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Getting Reoriented to Growing Global Needs

Focus:
Swiss Economy on
Robust Growth Path

Industry Report:
Prospects Bright
for MEM sector

Tourism:
More than Cheese
& Chocolates

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

Dear Readers,

Greetings. The year 2006 has been very positive for Indo-Swiss economic relations. The Swiss economy, linked to its exports worldwide, is on an upswing. The economies of large developing nations such as India are throwing up huge investment opportunities to countries like Switzerland. Today, India's focus is on building infrastructure and developing the energy sector. It has opened the doors to foreign direct investment and technology. The Swiss have both. In the past Swiss investments and technologies have found their way into various crucial industrial sectors, from textiles to pharmaceuticals to dairy products. The Swiss already have a massive base in India and it needs only reorientation on their part to dovetail their investment and technology offering into India's needs. Then there is China, whose economy is growing at a break-neck pace of 10 percent, providing massive opportunities for investment. And the Swiss know it. The cover story of the current issue of Indo-Swiss Business is on how Switzerland is orienting itself to meet the changing needs of the world. The Focus of the issue is also on the assessment of the Swiss economy by leading institutions. Both the country's central bank, namely the Swiss National Bank (SNB) and Credit Suisse, Switzerland's leading commercial bank, have forecast a very positive outlook for the Swiss economy. Analysts at Credit Suisse believe that there are plenty of opportunities for growth in several sectors, including financial services, real estate, infrastructure, alternative energy, to name a few. The Swiss are very strong in mechanical and electrical engineering (MEM) industries. This sector contributes a great deal to the Swiss economy by way of exports. We carry a detailed report on this sector, which is poised for a boom. A country's economic acumen lies in converting adverse circumstances into advantages. The failure of negotiations at the World Trade Organization (WTO) has spurred Switzerland into boosting its existing free trade agreements with various countries. The country being a huge exporter of industrial machinery and technology needs such an effort to sustain its exports. We carry a report. Tucked high in the snow-bound Alpine territory, Switzerland is undoubtedly the tourists' paradise on earth. The issue carries sketches of leading Swiss cities, their unique characteristics as tourist attractions. The Swiss have elected a New President for 2007. The election of Minister for Foreign Affairs Micheline Calmy-Rey as Switzerland's new Federal President in 2007, could give the country a new and positive direction on both political and economic fronts. We wish the new Swiss President, the Charming and sophisticated Calmy-Rey, all the best. We also wish all our readers a very happy and prosperous New Year.

Wish you happy reading



Satya Swaroop

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India, China Open up Avenues for Investment in Infrastructure & Energy

The Swiss Getting Oriented to World's Changing Needs

The economy of Switzerland is linked to the movements of global businesses, their ups and downs. This is because, the small landlocked country, tucked high in the Alps, is a major exporter of many things. From high technology machinery to delicious cheese and chocolates, from custom-made watches to pharmaceuticals, you name it, and you have it being exported from Switzerland to all corners of the globe. The emergence of China and India as global economic powers and their future requirements in the fields of infrastructure and energy have opened up immense opportunities for Swiss companies to export technology and machinery in the two key areas of economic growth. Analysts at Credit Suisse, the leading Swiss bank, which is also a global institution, believe that there are opportunities for huge investments in these areas. The election of Minister for Foreign Affairs Micheline Calmy-Rey as Switzerland's new Federal President in 2007, could give the country a new and positive direction on both political and economic fronts. It is just a question of Switzerland getting oriented to changing world needs.

The assessment of the country's economic progress by the Swiss National Bank (SNB) is very relevant here. According to SNB, the global economy remains dynamic but is slowing. Hence the outlook for the Swiss economy is as follows: Exports are likely to continue increasing, but less strongly. In addition, equipment investment is expected to grow further due to the healthy level of capacity utilization. Construction investment, however, will probably ease. The increase in employment will fuel robust growth in consumption. GDP growth in the second

quarter of 2006 was 3.0 percent and overall, the SNB forecasts GDP growth of almost 3.0 for the year. Consequently, the economy is progressing faster than its long-term average potential, with a high level of resource utilization. Next year, growth is likely to decline slightly, but should nevertheless remain above potential. An increase in inflation is not to be expected. The average inflation for the year has been pegged at 1.3 percent, which is quite low. On the assumption of an unchanged three-month Libor of 1.75 percent, annual inflation is



expected to be around 1.1 percent in 2007 and 1.6 percent in 2008.

A number of special factors whose individual significance is hard to assess are easing the pressure on prices. These include strong competition from new providers in the transition countries and emerging economies of Asia, the latest drop in oil prices, as well as the fact that the Swiss labour market has been opened up to foreign nationals. Overall, the Swiss economy continues to develop favourably. The recovery is broadly based and this is having a positive effect on the labour market.

