CHF (USD 6.3 billion) in 2004, Switzerland has one of the world's highest levels of research expenditure relative to gross domestic product (2.6 percent). Over two-thirds of the Swiss research is financed by the private sector. The excellent quality of research is documented by the top rankings of several Swiss universities, as well as the high numbers of publications and of patent registrations.

- A highly skilled and quality-conscious workforce, experienced in precision operations a world leader in terms of productivity
- The dense network of universities and research institutes guarantees biotech companies easy access to a highly qualified, motivated workforce. Up to 44 percent of the Swiss working population or 1.7 million persons are active in the science and technology sectors and more than 13'000 thereof are employed in the biotech and pharma industries.
- With an annual average of 1'856 working hours, the labour force in Switzerland works more hours per year than in any other European country.
- A stimulating environment for young, innovative start-ups with science parks and incubators

- Backing joint R&D projects of universities and the industry, CTI, the Swiss innovation promotion agency, is a key element in a rapid conversion of state-of-the-art laboratory findings to marketable products. With a network of more than 40 business incubators and science parks, Switzerland provides an excellent infrastructure for young and innovative companies.

- Access to the European market with more than 450 million consumers of products and services from Switzerland.

Good contractual relations with the European Union and the central geographical location provide Switzerland-based companies with an excellent platform for accessing the European market.

Cooperation with the European Union includes agreements on free trade, the free movement of persons, air and land transport, non-tariff trade barriers, research, government procurement and justice. These agreements also consolidate the position of Switzerland as a leading financial centre in Europe and beyond.

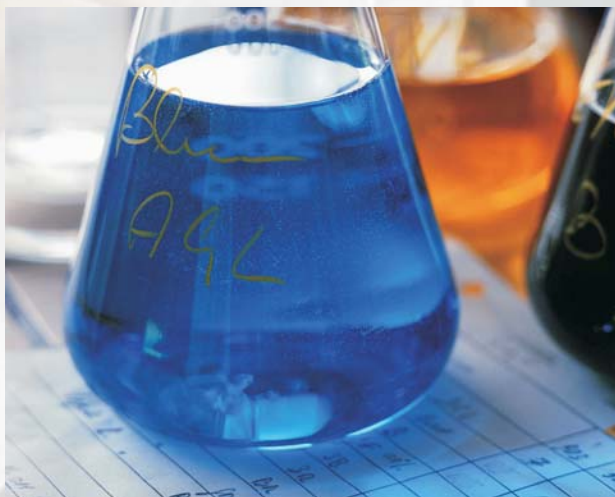
Short product registration cycles and easy access to markets for medical devices and innovative Drugs Companies obtain all authorizations and licenses for manufacturing, wholesale and retail operations of pharmaceuticals from the Swiss Agency for Therapeutic Products, Swiss legislation is compatible with the European Union but has fewer administrative contact points Companies using contained genetically modified or pathogenic organisms notify and obtain all the necessary operation licences from the Federal coordination centre for biotechnology.

Well-developed network linking public administration, support instruments, research and industry. The Swiss high-tech community is marked by an exemplary and effective cooperation between the Swiss government, research institutes, finance and industry. Institutional links, private-public partnerships and personal networks across borders form an efficient structure to translate new ideas into innovative products.

Attractive fiscal system

A very favourable tax environment with moderate overall taxation is a key advantage of a business location in Switzerland. The maximum corporate tax rate on profit was 16-28 percent in 2004, which is one of the lowest rates in Europe.

Wide choice of venture capital and private equity funds. With more than 40 venture capital firms and sector-specific investment funds, Switzerland offers an excellent climate for biotechnology and other life science companies. In 2003 and 2004 Switzerland ranked third



in Europe regarding venture capital influx of CHF 125 and 194 million respectively into the country.

Based in Geneva, Serono is the third-largest biotech company in the world. The company's research programmes are focused on reproductive health, neurology, metabolism and growth. Its products are sold in over 90 countries.

Ernesto Bertarelli of Sereno says: A centre of first-class scientific research, especially in life sciences, Switzerland has proven to be an excellent location for a global biotech company. There are many examples of fruitful cooperation with Swiss universities or polytechnic institutions as well as with start-up companies. This favourable environment has been supportive to our growth since we moved our headquarters here in 1977. Nevertheless, the attraction of Switzerland goes beyond purely scientific reasons. I am convinced that the spectacular growth of our company is a result of many political, social, environmental and cultural factors that come together here.

Bertarelli adds: "With more than 100 companies registered with the Swiss Biotechnology Association, this country has a broad foundation in biotechnology that can be compared favourably with both Europe and the United States. The export-driven economy of Switzerland inherently favours scientific activities and research. It has two well-known universities and polytechnic institutes of world renown, which have spurred scientific research, creativity and productivity.

Evidence of this talent and commitment can be seen in the number of Nobel Prizes awarded to the Swiss. Another factor essential to the expansion of biotechnology is the excellent level of the Swiss educational system. Serono knows it can count on the resources, know-how and skills of employees who are well trained, highly motivated and always multilingual. ■

CTI: Bringing science to the Market

Next to the Swiss National Science Foundation (SNF), CTI is Switzerland's most important national organization for the promotion of research. The SNF focuses mainly on theoretical research conducted at universities and Swiss Federal Institutes of Technology. CTI has a dual focus on promoting applied research and development projects (R&D) with private-public partnership and on establishing and developing start-up companies. In addition to its role as a promoter of innovation, CTI also has the goal of assuring an efficient and results-oriented transfer of knowledge and technology.

CTI promotes projects in applied research and development (R&D) that are carried out jointly by private-sector businesses and academia. The organization provides financing exclusively for the academia, in the form of salaries for around 1,000 researchers each year. In addition, CTI Start-up supports the establishment of high-potential growth companies having an international focus.

By building a bridge between the lab and the market, CTI furthers the innovation process that is a driver of economy.

Businesses benefit doubly from this mission: both from project results and from the supply of qualified, market-oriented R&D professionals. With venturelab, founded in 2004, CTI launched a nationwide entrepreneurial educational and training programme active throughout Switzerland. For the period 2004 through 2007 CTI's funding amounts to approximately CHF 400 million.

Basic Research

For Nobel Prize winner Kurt Wüthrich, Switzerland still is a leading country in basic research in the area of life sciences, despite a funds crunch.

Says Kurt Wüthrich: "Switzerland is a small country, but nevertheless offers excellent research programmes in life sciences and other domains. Swiss universities have for the last 30 years been leaders in molecular biology and among them the University and the Federal Institute of Technology (ETH) in Zurich are today top players in the field of structural biology and very strong in protein chemistry.



Systems Biology

Between 2004 and 2007 the Federal Institute of Technology (ETH) in Zurich, the University of Basle and the University of Zurich are establishing a centre of competence in systems biology. It will be the first of its kind in Europe and will represent a milestone in European life sciences basic research. Systems biology is an emergent field that aims at system-level understanding of biological systems. It is a working together of biologists, computer scientists, chemists, engineers, mathematicians, and physicists who speak and understand the languages of these different disciplines to facilitate the development of new global technologies and to integrate these with the data acquisition, storage, integration, and analysis tools of computational biology and mathematics.

A major challenge is to give the technologists a deep understanding of biology and vice versa. In addition, the technologists, computer scientists and biologists must share a common language. This requires new approaches to describing and teaching biology. Together these technologies must be integrated with biology and medicine.

A Noble Tradition

Switzerland has only seven million inhabitants, but boasts various Nobel Prize laureates in life sciences: Werner Arber (Medicine, 1978), Heinrich Rohrer (Physics, 1986), Richard R. Ernst (Chemistry, 1991), Rolf Zinkernagel (Medicine, 1996) and Kurt Wüthrich (Chemistry, 2002). It can also be proud of the worldwide reputation of such scientists as BSE expert Charles Weissmann.

A success story

Since 1999, Swiss Biotechnet has been bringing together Switzerland's Universities of Applied Sciences and Swiss industry. Growth and innovation are the two aims of Swiss Biotechnet. This biotechnology network was founded by a number of Universities of Applied Sciences (UAS) in 1999 to address a lack of innovation in Switzerland. Switzerland outperforms and outranks other nations in many basic research areas but turning results from research into innovative products is often lacking, says Daniel Gygax, president of Swiss Biotechnet.