By raising the target range, the National Bank is further adjusting its monetary policy stance to developments in the economy. With this move, the SNB is ensuring that the inflation outlook remains favourable. Further, the latest movements in money stocks suggest that the inflation outlook for 2008 and 2009 has improved.

As mentioned earlier, the economic outlook for Switzerland is affected by the international environment. For this reason, the SNB's inflation forecast is embedded in a global economic scenario. Two modifications to SNB's earlier assessment of the global economy should be noted. First, growth in the United States is more moderate than the Bank's expectations. Second, the European economy is recovering a little more strongly. For 2007, the outlook remains favourable. However, growth is likely to be somewhat more moderate than in 2006. SNB's modifications to the assumptions on the global economy are relatively minor and have no significant impact on the outlook for inflation.

The SNB expects that the rate of increase in mortgage loans will settle below the current level of 5%. There are already a few indications that the construction sector is softening. The SNB is expecting the real estate market to

settle down, although it continues to keep a careful eye on developments.

India & China

Analysts at Credit Suisse recommend investing in selected megatrends since they are likely to play a key role in the medium term. They see good investment opportunities in the infrastructure and alternative energy sectors. Global population growth and the increasing economic participation of countries like China and India that only recently opened their doors to the global economy should further boost demand for infrastructure and energy, which should keep the price of oil at a high level. A sustained high oil price enhances the attractiveness of alternative sources of energy such as solar and wind power. The robust economic growth itself also harbors potential. The boom in emerging market countries has led to a large worldwide increase in the number of affluent individuals, which should benefit private banks in particular. At the same time, luxury goods manufacturers are especially likely to profit from a growing upper-middle class. Changes in underlying political or economic conditions, such as the accession of Romania and Bulgaria to the European Union or as a result of technological advancements, should also give rise to investment opportunities.

Assessment of Credit Suisse

The assessment of the global economy by Credit Suisse, is quite revealing. It says, after temporarily slowing, global economic growth will pick up again noticeably next year. This may be accompanied once more by slightly rising money market rates. At present, though, the financial market situation is still being impacted by economic uncertainties that will also continue to weigh on the US dollar in the short to medium term. However, as US economic prospects brighten, the dollar too should be able to regain steam. Hence, the current uptrend on the equity markets should continue, albeit amid increased volatility. Moreover, growing risk awareness constitutes a good reason to adopt theme-oriented investment strategies.

The experts at Credit Suisse regard equity investments in the infrastructure, energy, water and luxury goods sectors as particularly promising. They also recommend selective strategies for other asset classes such as real estate, commodities and bonds for 2007. Real estate continues to present attractive investment opportunities from both a cyclical and structural perspective. In the corporate bond sector, the analysts at Credit Suisse recommend



investment-grade borrowers. Inflation-protected bonds additionally present good entry opportunities.

The global economy has been experiencing a slowdown in growth since mid-2006 that was prompted by the sharp cyclical decline in

the US. However, the analysts at Credit Suisse expect the world economy to reaccelerate in summer 2007. For one thing, Europe has developed into a growth pole of the global economy and is benefiting from solid domestic economic expansion. Despite slowing temporarily, average annual economic growth in both the euro zone and Switzerland will come in above potential. Moreover, the robust income situation among consumers and businesses suggests that economic momentum in the US is likely to pick up again after a fairly weak winter.

The New President's Positive Political Outlook

A four-party coalition government rules Switzerland. According to analysts, it will hold on until the next general election in October

Calmy-Rey is New Swiss President



Foreign Minister Micheline Calmy-Rey, who has been elected federal president for 2007, enjoys a large degree of popularity among the Swiss population. She regularly tops popularity polls for Swiss politicians. But her outspoken manner and policy decisions have also won her some enemies.

Calmy-Rey was appointed in a rare joint session of the two parliamentary chambers, the House of Representatives and the Senate. The 61-year-old is expected to continue pushing Switzerland's views in the world, engaging in efforts to bring about peace in troubled regions and enforcing the Geneva humanitarian conventions internationally.

The daughter of a train driver has come a long way since she ran a book distribution business in French-speaking Switzerland. In 1979 she joined the centre-left Social Democratic Party of Geneva, which she later served as president for two terms.

As a cantonal parliamentarian she took an interest in public finance, and when she became a member of the cantonal government in 1998, she took over as head of the department of finance.

The next step in her career as a politician came in 2002 when the federal parliament elected her to the cabinet. She took over the foreign ministry and has pursued an active policy marked by raising the profile of Swiss diplomacy and promoting international law, human rights and peace.

In 2003 Calmy-Rey became the first non-Korean government official to cross the four-kilometer-wide demilitarized zone between North and South Korea.

She has pushed several diplomatic initiatives: the Geneva Accord, an



2007, despite a greater degree of polarisation between the Swiss People's Party (SVP) on the right and the Social-democratic Party (SP) on the left. The coalition is likely to be renewed after the

election. The public finances are improving, and the general government accounts are likely to record surpluses over 2006-08. Analysts point out that SNB's reference rate may be raised, a little further, to 2.25 percent.

The political outlook for Switzerland is also positive. The Federal President in 2007 is Micheline Calmy-Rey, who is also the Minister for Foreign Affairs. Analysts believe the new Swiss President could raise the traditionally low international profile of the country. Criticism by French politicians over the tax provisions provided by Swiss cantons to wealthy foreign individuals have been supplemented by criticism by the SP that the favourable deals are unfair to Swiss taxpayers. This could be an issue at the federal election, but it is unlikely that powers will be taken away from the cantons. ■

unofficial peace proposal aimed at solving the Israeli-Palestinian conflict; the United Nations Human Rights Council; the Red Crystal symbol of the International Committee of the Red Cross, and her efforts to secure independence for Kosovo.

Active neutrality

"Public diplomacy involves replacing the usual tact that permeates negotiations between governments of international treaties with a transparent method of getting one's position across by exerting pressure," she said in a speech 100 days after entering government.

This approach enjoys far from unanimous support. Critics accused her of violating Swiss neutrality when she called for a ceasefire between Israel and Islamic Hezbollah militants in Lebanon. She had said the Israeli operations were "disproportionate compared with their aims".

Calmy-Rey retorted that being the depositary state of the Geneva Conventions meant Switzerland had a duty to denounce attacks on fundamental principles.

But the rightwing Swiss People's Party laid into this policy, which it considered too "active". Never afraid to speak her mind, Calmy-Rey defended her brand of active neutrality at a conference of Swiss diplomats and went on to attack both the United States and the European Union for their policies in the Middle East.

She has also denounced the death penalty by hanging of

CALMY-REY'S CAREER

- **1981-1997: Member of the Geneva cantonal parliament, chair of the finance commission, later speaker of the parliament.**
- **1997: elected to the Geneva cantonal government.**
- **2001: President of the Geneva cantonal government.**
- **December 4, 2002: elected to the cabinet, heading the foreign ministry. She is the fourth woman to be elected to the cabinet.**

Saddam Hussein as "not tolerable" and supports the idea of a Swiss seat in the UN Security Council.

But while her spontaneous and outspoken comments might rile some within parliament, the public appears to appreciate a straight-talking but approachable politician.

Calmy-Rey has won all three nationwide votes over foreign policy: accords on closer police cooperation with the EU, as well as a labour deal and a SFr1 billion (\$830 million) contribution to the ten new EU members.

This combination of guile and smile has consistently made her the Swiss public's favourite politician although she has faced competition since Doris Leuthard joined the cabinet in June. ■

Swiss Economy on Robust Growth Path

Since June 2006, Credit Suisse and the Centre for European Economic Research in Mannheim (ZEW) had carried out the "Financial Market Test Switzerland", a survey of financial market experts, and released it in December the same year. The Survey also projects the out look for the global economy in 2007.

In the wake of an extraordinarily good run in 2006, analysts are heading into the new year with a confident stance. The indicator for the current economic situation recorded a slight dip of 1.9 points in December versus the November reading, but at 91.5 points still underscores the prevailing optimistic sentiment in Switzerland. The future outlook was also only slightly changed. With a reading of 23.7 points (down 2.4 points versus the previous month), the corresponding economic expectations indicator signals an impending economic cool-down. While 10.2 percent of the survey participants say they anticipate further improvement in economic momentum, 33.9 percent expect the situation to worsen. The rest more than half of the respondents believe the most probable scenario is that the very favorable economic environment will persist for the next six months. Expectations for slightly weaker growth are presumably primarily attributable to the dampened assessment of the growth outlook in the US and the expected decelerating growth in the Euro Zone. On the other hand, the climate for consumer spending remains favorable. Consumption should reap rewards from the positive trends in employment and wages and, as a result, continue to help drive the Swiss economy along a robust and more broadly based growth path in 2007.

Low Inflation Rate

The inflation rate remained tame in 2006



despite vigorous economic growth. Roughly two-thirds of respondents expect no change in the current low inflation rates for the first half of 2007, while one-fourth regard higher consumer prices as the more likely scenario. Notwithstanding the lower inflation rates, the Swiss National Bank (SNB) should continue to pursue its policy of slowly normalizing key interest rates. Consequently, 86.4 percent of survey participants should not be surprised by another 25-basis-point interest rate hike at the upcoming quarterly monetary assessment. On the other hand, merely 54.2 percent of the experts expect an increase in long-term interest rates.