There are plenty of innovative ideas, products and start-ups, but there is a lack of early-stage venture capital institutions. Henri Meier, Chairman of the Board of HBM BioVentures, has a clear opinion on the Swiss biotech industry. "In Continental Europe young biotech companies are going through an extraordinary hard time because only a few venture capital institutions exist there that are specialised in early-stage biotech. Europe's traditional banks provide only credits and loans, not equity capital. The situation in the Anglo-Saxon countries is rather different: There, new finance vehicles for channeling venture capital were created to finance innovation and growth."

Start-up waiting for breakthrough

The Swiss belong to the champions league in biotech research. This is just one reason why, despite the slump in the Swiss economy, many industry figures show a clear upward trend. Yet numerous start-up companies are still waiting for their big breakthrough.

Jürg Zürcher and Markus Blaser of Ernst & Young say: "It's



a fact, the Swiss biotech industry is well established. This particular success story is thanks not only to the two giants Serono and Actelion, or the biotech IPOs of recent years (Cytos, Basilea Pharmaceutica), but also to the numerous SMEs and start-ups, which are founded every year. Generating more than 13,000 jobs and with an estimated total turnover of almost CHF 5.5 billion, the Swiss biotech industry is no longer an exotic by-product of the Swiss economy; it is an industrial sector, which should be taken seriously. And these figures do not even take into account the biotech departments of the large Swiss pharmaceutical groups or agribusinesses such as Novartis, Roche or Syngenta, which have been steadily built up over recent years with enormous financial investment.

Swiss companies have always focused primarily on red biotechnology (human & animal health) whereas, in comparison with other countries, green (agro & nutrition) and grey (environmental & industry) biotechnology remains under-represented, which could present further opportunities for growth. With its rich tradition in the fields of chemicals and pharmaceuticals, highly trained personnel, excellent basic research, various tax advantages, a legal environment which tends to be tolerant of the biotech industry and its small geographical scale, Switzerland is an attractive location for biotech companies."

This is also evidenced by the fact that various international biotech and chemical companies,

such as Biogen Idec, moved their European biotech head offices to Switzerland. According to recent media reports, another major global biotech company will soon be

building large production facilities in Switzerland.

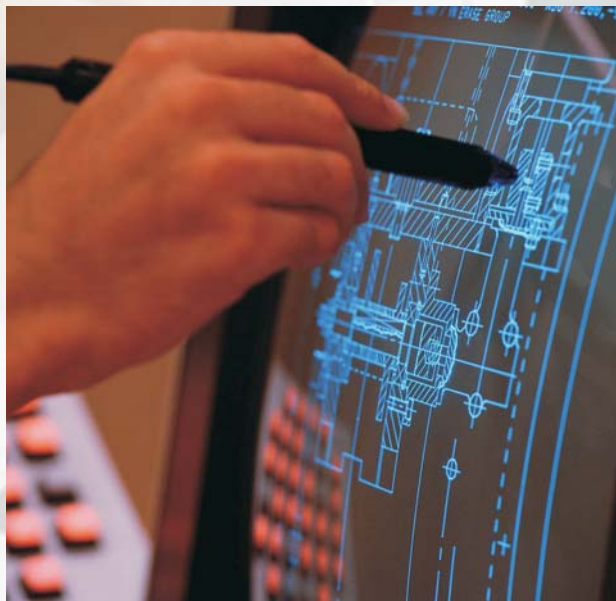
Attractive Financial Centre

Not only does Switzerland provide the ideal operating environment for this sector, it is also an attractive financial centre. For example, the Swiss Exchange SWX is one of the leading European exchanges when it comes to the number of listed life sciences companies, second only to the London Stock Exchange. And last year, the Basle-based company Basilea Pharmaceutica was the first Swiss biotech company in two years to take the IPO plunge.

After a lean period of a number of months, Basilea's share price at the start of 2005 finally rose above the IPO issue price, but unfortunately, due to the continuing gloom on the biotech market in 2004, Basilea's lead has not yet prompted other Swiss biotechs to go public. That said a number of Swiss biotechs are still waiting in the starting blocks in anticipation of a favourable IPO window.

Technology Transfer

Another major asset is the professionally organised approach of transferring technology between colleges and industry a practice that has been in place for some years now and the associated networks. Here too, a



major role is played by large companies such as Novartis, Roche, Serono and Syngenta through their ongoing formation of alliances with innovative biotech organisations. For example, co-operation agreements have recently been signed between Roche and the Zurich-based start-up Glycart, Syngenta and Affimed, and Johnson & Johnson and Basilea Pharmaceutica.

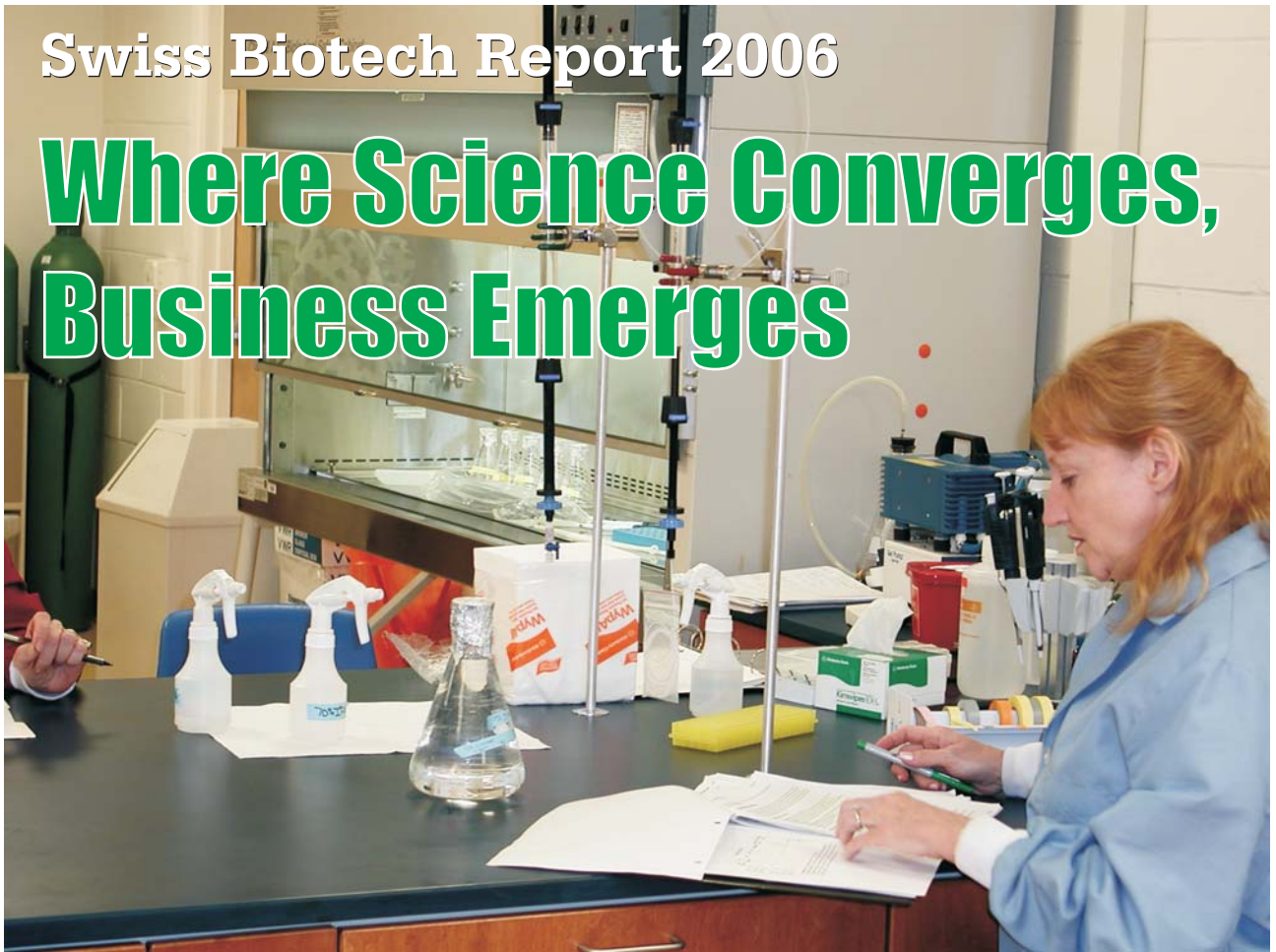
Such cooperation agreements between major life sciences organizations and biotechs are essential and beneficial to both sides; the large life sciences companies can strengthen or grow their product pipeline in a relatively simple way, and the biotech firms gain access to additional research know-how and global distribution networks. In the near future, we expect to see an increase both in the importance of alliances and the number of mergers between biotech companies, as demonstrated by the success of the union between the Basle-based MyoContract and Graffinity from Heidelberg to form Santhera Pharmaceuticals in the summer of 2004. Thus critical mass may be attained, encouraging investors to commit once more to the financing of capital-intensive research, and enabling the necessary resources to be pooled.