The trend in the Swiss franc/euro exchange rate showed a steady pattern of depreciation in the course of 2006. In mid-November, the Swiss franc hit a new low point versus the euro. This development occurred against the backdrop of swifter action on the part of the European Central Bank (ECB), as well as the continuing attractiveness of the Swiss franc as a financing currency for carry trades. The assessment of survey participants regarding

the expected trend in the Swiss franc/euro exchange rate showed an increase in the number of voices who regard appreciation of the franc as likely.

Impact of Oil prices

On the heels of hitting a high point of roughly USD 78/barrel at the beginning of August and a year-to-date low of about USD 55/barrel at the outset of November, crude-oil prices resurged somewhat more strongly above the USD 60/barrel threshold in recent weeks. The increase in oil prices is attributable to fears surrounding further cutbacks in production by the Organization of Petroleum Exporting Countries (OPEC). Despite the expected cool-down in global economic growth, oil



prices should remain at high levels in 2007 as well, according analysts' forecasts.

Eurozone: Decreasing growth momentum

At 69.5 points, the indicator for the current economic situation fell slightly short of the previous month's mark. The economic expectations indicator also registered a similar decline, with a reading for this month of 28.8. Inflation expectations for the Eurozone are modest, following the noticeable drop in the inflation rate below the 2% threshold in the interim. Merely 18.6% of survey participants expect inflation to rise in the medium term. The European Central Bank (ECB), however, continues to see lingering threats of inflation, thereby justifying the additional 25-basis-point interest-rate hike it executed in December. Furthermore, the ECB indicated that at least the pace of interest-rate hikes could slow down somewhat. The majority of survey respondents (76.3 percent) expect the ECB to continue to hike interest rates.

US: Continuing US-dollar weakness

The balance of the indicator for the current economic situation in the US

hit its lowest point since the survey began in June of this year. Future prospects continue to look discouraging as well, although the corresponding economic expectations indicator still stands slightly above the previous month's level, with a reading of 51.6. Durable goods orders dropped sharply in October 2006, following a strong showing the previous month, and surveys among purchasing managers for the first time point to a decline in the manufacturing sector: e.g., the Institute of Supply Management's (ISM) manufacturing index fell below the 50 threshold for the first time since 2003. Despite the prevailing robust picture on the US labor market characterized by a boost in non-farm payroll employment especially in the services sector (+172,000 in November) the outlook for the US economy remains strongly pessimistic. The inflation indicator edged up versus the previous month, while more survey participants than last month now say they expect the US Federal Reserve to cut interest rates. The US dollar is currently trading at its lowest level against the Euro since March 2005 and has lost ground versus the common currency by roughly 12 percent in nominal terms since the outset of the year. Two-thirds of the analysts presume that this trend will continue.

Japan: Diminishing interest-rate

The indicators for the current as well as future economic situation show a deteriorating reading. According to the latest estimates, Japan's economy grew at a slower pace in the third quarter than had previously been reported. Hence, gross domestic product (GDP) edged up at an annualized rate of 0.8 percent, versus the initially published figure of 2.0 percent. The revision is attributable primarily to weak domestic demand.

The uncertainty surrounding the question of when the Bank of Japan (BoJ) will carry out its next interest-rate hike is



intensifying. The BoJ could look beyond the recent economic weakness and preemptively raise its benchmark interest rate. However, far fewer analysts share this view than was the case last month (13.6 percent). Contrary to the forecasts of survey participants, the Japanese yen has continued to lose further ground to the Euro in recent weeks due, among other things, to diminishing interest-rate expectations on the futures markets on the heels of the release of the weak third-quarter GDP growth data.

Great Britain: Steady interest rates

The analysts have never assessed the current economic situation so favorably since the survey began, with 60.3 points. The economic expectations indicator also continued on an upward course. Inflationary pressure has grown steadily in recent months, with the inflation rate amounting to 2.7 percent (YoY) in November. Nevertheless, for now most of the survey participants are not fearful that the inflation rate will climb any further in the medium term. The Bank of England (BoE) left its benchmark interest rate unchanged in December at 5.0 percent and should continue to hold rates steady in the intermediate term, according to the analysts' view.

Stock Market Movements

Within the scope of this month's special question, the financial market experts were asked to convey their outlook for the SMI, EURO STOXX 50, S&P 500 and Nikkei 225 stock-market indices as of end-2007. With the exception of the Japanese index, these stock markets have recorded share-price gains in the low-double-digit range so far in the course of this year. Japan's Nikkei 225 is the only index lagging behind the rest of the pack,

registering merely modest share-price gains. Although the majority of experts do not expect a pronounced correction phase in share prices after the gains in 2006, they do anticipate that the up-trend will weaken and, as such, any gains will probably fall short of the mark registered in 2006. Regarding the SMI, 40 percent of the analysts forecast share-price advances of 5.0 percent to 10 percent, while 27 percent estimate gains of zero to 5.0 percent. On the other hand, the responses on the outlook for the EURO STOXX 50 were quite disparate, with noticeably negative share-price trends and growth in line with the current year's level regarded as the probable scenarios.