Institute of System Biology

The development of the Institute for System Biology in Basle together with other initiatives to promote basic research in Switzerland will contribute further to securing Switzerland's place as a leading research location, thus ensuring over the medium term that Switzerland continues to be a breeding ground for more successful biotech start-ups. ■

Swiss Biotech Report 2006

Where Science Converges, Business Emerges



Swiss Biotech has announced that Switzerland is an ideal global destination for investment in biotechnology in view of the country's well-established Research and Development infrastructure, availability of highly qualified specialists, adequate finance and amenable tax laws.

In its annual report for 2006, Swiss Biotech has presented data to show that the performance of Switzerland's biotechnology industry has been impressive. Following are the highlights of the Swiss Biotech Report 2006.

- Switzerland has held the leading position in biotech density, i.e. biotech companies per capita
- In absolute numbers of biotech companies, the country has consistently been ranked sixth in Europe and in the top ten worldwide.
- Switzerland ranked second in Europe in terms of revenue and market capitalization
- Roughly 15,000 employees in Switzerland's biotech sector created a turnover of almost \$6 billion in 2005

- Approximately \$1.1 billion have been invested into R&D in 2005

- A constantly increasing influx of investment (over \$200 million in 2005) has established Swiss biotech among the top three destinations for venture capital in Europe.

Favorable business and tax conditions for biotech and the success stories of global industry leaders like Serono or Actelion, SMEs like Prionics and numerous start-ups such as Glycart, have turned Switzerland into a veritable biotech haven.

Says Alice Huxley, CEO of Speedel: "Switzerland is an excellent location for any entrepreneur looking to build a successful biotech business." Companies such as Isologen, Biogen Idec or Amgen have relocated their headquarters to Switzerland and helped establish the country as a hotbed for biotech and life sciences along the lines of prime industry locations like Massachusetts and California.

Symbiosis of scientific excellence, tech transfer and access to finance

According to the Swiss Biotech Report 2006, Switzerland has been able to create a symbiotic biotech environment that successfully combines three critical areas of the biotech business:

- Leading edge scientific expertise of prestigious universities (e.g. the Swiss Federal Institute of Technology, ETH Zürich) and highly-skilled specialists
- High degree of cooperation and technology transfer between academic institutes and private sector R&D labs (e.g. through the nationwide "SystemsX" initiative and the advanced Swiss biotech network featuring over 40 science parks)
- Proximity to the Swiss financial industry (e.g. SWX Swiss Exchange, over 40 VC and private equity funds, and various incubators)

The financial sector is an especially strong pillar of the Swiss biotech symbiosis. The SWX Swiss Exchange has Europe's highest biotech capitalization and is the continent's most international marketplace. More than a quarter of the world's moveable assets are managed by Swiss financial institutions, many of which are located in Zürich and Geneva. The worldwide significance of the



Swiss financial centre and its long tradition in life science investments constitute the basis for Switzerland's status as one of Europe's prime IPO locations for biotech companies. With its provision of ready access to risk capital and private equity, Switzerland is also a promising pre-IPO environment, offering start-ups and spin-offs excellent growth conditions.

The Swiss Biotech label was created in order to bolster the Swiss biotech scene at home and abroad and to ensure a uniform image. Swiss Biotech is a consortium of the Swiss biotech regions Bioalps, Biopolo, BioValley Basel and the Greater Zurich Area / Zurich MedNet. Further members of this marketing alliance are SWX Swiss Exchange and the Swiss Biotech Association.



The Greater Zurich Area AG, a nonprofit organization, 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. Its sponsor is the "Stiftung Greater Zurich Area Standortmarketing," a public-private partnership that was established in November 1998. Since that time, its membership has grown to include the cantons of Aargau, Glarus, Graubünden, Schaffhausen, Schwyz, Solothurn and Zürich, the cities of Zürich and Winterthur, and several businesses. ■

Swiss concern over money-laundering & ill-gotten wealth

Global cooperation vital for tackling financial crimes

- Urs Ph. Roth, CEO, Swiss

Swiss Bankers' Association CEO Urs Ph. Roth says that Swiss banks are seriously concerned about global financial crimes and are keen to fight them. Addressing a media seminar on "Constitutional Aspects of International Mutual Assistance in Criminal Matters the Banks' Perspective, recently Roth said that Switzerland has in recent years devoted much energy in combating money-laundering and in tracking down the ill-gotten wealth of political persons of disrepute. Following are excerpts of Roth's speech.

At first sight, one might suppose that international mutual assistance in criminal matters is an academic issue of interest only to lawyers. Yet this would be a serious mistake. In fact, it is at the heart of an extremely delicate triangular relationship involving business, politics and, of course, the judicial authorities. A number of widely-publicized cases have demonstrated how the granting of international assistance can have far-reaching consequences for the companies or individuals concerned. It is therefore essential that due consideration is given to each of the triangle's three corners when such assistance is provided. A purely legalistic or formalistic approach to dealing with applications for assistance is just as misguided as one that is exclusively political or economic.

Know Your Customer' Strategy Pays

Swiss banks view international mutual assistance in criminal matters as a vital tool in the fight against international crime and indeed, they attach a very high priority to combating criminal activity. In recent years, Switzerland has devoted much energy to combating

money laundering and tracking down the illegally-gained assets of politically-exposed persons, and it has demonstrated that the financial sector is as strict as anyone when it comes to applying the laws in question. Thanks to strict 'Know Your Customer' rules,

scrupulous monitoring and a solid legal framework, Switzerland and its banks are able to rapidly extend mutual assistance to foreign prosecuting authorities. No-one, therefore, seriously questions the objectives of mutual assistance. Nevertheless, even the fight against crime must be conducted within a framework of firm respect for constitutional principles, and practice in the granting of mutual legal assistance must take full account of this. Naturally, Switzerland has no business intervening in foreign proceedings, nor is it responsible for these; it is, however, responsible for ensuring that the legitimate rights of defence of those accused are safeguarded throughout the mutual assistance process.

Strong Legislation in Place

Foreign judicial authorities must not be allowed to use



criminal proceedings as a pretext to obtain financial information by means of mutual assistance; in other words, they must not be allowed to engage in 'fishing expeditions' where there is no evidence or even reasonable suspicion that a crime justifying the granting of assistance has been committed. Such behavior would be a clear abuse of the assistance mechanism.

On the whole, the system of international mutual legal assistance works well. And Switzerland has good legislation in this area, namely the Federal Act on International Mutual Assistance in Criminal Matters. At this point I should like to highlight four specific problems: the examination of foreign requests for mutual assistance; the presence of foreign parties to the proceedings; spontaneous mutual assistance; and the release of impounded funds.

Examination of foreign requests for mutual assistance

The decision whether or not to grant international mutual assistance is a far from easy one. The Swiss judicial authorities are on a tightrope between combating international crime and safeguarding the fundamental rights of those affected. With the growing number of requests for mutual assistance, however, the judicial authorities have to be even more careful to ensure that when granting such assistance they comply at all times with constitutional rules. This is especially true when it comes to establishing the facts. The circumstances must be examined in great detail to ensure that the request for assistance actually relates to genuinely criminal conduct and has not simply been invented in order to conceal the political motive behind the foreign proceedings. A primarily formalistic examination of applications is not enough, especially when the requests concerned are submitted by states that are clearly ill at ease with constitutional principles and the standards required by human rights. They should be denied mutual assistance, even if the formal criteria are satisfied or there are bilateral agreements in force with such states.

Presence of foreign parties to the proceedings

Under current law, parties to proceedings in another country may be permitted to attend mutual assistance proceedings in Switzerland and may be granted access to the files concerned, if the requesting state so requires based on its laws. We believe that the presence of foreign parties at evidence hearings in this country is problematic because of its implications for the protection of the individual rights of those affected particularly given that in this way, third parties may become involved even before the Swiss authorities have definitely granted mutual assistance. Even if the request for assistance is rejected after the evidence hearing, the knowledge gained by foreign participants attending it could still be used in legal action abroad to the detriment of the parties concerned. This is entirely incompatible with the Swiss concept of a state governed by law.

Spontaneous mutual assistance

Another unresolved issue concerns what is termed 'spontaneous mutual assistance.'