In contrast, the expectations for the S&P 500 were similar to those for the SMI. For the US stock market, the experts regarded share-price gains of between 5.0 percent and 10 percent as the most likely prospect, followed by forecasts in the neighborhood of zero to 5.0 percent. The respondents conveyed a similar assessment of the outlook for the Japanese market, with most forecasts falling within the two aforementioned ranges. The preferences for the ideal sector allocation focused



particularly on energy stocks. Roughly 66 percent of the analysts contemplate assigning an overweight rating to the energy sector, while 9.0 percent said they would underweight energy stocks, which brings the balance to 57. The energy sector has turned in a dazzling performance in recent years, with rising earnings thanks to high energy prices.

High Earnings Growth

According to the survey results, however, most of the analysts expect earnings growth in 2007 to equal (40 percent of the experts) or even surpass (36 percent) the levels realized in the recent past. On the other hand, 24 percent of the experts believe that diminishing earnings growth is more probable. Strong interest was also directed toward pharmaceuticals stocks, with 54 percent of the analysts intending to overweight the sector and 14 percent underweighting, from which we derive a balance of 40. Healthcare stocks should also turn in a good performance amid cooling economic momentum, according to the respondents' perspective, with 35 percent of the experts forecasting higher or steady earnings growth, respectively.

Financials & Consumer Goods

Survey participants also regarded investing in financials and non-cyclical consumer goods shares as worthwhile

investments. In this context, the balances with regard to overweighting and underweighting were positive too, at 23 points each, though not as explicitly favorable as for the other two previously mentioned sectors. The assessments regarding earnings growth for financial stocks were quite disparate, while nearly three-fourths of the respondents forecast steady or higher earnings growth for non-cyclical consumer stocks.

The survey results painted a fairly mixed picture regarding the prospects for stocks in the information technology and utilities sectors. We discern a tendency toward underweighting in terms of the planned portfolio allocation. The analysts were somewhat at odds over the future earnings outlook for these sectors.

Stocks of companies in the telecommunications and cyclical consumer goods sectors were not very popular in terms of portfolio allocation. The balances on the intended underweighting side amounted to 23 and 36 points for telecom and cyclical consumer goods stocks, respectively. According to the survey, 63 percent of the analysts forecast lower or negative earnings growth for telecom stocks. Roughly 50 percent of the respondents predict that earnings growth in the cyclical consumer goods industry will fall short of the current year's level due to the expected cool-down in the global economy.

Credit Suisse

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Market Outlook for 2007

Global Economy to Regain Momentum



After temporarily slowing, global economic growth will pick up again noticeably next year. This may be accompanied once more by slightly rising money market rates. At present, though, the financial market situation is still being impacted by economic uncertainties that will also continue to weigh on the US dollar in the short to medium term. However, as US economic prospects brighten, the dollar too should be able to regain steam. Hence, the current uptrend on the equity markets should continue, albeit amid increased volatility. Moreover, growing risk awareness constitutes a good reason to adopt theme-oriented investment strategies. The experts at Credit Suisse regard equity investments in the infrastructure, energy, water and luxury goods sectors as particularly promising. They also recommend selective strategies for other asset classes such as real estate, commodities and bonds for 2007. Real estate continues to present attractive investment opportunities from both a cyclical and structural perspective. In the corporate bond sector, the analysts at Credit Suisse recommend investment-grade borrowers. Inflation-protected bonds additionally present good entry opportunities.

The global economy has been experiencing a slowdown in growth since mid-2006 that was prompted by the sharp cyclical decline in the US. However, the analysts at Credit Suisse expect the world economy to reaccelerate in summer 2007. For one thing, Europe has developed into a growth pole of the global economy and is benefitting from solid domestic economic expansion. Despite slowing temporarily, average annual economic growth in both the euro zone and Switzerland will come in above potential. Moreover, the robust income situation among consumers and businesses suggests that economic momentum in the US is likely to pick up again after a fairly weak winter.

Slight upward trend for interest rates

In view of the merely mild and temporary cooling of economic growth - which, on a global basis, will barely relieve the tight utilization of capacity - the experts at Credit Suisse anticipate further gradual interest rate hikes. While the pause in the rate-hiking cycle in the US could last for some time due to the sharp slowdown in growth there, further cautious interest rate increases can be expected in the euro zone and Switzerland. Capital market yields are also poised to resume their historically mild upward path when there are more signs of a US-led acceleration of the global economy.

US dollar exchange rate trend

The US dollar has substantially depreciated recently. While the European Central Bank is tightening its monetary policy, the US Federal Reserve has adopted a somewhat reticent stance. Hence, the US dollar is unlikely to have much appreciation potential during the first few months of the new year and could even weaken further. Only when there are increasing signs that the US economy is regaining its footing, and if a few central banks in Europe decide to pause their rate-hiking cycle, would the US dollar benefit slightly from its yield advantage. The interest rate advantage is likely to dwindle but should still exist. That could enable the US dollar, which is undervalued against European currencies, to regain strength in the second half of 2007. The euro will probably stay firm against low-yielding currencies like the Swiss franc and Japanese yen.

Commodities: Invest selectively

The slowdown in global economic growth in the

second half of 2006 has had a very divergent impact on the various commodity categories. The combination of high inventory stocks and weaker economic growth has triggered a correction on the energy markets while base metal prices, for example, have continued to climb upwards on the back of inventory depletion. The disparate performance of the different commodity classes is likely to remain a main theme for investors in 2007. They should therefore shy away from investing in commodity indices and instead concentrate on specific themes in individual commodity categories such as gold.

Real Estate: Cyclically and structurally attractive investments

The outgoing year can be deemed another successful period for investments in commercial property or publicly traded indirect real estate investment vehicles. The experts at Credit Suisse are tipping real estate again for 2007 and are singling out three main investment areas. They advise those investors looking to capitalize on the cyclical upturn in office rents to invest in Germany, France, Sweden, Singapore or Japan. More defensive income-oriented investors should focus on investments in retailing property in the euro zone or Asia. Investors with a higher risk profile can profit from

the longer-term potential of emerging markets such as India, China, Brazil, Mexico, Romania and Turkey.

Equity markets still have upside potential in 2007

Global equity markets should benefit from solid earnings growth and an attractive valuation in 2007. The experts anticipate that the current uptrend will continue but expect to see increased volatility depending on the US Federal Reserve's interest rate policy. The favored regions on a 12-month horizon continue to include Asia, selected emerging markets, and Europe in preference to the US. The Asian market should continue to profit from vibrant economic growth, particularly in China, whose economy is expected to expand by 9.8 percent in 2007. Once the recent uncertainties subside, the Japanese stock market will have upside potential on the back of the revival of domestic consumption and robust exports to Asia. In the emerging markets excluding China, the experts continue to recommend markets with low valuations and above-average growth potential, such as Brazil and Russia. In Europe, Germany remains the preferred market in view of ongoing corporate restructuring efforts.

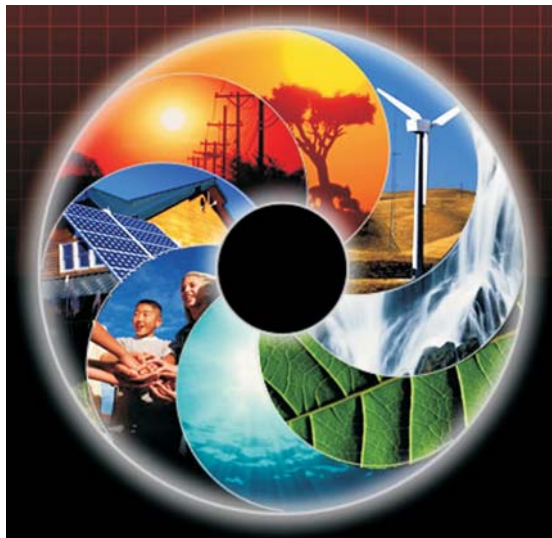
Invest in Megatrends

The analysts at Credit Suisse recommend investing in selected megatrends since they are likely to play a key role in the medium term. They see good investment opportunities in the infrastructure and alternative energy sectors. Global population growth and the increasing economic participation of countries like China and India that only recently opened their doors to the global economy should further boost demand for infrastructure and energy, which should keep the price of oil at a high level. A sustained high oil price enhances the attractiveness of alternative sources of energy such as solar and wind power. The robust economic growth itself also harbors potential. The boom in emerging market countries has led to a large worldwide increase in the number of affluent individuals, which should benefit private banks in particular. At the same time, luxury goods manufacturers are especially likely to profit from a growing upper-middle class. Changes in underlying political or economic conditions, such as the accession of Romania



and Bulgaria to the European Union or as a result of technological advancements, should also give rise to investment opportunities.