The basic idea behind this concept is to enable criminal authorities to pass evidence gathered during their own investigations to a foreign criminal authority without having first received a request to do so, if this would assist the foreign authority in instigating proceedings or facilitate proceedings that were already in progress. Information though not evidence falling within the scope of secrecy may also be passed to foreign authorities if it will enable the foreign state to submit a request for mutual assistance to Switzerland.

If such information is transmitted outside the regulated process to states which have a less scrupulous approach to constitutional principles, serious damage can result. The state receiving the information is, after all, under no obligation to instigate mutual assistance proceedings once it has the information in its possession. The legislator's indication that evidence falling within the scope of secrecy may not be disclosed seems a futile gesture in response. In practice, the distinction between mere information and evidence falling within the scope of secrecy is hardly ever made. For example, bank account statements cannot be handed over spontaneously. However, Swiss prosecuting authorities regularly request documentation from the banks and they receive bank statements. They then use these statements to draw up lists of names, bank account numbers and sometimes even the account balance. This information is then sent abroad on the letter headed paper of the respective public prosecutor or investigating magistrate. Banks have informed us of cases where the foreign authorities have

used such lists to put pressure on bank clients. At no point has an official request for international judicial assistance - i.e. a request for the transmission of evidence - been made. We have been asked to propose solutions that will protect the interests of bank clients and to discuss them with the Swiss authorities responsible for mutual assistance.

Release of impounded funds

The freezing of assets in connection with a request for mutual assistance can have serious financial consequences, especially for companies. One just has to think of some cases involving Russian requests for mutual assistance in which companies were practically financially destroyed. Clear rules are therefore indispensable. First, a time limit must be placed on the freeze. Second, the procedure must be clearly regulated in case the foreign state is not in a position to conduct proceedings and deliver a legally binding judgment. Third, there need to be rules governing situations where the foreign state is unable to guarantee that assets will be returned to the injured party or, where this is not possible, will be used in the public interest.

Swiss Regard for Individual's Rights

As far as the banks are concerned, those most directly affected are their clients. But clients are not the only potential casualties. A vital element in the banks' success is Switzerland's reputation as a country founded on constitutional principles and respect for the rights and fundamental freedoms of the individual. This reputation must not be jeopardized through a purely formal, legalistic approach to mutual assistance. If clients come to feel that Switzerland is not granting them sufficient legal certainty, this could have a negative impact on the country itself and, especially, its status as a leading financial centre. It is absolutely necessary and correct that Switzerland is obliged to comply with international standards and practices in the area of mutual assistance. But even these lofty goals do not justify every means used to pursue them. This is especially true when it comes to the protection of the individual's basic rights, which are still held in extremely high regard by the Swiss people. ■

Switzerland, a top FDI recipient

Location Switzerland, the Foreign Agency of the Swiss Government, has reported the country once again is among the top recipients of foreign direct investment from North America - some 41 new projects in all, bringing the total from that region to more than 680.

These firms along with about 6500 others from around the world have selected Switzerland as a base from which to build their businesses across European, Middle Eastern and African (EMEA) markets. Investments, large and small, include European or EMEA headquarters, R&D, logistics and supply chain management, high-margin manufacturing, shared services, marketing and sales facilities across a broad business spectrum.

The Wall Street Journal explains Switzerland's "stellar record for inward investments with its central location, stable politics, low taxes, well-trained workforce, excellent communications and infrastructure, and legendary and discreet financial sectors." Similarly, the Financial Times recently referred to Switzerland as being "disproportionately successful" at attracting foreign multinationals to our nation in the heart of Europe.

Location Switzerland offers to assist investors in establishing and developing their operations in Switzerland. It is the one-stop-shop for assistance in

expanding to Switzerland and Europe.

Open access to European and EMEA markets and talented labor pools; a fair and equitable tax regime; a productive, highly educated, multilingual workforce; business-friendly employment laws and an unmatched quality of life. These are just a few reasons why dozens of the world's largest multinational companies and hundreds of small and mid-size companies have their European, EMEA or world headquarters in Switzerland.

The international community created through the presence of so many international firms is larger than in any other European country. Twenty percent of the population is not Swiss. Switzerland has the highest number of managers with international experience. International schools are widely available and the quality of life is excellent.

Investments include international and regional headquarters; centralized shared services functions; logistics and supply chain centers; R&D; manufacturing, marketing and sales operations. High-unit-value production characterizes Swiss strengths in the manufacturing sector. Swiss watches are just one example. ■

Fighting Against Financial Crimes, the Swiss Way



The reputation of Swiss banks in maintaining client confidentiality is legendary. However, Swiss laws governing such confidentiality do not protect criminals. In order to maintain that the funds that flow into the Swiss banking system are of clean origin, the Swiss government has put in place mechanisms to prevent money laundering as well as track down the ill-gotten wealth of people of dubious reputation. Following are the issues concerning financial crimes and how the Swiss are fighting to curb and prevent them.

Money laundering

Money Laundering is the term applied to the act of concealing the origins of money earned through criminal activities and of releasing it unnoticed into legitimate business activities. Money laundering is most commonly associated with drug trafficking. However, any number of criminal activities may give rise to money laundering, e.g. embezzlement, corruption, blackmail, trafficking in people, to name just a few.

Comprehensive Law

Switzerland has set up what is probably the world's most comprehensive and effective mechanism for dealing with money from criminal sources. The Swiss Money Laundering Act (in force since 1998) obliges all financial intermediaries (not only banks) to identify all clients and to establish the beneficial owners of the assets ("know your customer"). Furthermore, they must report any justified suspicion of money laundering to the authorities and freeze the suspicious assets. Finally, for more than 20 years now, banks in Switzerland have observed a „Due Diligence Agreement“ which contains the "know your customer" rules. The Due Diligence Agreement was a key point of reference when the Money Laundering Law was being drawn up.

Further rules and regulations against money laundering

are laid down in the Swiss Criminal Code and the Federal Banking Commission guidelines of 26 March 1998. Moreover, the two major Swiss banks, together with nine other international banks, have committed themselves to applying global due diligence standards within the framework of the "Wolfsberg Anti-Money Laundering Principles".

Cross-Border Financial Dealings

Switzerland is the global leader in cross-border asset management. The statistical probability of a dictator or despot bringing his money into Switzerland is therefore relatively high. But Switzerland doesn't want this money. The damage to the image of the Swiss banking system caused by such incidences is much greater than the value of the customer relationship - not just for the Swiss financial center but also for the institution involved. Thus, Switzerland is the only country in the world to have drawn up and implemented a detailed set of rules covering the treatment of assets belonging to politically-exposed individuals. These regulations have been described as exemplary by the United States and other countries.

Customer Confidentiality - Legal basis

The Swiss banker's professional duty of client confidentiality is rooted in the Federal Law on Banks and Savings Banks, which came into force as far back as on 8



November 1934. The article governing confidentiality stipulates that anyone acting in his/her capacity as member of a banking body, as a bank employee, agent, liquidator or auditor, as an observer of the Swiss Federal Banking Commission (SFBC), or as a member of a body or an employee belonging to an accredited auditing institution, is not permitted to divulge information entrusted to him/her or of which he/she has been apprised because of his/her position.

Although the Federal Law refers to "banking secrecy", it is important to note that this duty of discretion is not intended to protect the bank but the client. In that sense, the terms "bank client confidentiality" or "financial privacy" are much more appropriate.

Swiss legislation also guarantees respect for privacy in

other areas of professional activity, e.g. for doctors or lawyers. It is a question of protecting personal privacy, a basic right established under the Swiss Constitution.

Although a desire for privacy can play an important part in an investor's decision to deposit his/her assets in a Swiss bank, it is not the sole factor in the decision. One should not forget that Switzerland's political and monetary stability, its excellent infrastructure and the professional know-how and experience of its bankers are also attractive factors.

Confidentiality & Its Limit

A banker's obligation to respect his clients' privacy is not absolute and no protection is afforded to criminals. In particular, there is a duty to provide information under the following circumstances:

- civil proceedings (inheritance or divorce, for example)
- debt recovery and bankruptcies;
- criminal proceedings (money laundering, association with a criminal organisation, theft, tax fraud, blackmail, etc.). If circumstantial evidence gives rise to a suspicion that the financial assets are the proceeds of a crime, then financial institutions have the right to inform the authorities without thereby breaching bank client confidentiality. If the suspicion is well-founded, they must inform the Money Laundering Reporting Office.