Bonds: Short to intermediate maturities favored



Given the expected rise in market interest rates amid continued flat yield curves, Credit Suisse's bond investment strategy for 2007 concentrates on short to intermediate maturities (two to four years). It continues to advise holders of government bonds to systematically mix in inflation-protected issues, which bolster the risk-adjusted return of a well-diversified investment portfolio. US Treasury inflation-protected securities present particularly attractive entry opportunities when nominal yields are extremely low. In the corporate bond sector, high valuations and creeping debt leverage call for a defensive investment strategy that favors high-grade issuers in the retail banking, energy and pharmaceutical industries. Mortgage bonds also fit well with this strategy. For the emerging markets, the experts at Credit Suisse are directing their focus toward sovereign borrowers that have used the recent economic upturn to reduce their foreign currency debt ratios and/or to enact tax reforms. Bonds from issuers such as these should be in a better position to withstand yield spread widening. Asian sovereign issuers like Indonesia and the Philippines score well in this respect, as do several borrowers in Latin America, such as Brazil. The Credit Suisse analysts also regard selective investments in bonds denominated in local rather than international currencies as an attractive alternative. ■

Swiss SMEs Booming, says UBS Barometer

Small and medium-sized enterprises, which form the backbone of the Swiss economy, are in robust condition, according to a new tool launched to check their health.

Switzerland's largest bank UBS said the barometer filled a major void in the range of economic policy instruments. The bank joined forces with the Swiss Association of Small and Medium-sized Enterprises to create the new tool.

More than half of SMEs registered higher sales in the third quarter of 2006 and ten per cent raised prices, the barometer shows. The SME indicator, based on an existing UBS survey that analyses economic performance of manufacturers, includes a representative sample of SMEs, particularly from the service sector, the bank said in a statement.

The director of the SME association, Pierre Triponez, said the organisation "was keen to provide its members with a new barometer that would give a review of how SMEs have been performing as well as an outlook for the future".

The first of the quarterly reports found that 54 per cent of companies surveyed registered higher sales in the past three months but expected the pace to slacken by the end of the year. On balance, UBS said, SMEs benefited more than large companies from the economic upswing in the third quarter.

Higher sales volumes and tighter cost controls stimulated further



recovery in earnings with 24 per cent of businesses improving their profitability. Brisk business activity also had a knock-on effect on the employment data: a net 16 per cent of companies had a higher headcount at the end of June in comparison with the previous year, while the figure at the end of September was 25 per cent, the statement said.

It added that the "robust state of the SME sector this year has bolstered investment activity among companies surveyed... investment activity is likely to remain at similar levels in 2007". ■

Swiss to Step up Free Trade Following WTO Failure

Switzerland is looking to boost its free trade accords with other countries following the collapse of world trade talks, says a top economist of the country.

The head of the State Secretariat for Economic Affairs (Seco), Jean-Daniel Gerber, has said in a newspaper interview that the agreements would have to be considered the "second best solution".

The Doha Round of world trade talks collapsed in July 2006 after the breakdown of negotiations in Geneva between the six leading members of the World Trade Organization.

Analysts said the last-ditch talks between the European Union, the United States, Japan, Brazil, Australia and India failed due to the intransigence of Washington and Brussels to give ground on agriculture.

Switzerland, which has a strong farmers lobby, has always rejected WTO calls to lower farm subsidies and import tariffs on agricultural products, but has pushed for liberalization of services and lower tariffs for industry.

In the interview in the German-language *SonntagsZeitung*, Gerber said that the impasse at the WTO had prompted Seco to reconsider its foreign trade policy.

"Now we have to strive for the second best solution and that is free trade agreements," he told the newspaper.

Seco has restarted negotiations with Canada on the issue and is hoping to conclude an accord by early next year, he said. "From a Swiss point of view there is a controversial point. Canada wants to have concessions on agricultural subsidies," said Gerber.

Earlier this year, hopes of serious negotiations on such a Swiss-US free trade accord were dashed over differences on agriculture.

Gerber added that Switzerland was also working with Thailand, Egypt and the members of the Gulf Cooperation Council United Arab Emirates, Bahrain, Kuwait, Oman and Qatar to find free trade solutions. Japan is also on the agenda.

Domestic market

In terms of the internal market, Gerber said the



Free Trade

Free trade is an international trade system which is based on reducing the barriers to the free circulation of goods and services.

Switzerland has followed this policy for a while. In 1960 it joined the European Free Trade Association (Efta).

Most Efta countries have left to join the EU, but Switzerland has not become a member, preferring to conclude bilateral accords with the EU.

Efta (which also includes Liechtenstein, Norway and Iceland) has also concluded free trade agreements with non-European countries such as Singapore, Israel and Chile.

Recent Swiss negotiations with the US on free trade have however stalled.

government had already implemented several reforms to make the country more competitive. This included the free movement of people accord with the European Union, anti-debt measures and the new law regulating the internal market and competition.

The strong growth experienced by the domestic economy which Seco estimates will rise by 1.7 percent next year - follows the trend on the world markets, said the economist.

But the economist warned that Switzerland's economy was still in need of reform, especially in the health and agriculture sectors. He was also concerned by the increasing national debt.

Seco is currently considering proposals on how to achieve stable and lasting economic growth, which also takes into account social and environmental factors, said Gerber. But he was less forthcoming as to whether there would be a second package of reforms aimed at promoting growth.