International mutual legal assistance proceedings

How the Swiss fight against tax evasion

The Swiss tax system is based on the principle that the taxpayer bears sole responsibility for meeting his/her tax obligations via the income tax return. As a result, the bank is under no obligation to provide information to the tax authorities in connection with tax proceedings or an appeal. On the other hand, the bank must provide information or supply documents in a case of tax evasion or for an appeal if asked to do so by the client.

Withholding tax is an effective means of fighting tax evasion. Most income from Swiss capital investments is subject to this 35 percent tax, deducted at source. The existence of a withholding tax prompts the person receiving taxable gains to declare them as the law requires, given that investors domiciled in Switzerland and those with tax credits can demand a refund of the tax in full. This also applies to creditors domiciled abroad, on condition that a double taxation treaty provides for full or partial relief.

Where tax fraud is involved, the offences are dealt with by ordinary criminal proceedings; a banker cannot therefore hide behind bank client confidentiality. Tax fraud occurs when a taxpayer deliberately uses forged or falsified documents in order to deceive the tax authorities and obtain undue tax advantages.

International mutual legal assistance proceedings



Swiss cooperation in curbing financial crimes

Switzerland assists the authorities of foreign states in criminal matters in accordance with the 1983 Federal Law relating to International Mutual Assistance in Criminal Matters. The arrangements allow assets to be frozen and if necessary handed over to the foreign authorities concerned.

International mutual assistance in criminal matters is based essentially on the principles of dual criminality, speciality and proportionality. Under the dual criminality rule, Swiss courts do not use coercive measures lifting the requirement of bank client confidentiality for example unless the act being investigated by the court is punishable under the law of both the requesting state and Switzerland. Under the speciality rule, information obtained through the mutual assistance arrangement can only be used for the purposes of the criminal proceedings for which the assistance is provided. According to the proportionality rule, the measures sought in conducting the request for assistance must be proportionate to the crime, and discretion must be exercised if the proceedings may adversely affect the interests of persons not directly involved.



Mutual assistance in administrative matters

The Swiss Federal Banking Commission (SFBC) may communicate information not available to the public to the supervisory authorities in foreign countries. However, the communication of such information is subject to three statutory conditions:

The information given may not be used for a purpose other than the direct supervision of banks or other financial intermediaries who are subject to official authorisation. No

information may be passed on to tax authorities

The requesting foreign authority must itself be bound by official or professional confidentiality, and be the intended recipient of the information.

The requesting authority may not give information to other authorities or to other public supervisory bodies without the prior agreement of the SFBC or without the general authorisation of an international treaty. Information cannot be given to criminal authorities in foreign countries if there are no arrangements regarding mutual legal assistance in criminal matters between the states involved. This policy is designed to prevent states from bypassing the rules governing mutual legal assistance in criminal matters.

If the information to be communicated to a foreign supervisory authority concerns specific clients, the Federal Act on Administrative Proceedings applies. The client may challenge any decision of the SFBC by bringing an appeal under administrative law before the Swiss Federal Supreme Court. Both the SFBC and the Swiss Federal Supreme Court must guarantee the client's right to be heard and his/her right to examine the case file.



Consequences of violating bank client confidentiality

Any violation of bank client confidentiality, whether through negligence or intentionally, is punishable by a prison sentence (maximum 6 months) or by a fine of up to CHF 50,000 (CHF 30,000 in case of negligence). Violating bank client confidentiality remains a punishable offence even after the relationship with the client has come to an end or the banker has ceased his/her professional activity. ■

Swiss, British bankers vow to protect integrity & fight crime

Bankers from Switzerland and Britain have issued a joint declaration affirming the importance of protecting the integrity of their respective financial centres and institutions from abuse by money launderers, terrorists and other criminal elements.

The declaration, which followed Round Table discussions between more than 40 representatives of the Swiss Bankers' Association (SBS) and the British Bankers Association (BBA) held in London on June 30, 2006, also called for effective and efficient financial markets which provide a sound foundation for economic growth and prosperity in a global environment.

Subjects covered in a brainstorming panel discussion included approaches to regulation, market access to financial services and the stability of financial markets. The Swiss delegation was headed by Pierre Mirabaud, Chairman of the Swiss Bankers Association, and included Philipp Hildebrand, Member of the Governing Board of the Swiss National Bank; Raymond J. Baer, Chairman of Julius Baer Holding Ltd.; and Professor Peter Gomez, Chairman of the SWX Group. Representatives of the City of London included Alderman David Brewer, the Lord Mayor of the City of London; Sir Nigel Wicks, Deputy Chairman of Euroclear; and Ian Mullen, CEO of the British Bankers Association.

Pierre Mirabaud said: "I hope today's Round Table promotes a constructive dialogue between the City of London and the Swiss financial centre in which we can develop and advance a positive agenda based on the common elements supporting our respective financial services industries." Ian Mullen said: "Banking has become a truly international industry where increasingly regulation introduced in one country will have a knock-on effect around the world. Swiss and British banking traditionally have much in common and today's Round Table has helped to reinforce those links between the two countries."

Following is the text of the joint declaration:

The SBA and the BBA affirm the need for deep, liquid, effective and efficient financial markets which provide a sound foundation for economic growth and prosperity in a global environment.

- Both associations affirm the importance of protecting the integrity of their respective financial centres from abuse by money launderers, terrorists and other criminal elements.
- Both associations believe that strong but measured regulation, offering investor protection, is a source of competitive strength. However, regulation must be sensible and fair. It must be market-oriented and it should provide for a level-playing field. The costs of



regulation must be convincingly justified by the benefits and regulators must be sensitive to the substantial investments they cause financial service providers to make in order to comply with their regulation.

- Both associations fully support the mutual recognition of equivalent financial market regulation. They consequently support the principles of consolidated supervision, close cooperation among supervisors and the coordinating role of the home country supervisor. In the view of both associations, these principles are fundamental to the effective functioning of capital markets in Europe and globally and help to streamline supervision and reduce duplication.
- Both associations acknowledge that regulatory dialogue involving policy makers, regulators and supervisors is essential. This dialogue should reflect the points made above, avoid discrimination and where appropriate involve the private sector.
- Both the BBA and the SBA support the Transatlantic Coalition on Financial Regulation.
- Both associations pledge to maintain and promote the dialogue between their respective financial centres via future contacts, meetings and joint events. ■

Connecting Global Commerce

The Launch of Open Trade

The launch of Open Trade, a magazine jointly conceived and executed by the Trade Commissioners' Forum (TCF) and New Media Communication was a small but significant step towards promoting India's economic relations with various countries. The inaugural issue of the quarterly magazine was unveiled at the World Trade Centre on June 23, jointly by Joseph Koch, Director, Swiss Business Hub & TCF's Past President and T.C. Venkat Subramanian, Chairman and Managing Director, Export-Import Bank of India. The occasion offered an interactive session between TCF members and the top brass of the Exim Bank. In his



welcome address, Exim Bank CMD T. C. Venkat Subramanian highlighted India's progress in the last 15 years and the investment opportunities that the country offered.



Exim Bank CMD T.C. Venkat Subramanian browsing through Open Trade soon after the magazine's launch, flanked by Joseph Koch, Director, Swiss Business Hub & Past President TCF and New Media Managing Editor Satya Swaroop

A Special Moment for TCF



Joseph Koch addressing the TCF-Exim Bank interactive session.

For Joseph Koch, Director of Swiss Business Hub, India is like a second home. During his earlier stint with the Swiss Embassy in New Delhi in the 1980s he watched a stagnant India, where the rule of a 'Licence Raj' prevailed. And now, placed in Mumbai, India's vibrant commercial capital, Koch is witness to the wonderful metamorphosis of the country turning into an economic powerhouse. In an address delivered at the launch of the Open Trade magazine, Koch talks about the economic reforms initiated in the early 1990s by the then Finance Minister Manmohan Singh, who is Prime Minister today. Improving bilateral trade has always been Koch's passion. To achieve this end, he has always been finding ways and means and he has the knack of discovering many. Koch is the spirit behind Open Trade, believing sincerely that such a magazine, besides highlighting TCF's own concerns, will in its own way contribute to the promotion of India's bilateral trade. In the absence of TCF's current President Vittorio Mecozzi, Italian Trade Commissioner, Koch, Past President of the Forum, presented a short history and objectives of the Trade Commissioners Forum, based in Mumbai and the launch of Open Trade. Excerpts.

It is a really special moment today for us Trade Commissioners. Not only just the idea of having our own magazine sounded some years ago as a project in the air - but with the support of New Media Communications we have come very far and have launched the first edition of OPEN TRADE.

Please let me first give you a short glance of the Trade Commissioners Forum and its uniqueness. As in many other cities and economic centres in this world, diplomats of the various embassies and consulates are in charge of trade promotions and secure the link between local trade and the countries they represent. So, this was also the case here in Mumbai until In 2001, when this group was founded. In those days it was Doug Paterson from Canada who assembled Trade Commissioners from Australia, Western Australia, China, Flanders, Germany, Israel, Japan, Korea, Mauritius, Poland, Russia, South Africa, Switzerland and USA - all five continents represented.

Needless to say, that this Forum is unique in the world. Never did I hear in my career of over 30 years of an existence of such a group, of such an organization. Our intention is to bring the products of our countries to India, The question is simply how? And where do we



T.C. Venkat Subramanian addressing the session



Satya Swaroop presenting a gift-wrapped copy of the Open Trade magazine to Koch. Venkat Subramanian looks on



Koch being interviewed by TV news channel



A view of the TCF members at the interactive session. In the foreground are (left to right) Ajit Mangrulkar (Australia), Annie Dube (Canada) and Western Australia's Simon Johnson



Audience's view

source the information. And this is the job of our committee. We are approached by members of the Forum of certain problems their countrymen are facing and we take the matter up and - as it is in most case; there is not just one country involved: Therefore, we call on guest speakers and have interactive sessions with decision makers in the government. But, we are just sitting idle behind our desks. We are traveling in the South of India, where most of our colleagues have their consular jurisdiction. We meet Chambers of Commerce, Trade Bodies and companies. We have to smell the soil, we have to visualize the potential of certain areas, we have to meet local people and get their opinions because, all of us are generally the first point of contact, the first source of information for business people from our respective countries who have plans to come to India, of course, we are in many ways also competing against each other but all this is in a friendly way, because we are sourcing business opportunities, forwarding them to our headquarters and let them work out the criteria requested. Having sat many times on the dais, I know that not only in Switzerland is chocolate produced, not only in Poland is heavy machinery produced, not only in Italy do they have fashion designers... Just to mention sport activities - as today three friends of the TCF are watching football games in group G: France, South Korea and Switzerland. We are sitting together today and tomorrow as well...

Please give me also a few minutes to talk about India our country of residence. Having served with the Swiss embassy in Delhi from 1980 to 1984, I think I have the chance to compare the situation in the 1980s and 2006. And if we look even further back, the time of partition, I must congratulate you Indians on the way you have been able to manage your economy, breaking out of a long spell of stagnation. Earlier, the bureaucrats had the say. You needed for every product a licence. I remember very clearly that during the 80s, there were two cars available and the waiting list running up to five years. You had the rigid rules of foreign exchange when houses were raided because they were hoping to find some dollar notes or foreign liquor. But... you have developed into a prosperous nation since 1993 when the actual Prime Minister took over the finance portfolio and opened up India to globalization as a respectable business partner. The first sign of the smart looking IT specialists draw the attention around the world of India's existence and now India has the largest business potential in the world. Just to mention Bharat Forge, which is providing 35 percent of the world's car market with gear boxes etc.

Koch thanked Exim Bank and New Media for providing an opportunity to Trade Commissioners to participate in the interaction session and to make their presentations.

MAKING PRESENTATIONS



1 KALIM R. GALIEV (Russian Federation)

2 ANNIE DUBE (Canada)

3 HELEN DEAS (United Kingdom)

4 THAILESH KUMAR CHAMANE (Mauritius)

9 JIM CUNNINGHAM (USA)

5 SIMON JOHNSON (Western Australia)

6 AJIT MANGRULKAR (Australia)

7 M. GANDHI (UBM India)

8 MICHAEL DUCK (CMP Asia)



Jerzy Midak (Poland),
Michael Duck (CMP Asia)
with S.R. Rao Executive Director,
Exim Bank

Joseph Koch and T.C. Venkat
Subramanian in conversation



Western Australia's Simon Johnson finds
two good listeners, Joseph Koch and Jerzy
Midak



(L-to-R) M. GANDHI, R.K. PRASAD (Chairman New Media) T.C. VENKAT SUBRAMANIAN, SATYA SWAROOP, S.R. RAO

Anchrom



Steps into Bigger Premises, Brighter Future



Dilip Charegaonkar

Anchrom, the biggest dealer of scientific equipment in India, has inaugurated its new premises recently. The uniqueness of Anchrom lies in the fact that it is the only dealer with its own foreign Principal recognized Applications Research Lab, since 1978.

Dilip Charegaonkar, Founder & Managing Director of Anchrom, who is an analytical chemist by profession and is Product Specialist in India since 1979 for CAMAG, Switzerland, said that Anchrom had come a long way in the last 28 years.

"Anchrom today is the only scientific instrument supplier in India that is dedicated to one single technique. It has its own foreign principals recognized Application Research Laboratory because of which it is well know in India and abroad. Anchrom has supported CAMAG Switzerland, a world leader in chromatography products in 20 other countries," he said.

Following are excerpts from Charegaonkar's speech.

It is my great pleasure and honor to welcome Mr. Peter Janchen, CEO, Camag, Switzerland, Dr. P.D. Sethi, India's foremost Pharma Analyst and Mr. Joseph Koch, Director of Indian Swiss Business Forum to this function which is a milestone in Anchrom's history.

Mr. Peter Janchen the CEO of Camag has been the R&D Manager of Camag for 20 years. This is a clear reflection of the Camag Philosophy emphasizing on technical strengths. The shift from a hardware box product to a software controlled product is his major contribution.

Dr. P.D. Sethi, is my Guru and therefore the source of inspiration and knowledge. As Director Central Indian Pharmacopoeial Laboratory, Ghaziabad in 1987 he was doing quantitative TLC analysis far before others had thought of it. Dr. Sethi is the first to share his knowledge and guide others especially the academic community even years after retirement, industrialist approach him to solve problems and he is always successful. His 5 books are extremely popular.



Dr. P.D. Sethi

Mr. Joseph Koch is the Director of Indian Swiss Business Forum and actively promoting the swiss business interests in West India. He is lucky that he represents a great country that believes in hard work, technology, quality and most important ethics.

Anchrom has come a long way in 28 years. Anchrom today is the only scientific instrument supplier in India that is dedicated to one single technique. It has its own foreign principals recognized Application Research Laboratory because of which it is well know in India and abroad. Anchrom has supported Camag Switzerland in 20 other countries.

Anchrom could remain dedicated to Camag and HPTLC because of some very good early experiences that I had when dealing with Dr. Dieter Janchen, the founder of Camag. Firstly, Dr. Janchen trusted me with the exclusive agency in the first meeting itself in Muttensz. Secondly Camag paid us a huge commission fee an order from India but in which we were not involved at all. Thirdly, Camag never pressured us for increasing business but

were particular about maintaining their high image. During the last 28 years, we have worked closely, keeping each others interests and requirements in mind.

Such a close co-operation is rare in the Indian Scientific instrument supply business, where many manufacturers keep changing their associates, periodically.

Anchrom has made a small but significant contribution to the Indian Scientific community by running various schemes enabling fresh students and academicians involved in research, to use Anchrom's facilities free of charge.

Now India is growing, Camag is growing, HPTLC is growing and Anchrom is growing. We look forward to a great future.

About Anchrom

Anchrom Enterprises (I) Pvt. Ltd. is a technocrat run company, based in Mumbai, India dedicated to R & D in

chemical analysis with a dedication on High Performance Thin Layer Chromatography. Our roots can be traced to 1978.

Within the field of High Performance Thin Layer Chromatography, the company is well diversified e.g. apart from India, it also sells products in neighboring countries. At Anchrom's laboratory, samples for Indian and foreign customers are analyzed, training courses are conducted for Indian customers and for Asian countries. All technical staff employed (currently 15) is postgraduates in chemistry/Biochemistry, Pharmacy etc.

Anchrom has pioneered the concept of being customer oriented, in the Indian scientific equipment supplier's community.

In India, the branch offices are located in Ahmedabad, New Delhi, Kolkata, Hyderabad, Chennai, Bhopal, Bangalore & Nagpur and Head Office in Mumbai.

A Big Step in Anchrom-CAMAG Business Relations

- Peter Janchen



CAMAG's CEO Peter Janchen, who specially flew in to attend the inaugural ceremony, said the event was very important because it marked a big step ahead in the continued

development of the excellent business relationship between Anchrom and CAMAG. Following are excerpts from Janchen's speech.

Do you know why this ceremony is very important?

- It is very important because it marks a big step ahead in the development of Anchrom
- It is very important because it marks a big step ahead in the development of HPTLC in India
- It is very important because it marks a big step ahead in the continued development of the excellent business relationship between Anchrom and CAMAG
- And it better be very important because I'm here. I don't say this because I feel very valuable but rather because I'm a Swedish citizen and Swedish citizen are not

used to climate conditions like Monsoon ... in fact, some people believe we have polar bears walking the streets.

Regardless of this, Dilip managed to convince me to come to Mumbai during Monsoon time for this inauguration.

Do you know what World Travel Guide says about the Monsoon?

In early June the hot, dry and dusty weather is replaced by hot, humid and muddy conditions. It doesn't rain all day, but it rains every day and followed by the sun this creates a steam bath-like environment. You may be used to these weather conditions but I'm not and believe me: I like sauna, I even have one in my home ... but I never use it dressed like this.

Mark Twain once said: Clothes make the man. Knowing these wise words and because this is an important business event, I'm not standing here with a bath towel around me but formally dressed in order to have the appropriate influence on this inauguration society.

Do you know how the Anchrom / CAMAG story started?

Twenty eight years ago, in 1978, Dilip sold his first CAMAG equipment in India in January 1979 he visited



CAMAG in Switzerland for the first time and was immediately appointed exclusive distributor for the whole sub continent of India the same year, he sold the first TLC system including a TLC Scanner (1) to Amar Dye Chem.

Good customers and excellent scientists important for the early development of TLC in India were Mr. Menon (R&D manager of Amar Dye) and thus the first system customer, Hico Labs, who permitted Dilip to use their TLC instruments for education of new customers – and Dr. Sethi, who used CAMAG instruments in the Central Indian Pharmacopoea Lab starting 1987 (with DOS-CATS if anyone besides me remembers that software). Dr. Sethis also wrote several papers and books featuring TLC and HPTLC.

Since then, the business success of Anchrom, CAMAG and HPTLC in India has been growing much in parallel to the political and economic success of the country.

To be good partner there must be on both sides mutual respect, appreciation, and cooperation and as a result the partnership will grow, withstand the tests of time and flourish. Such has been the case with the partnership between CAMAG and Anchrom. Dilip realized early that HPTLC had great potential in India and by building a strong relationship both to CAMAG and to his customers, he could make Anchrom a successful company.

The Anchrom philosophy has been not only doing a great job selling CAMAG equipment but also developing the market and teaching TLC, for instance by giving students the opportunity to get acquainted to the technique in the Anchrom lab. Problem solution by TLC has been the red herring for the Anchrom team for a long time and the increasing business success proves that this is the right way.

During these 28 years the Anchrom sales have been growing – maybe not steadily due to the ups and downs of economy and politics in India but extensively - and in 2005 the Anchrom team has made it to the #1 CAMAG distributor worldwide, which has been Dilip's target since the late 1980ies.

Dear Dilip, you have already received the distributor of

the year award 2005 and I have just now added one more reason why you got it. Please do all of us the favour and continue this TLC success story in India.

During my speech preparation I searched the internet and found a very suitable quote for this Anchrom / CAMAG success story. John F. Kennedy, who is my personal favourite among US, said: History has made us friends. Economics has made us partners, and necessity has made us allies. Those whom God has so joined together, let no man put asunder.

Having quoted this, I want to congratulate you Dilip and your life-long partner Medha on your personal achievement of building this company into what it is today. I also want to congratulate the whole Anchrom team on the great job each one of you is performing in spreading the gospel of good TLC throughout India.

I wish all of you success in these great new premises.

I have been torturing my mind to figure out what small gift would be appropriate for this inauguration.

A crystal ball, to see the future?

Nice to have but not very realistic to procure ...

A document proof pen to sign all the future contracts?

Good idea but not sufficiently innovative, so please some more innovative ideas!

A GPS, to position yourself now and in future?

Too static...

A compass, to always show the right way?

I finally decided a map may be a suitable gift because a map shows directions and positions and does not need electronics – which usually break down when best needed. But then a map can obstruct the clear view forward if held up in front of you ... so I figured out it has to be sufficiently transparent, that you will not stumble on your future road. And thinking about your 'road', there was one more important consideration: The ideal gift also has to keep your mind focussed to our business road and goals, in other words: on HPTLC and on CAMAG in Switzerland.

So, what gift covers all these different aspects?

Believe it or not, I think I found just the right thing. This is a glass plate is formed as a map of Switzerland ... and just in case you forget where CAMAG is, I have flagged the position.

Marketing Strategy: ■

To Achieve Better Standards & Uniformity

The Swiss Vote for Education Reform

Switzerland's education system is to be reformed, after 86 per cent of the electorate have voted in favour of a constitutional amendment recently.

The Cabinet and education authorities welcomed the decisive result, which was marked by one of the lowest turnouts ever in a nationwide vote. Just 27 per cent of voters cast their ballots. The reforms are aimed at improving co-ordination



among the different school systems and giving the federal authorities a bigger say.

Voters in all 26 cantons approved the amendment, paving the way for the reforms to be implemented. Changes to the Constitution require a majority of the cantons as well as of the popular vote.

Interior Minister Pascal Couchepin, who holds the education portfolio,

Tongue-tied over foreign language

Educationalists in Switzerland are divided over moves to teach foreign languages earlier at school. Plans by canton Bern to teach pupils French from age eight and English two years later could be replicated across the country, following the Swiss vote in favour of harmonising education.

The German-speaking Pestalozzi and Munzinger Schools in Bern are sister establishments and located a stone's throw away from each other. At the former, a French class is taking place for children who are aged 11. They have been learning the language for a year. The pupils eagerly finish their exercises, asking questions as they go along, with a minimum of noise. Their teacher Andrea Duba says that this particular class is generally good at French. Some are not as talented as others but that doesn't mean they take a back seat.

"They tend to buckle down as they want to be good too

and learn more intensively," Duba said. When it comes to learning foreign languages at school, Duba believes tuition should start as early as possible.

Both Daniel and Helin who both speak four languages including Turkish say that they don't find French particularly difficult. "It depends it's not really difficult if one practices," Daniel says. Helin adds that she finds French beautiful. "It sounds nice and polite," she says.

Another pupil, Lena, finds French a bit tricky because of the pronunciation. "You pronounce it differently to the way you write it but I like speaking it," she says. Alvin likes his French teacher and learning new words.

Challenge for older children

For the older children attending the Munzinger School, getting to grips with a foreign language seems to be more of a challenge. Here the pupils are 14 and

said he was pleased with the result but added that the Federal Government would be careful not to abuse its newfound powers. His cabinet colleague, Economics Minister Joseph Deiss, said the reforms would make Switzerland more accessible as a centre for education, research and innovation, enhancing its leading position in the world.

The head of the cantonal education authorities, Hans Ulrich Stöckling, also welcomed the result, adding that it was important for the country's 10 universities, two Federal Institutes of Technology and technical colleges to agree on common goals. Supporters of the reform contend that it will ensure high standards of education and make it easier for students changing schools, but will not infringe on the traditional autonomy of Switzerland's 26 cantons.

Shortcomings

Switzerland's school system has come in for increasing criticism since the 2003 Pisa study, an international survey of educational standards among 15-year-olds, revealed what critics called serious shortcomings in reading, as well as considerable differences among the cantons.

The planned reforms include streamlining the length of

compulsory schooling and the school starting age, as well as the mutual recognition of diplomas and unified education standards. The federal authorities are to be given more power to force the cantons to cooperate at the level of compulsory schooling and university education.

Foreign languages

The amendment could also pave the way for more family-friendly school structures and a solution to a long-running dispute over the teaching of foreign languages.

The electorate in two cantons, Zug and Thurgau, rejected proposals to limit the number of foreign languages taught at primary school level. The electorate in the two cantons were effectively asked whether or not to make English the only non-national language up to grade six. Foreign language teaching has been a bone of contention in multicultural Switzerland for years amid concerns that the national languages German, French, Italian and Romansh might lose out.

Eastern Switzerland, led by its economic hub Zurich, favours English as a first foreign language, while other regions have opted for a national language.

Education vote heralds political sea change, says media.

learning their second language in school, this time English.

"It's quite difficult to make them speak English," their teacher Macchi says. "Some of them do like to talk but and this is typically Swiss - some don't want to make mistakes so they just keep their mouth shut." Macchi feels that introducing a second language to pupils when they are 13 years old is a little late.

"It would be better if they started earlier, especially with English. All the pupils hear English songs and they see and use English when they're working with a computer [before they start learning it in school," she says. "I would personally prefer [starting English] in the third class [at age eight] - you could learn it with a lot of games and talking and not especially with a lot of grammar."

However, Macchi welcomes canton Bern's decision to start teaching French from the third class and English from the fifth in the not-too-distant future.

World language

All of the pupils agree on one thing: English is an

important language, without which you can't get by in the world today. However, very few like the way it is being taught to them and a minority don't like English at all. Best friends Noellia and Karin are the most sceptical.

"I don't learn very much in the lessons; we only do exercises out of the textbook and one should learn to speak fluently - I can't do that," Noellia says. Karin adds: "I would learn more if we could speak more. We do exercises but [the words] don't enter your head." Noellia is pessimistic about mastering English at all. "For me it is too late to learn English. We learn things that we can't use as tourists in other countries," she says.

Olivia complains that the textbooks "aren't that good". Her friend Lena feels that they "are out-of-date, boring and strange". There is a broad consensus among the pupils that they should be able to learn a foreign language as early as possible in school.

"It would be very good because children learn better the younger they are and they don't have to put in a lot of effort," Karin says. ■

The vote gives the Federal Government final say in education matters. Newspapers have said the voters' decision to harmonise education across the country has upset the balance of power between government and the cantons. Editorialists believe the vote puts the onus on the cantons to make harmonisation work, but warn against expecting fast results.

Referring to the low turnout, with fewer than three voters in 10 casting ballots, the *Corriere del Ticino* said this was the "most notable facet" of the vote. The *Tages Anzeiger* of Zurich commented that the result was "absolutely clear". "The Swiss have had enough of the local cantonal way of thinking... The ball is now in the court of the cantons." The newspaper also felt that the yes vote shook the foundations of federalism.

Le Matin of Lausanne commented that the result was a surprise in that it was so clear after debate on the issue had been "almost non-existent". "The Swiss clearly said they were fed up with a federalism that is narrow, old-fashioned and defended by nationalist circles." But it argued that the cantons would not lose any of their sovereignty. "On the contrary. The quality of education and mobility will be strengthened. The Swiss have shown their preference for a more cooperative federalism," it said.

Le Temps also felt that the electorate had shaken the "sacrosanct cantonal sovereignty" on the education issue. "Families have had enough of an education landscape

that's still marked by big differences from one region to another," it said.

The 24 Heures newspaper questioned whether "sacrosanct federalism" was now at an end. "No. There is no reason for panic. But there can be no doubt that the Swiss political system is in full evolution. And yesterday's vote on education clearly showed this." It added that even though the turnout was low, the vote was "revolutionary".

"Meddling with cantonal sovereignty on education had been taboo for a long time."

The Bund newspaper of Bern makes the point that schoolchildren will not necessarily be any better at exams as a result of the vote. "But the new constitutional articles put more pressure on the cantons to do away with 26 different school systems and check the quality of their education." The newspaper also pointed out that the changes would not bring solutions to many problems that schools are facing, including violence and the integration of children with language problems. "For that it needs more than a few constitutional articles. Educational policy is a continuing process that is certainly not over with this yes vote," it added.

The Neue Zürcher Zeitung felt the vote was a sign that people had been suffering much pressure from the 26 different cantonal school systems. "The cantons must now quickly act to make the promised harmonisation reality," it wrote. ■



Engelberg



*Gets ready for
summer festivities*

In Engelberg-Titlis you are guaranteed to find the ideal conditions for getting away from the daily routine and finding new perspectives. Here you can drop whole teams into the water, for learning purposes, you can make your turnover curves spiral on a mountain bike and map out your visions with the paraglider. Or how about experiencing a glacier? Put on your climbing harness and crampons and tramp over eternal ice passed crevasses, go over a glacial lake with a crazy Tyrolian and back to the start on a via ferrata! The organisational talent of Engelberg -Titlis Tourismus AG helps you choose the ideal facilities and fringe programme. They put you in contact with the specialists and reserve the required infrastructure

Titlis; 1 July 20 October 2006

The Engelberg summer is going to be very hot at least as far as activities for our holiday guests are concerned! You can cool down in for example the eternal ice of the Titlis glacier, or on a racy Nordic Walking tour. You'll get goose pimples in the caves or on one of the super fixed-rope climbs. Puzzle over the mountain restaurant award until your head buzzes. Refreshment awaits in the Kneipp pot by the tickle trail. Abracadabra the children learn magical tips and tricks during the magic week or become mini-artists with Freddy the Painter. From Monday to Sunday our summer guides offer exciting, adventurous and sporty activities for big and small

Mountain Hut Adventure; 1 July to 15 October 2006

An extra-special offer for an extra-special experience: already en route a few surprises await you: wonderful sunrises and sunsets, mule riding, snowball fights,



bathing and kneipping in the refreshing Härzli lake, fixed-rope climbing on the Brunnistöckli (optional) fairytale figures, time for a game or two in the SAC mountain hut and 1½ to maximum 3½ hours walking per day.

Street Soccer Tour 2006, 8 9 July 2006

The Street Soccer Association Switzerland is organising a Street Soccer Tour in Engelberg-Titlis in collaboration with the Titlis Cableways, the SC Engelberg and Titlis Sport Engelberg. The Street Soccer Tournament takes place on the Titlis Cableway car park. Fast-moving, lots of goals, evening entertainment and the WM broadcast live all make a very special atmosphere! The first three teams per category take part in the finals for the Swiss title in Zurich or Basle.



Jazz on the village street; 11 July - 16 August 2006

In July and August the third edition of this popular music spectacle, Jazz in the Dorfstrasse, takes place. Audiences get to enjoy all kinds of jazz, since twelve different formations take part during July and August. Jazzy sounds can be heard on Tuesdays and Fridays from 11 July 2006 from 5 - 7.30 p.m. Entry free of charge! On Saturday 26 August 2006 at the close of the season a matinee with brunch is held in the Kurpark next to the Hotel Europe. The jazz bands play in all weathers, although the location may be altered at short notice in bad weather. Spectators will be told on the spot of any changes.

Dressage Tournament in the Kurpark; 13-16 July 2006

For the seventh year running this meeting of dressage riders takes place in the Engelberg Kurpark. The magnificent mountain scenery surrounds the idyllically

situated dressage arena in the heart of Switzerland. Before the finals of the Engelberg Mountain Trophy on Saturday 15 July 2006, Bruno Isliker will entertain spectators with his jumping cow, Sibylle. The highlight of the week will certainly be the Elite Dressage Swiss Championships. The organisers invite horse-lovers, dressage lovers, guests and on-lookers to Dressage Week 2006. Entrance is free of charge. Participants and spectators can enjoy an informal atmosphere in the festive marquee during the tournament.

Ice Festival on the Titlis, 16 July 2006

This traditional Ice Festival takes place on the Titlis on Sunday 16 July 2006. Children up to and including age 15 travel free on the Titlis on this day, and adults at half price (CHF 39.50). The following attractions are also free of charge: sliding fun with various sliding appliances in the newly arranged Titlis Glacier Park, glacier walking, crevasse abseiling, treasure hunt in the snow, snow skating park, airboard run and a lot more. As a highlight the players of the Lucerne Football Club challenge young and old to a mini bob race. DJ Simon and the duet Berth Waser make sure the atmosphere's right. Delicious "Fire and Ice" snacks take care of your hunger in the Panorama Restaurant Titlis.

Summer Culture Engelberg-Titlis

Popular folk-music concerts will once again delight audiences. The concerts take place every Thursday in July: in the Kurpark in good weather or in the Kursaal in bad weather. In addition, every Monday from 17 July 2006 salon music of the belle époque can be heard in the Kurpark or Hotel Europe. This summer various events are offered under the title "Culture à la carte": on 10 July 2006 "Saints in the Engelberg Valley" visit of the Horbis orchestra.

Advance Information 1 August 2006

As with every year on the first of August, Swiss National Day, one highlight follows the other! Starting in the morning with the first of August Brunch on the Titlis, then from 12 noon the traditional village fete with unusual stands and attractions in the Dorfstrasse, followed by concerts from the Engelberg Music Society at various locations, and finally the actual national festivities in the early evening in the Kurpark. An extra highlight this year is the open air spectacle to be given by Swiss Music Star, DJ Bobo, which takes place in the car park of the Titlis Cableway. ■