"There could be a second reform package. But it is still too early for such a formulation," said Gerber. ■



Business was good for the Swiss mechanical and electrical engineering (MEM) industries in the first nine months of 2006. Incoming orders increased by 22.6 percent and sales went up by 8.8 percent. A slight slowdown in growth is expected for the coming months.

In the third quarter of 2006, incoming orders at the 290 companies reporting to Swissmem were up 18.1 percent as against the same quarter last year. Although the high growth rates of previous months were maintained with respect to export orders (+21.5 percent), the growth trend for domestic orders could not be sustained (+0.4 percent).

Based on a nine-months comparison, incoming orders were up 22.6 percent on the previous year. The growth in export orders (+25 percent) was more than twice that of domestic orders (+10.3 percent). From January to September, the sales of the MEM industries increased by 8.8 percent as against the same period last year. Export sales increased by 10.6 percent and domestic sales by 2.6 percent.

At the end of June 2006, the MEM industries had an overall workforce of white-collar and payroll staff of 311,863 employees, which represents an increase of 2.6 percent versus the previous year. Production-capacity utilization was 89 percent in September 2006, about the same as in previous months.

Increase in exports

The worldwide exports of the MEM industries reached a

total value of CHF 50.7 billion in the first nine months. This represents an increase of 12.6 percent as against the same period in the previous year. Among our most important trading partners, high growth rates were primarily achieved in China (+17.5 percent), Austria (+16.6 percent), The Netherlands (+15.6 percent) and Germany (+15.3 percent). With respect to our medium-sized trading partners, significant export growth was mainly achieved in Eastern Europe: Ukraine (+67.6 percent), Russia (+52.6 percent), Bulgaria (+34 percent), Estonia (+28.3 percent) and Poland (+27.2 percent) provided the MEM industries with a significant increase in business versus the previous year.

Weaker growth expected

The Swissmem companies questioned in the survey are expecting a continuation of the strong momentum from abroad, although conditions in the chief markets are seen as slightly less favourable compared to the first half of 2006. Domestic business is expected to subside in the coming months. Expectations for Russia and the countries of Eastern Europe were more favourable than in the previous survey. The long-term growth prospects for the MEM industries remain positive. A weakening world economy will however have a moderating effect on the heavily export-oriented MEM industries.

Another risk for the export economy is the possible rejection of the Swiss Federal Law on Eastern Europe by the Swiss voter. A negative response to the proposed law

may result in less favourable trade relations with the EU and greater restrictions on access to European markets.

The First Half

The Swiss MEM industries can look back on a gratifying first-half 2006. Exports clocked in at over CHF 33 billion, a 13 percent rise on the previous year's figures. Sales (5.5%) and new orders received (24.7%) both reported healthy growth rates. Swissmem expects further growth in the year now underway. - Where energy policy is concerned, Swissmem is calling for electricity demand in Switzerland to be met from domestic production capacity. Swissmem is campaigning for the innovation promotion budget to be raised to CHF 150 million and for a «yes» to the Swiss EU cohesion contribution.

New orders received by Swissmem's 290 reporting members advanced 24.7% in the first half of 2006, with orders from abroad (+26.5%) and domestic orders (+15.2%) both experiencing growth. The export ratio was a high 81.5%. Orders in the second quarter of 2006 were considerably higher (+21.7%) than in the same period of the previous year, with both international (+22.2%) and domestic business (+16.2%) contributing to that growth.

Sales in the MEM industries in the first six months of 2006 lifted by 5.5% year-on-year. Exports rose 7.5%, while domestic sales just failed to maintain their prior year level (-1.1%). At the end of March 2006, the MEM industries employed 307,825 people. Capacity utilization in the fourth quarter was a high 88.9%.

Slight rise in exports

Exports for the first half-year totalled CHF 33.6 billion. Compared with the same period in 2005, this represents an increase of 12.8%, although there were considerable differences between certain regions and countries.

Exports to the EU and the USA showed a positive trend, rising by 12.5% and 7.0% respectively. Exports to the most important European markets also advanced, with Germany up 15.1%, France 7.1% and Italy 3.9%.

Exports to the new EU member states strengthened without exception (Poland +36.9%, Czech Republic +25.7%, Hungary +9.6%). Exports to Asia the second most important export market for the Swiss MEM industries, accounting for 15.0% of the total rose by 15.0%. China (+20.1%), Japan (+6.2%) and, above all, India (+31.8%) reported gratifying growth rates.

Strong momentum expected in 2006

The outlook for the Swiss MEM industries over the next twelve months remains favourable. The great majority of Swissmem reporting members surveyed take an optimistic view. The companies still particularly expect to see sustainable demand in China/Hong Kong and Eastern Europe/Russia, as well as Germany. However, the volatility of crude oil prices can only be described as an insecurity factor.

Swissmem-Top political issues

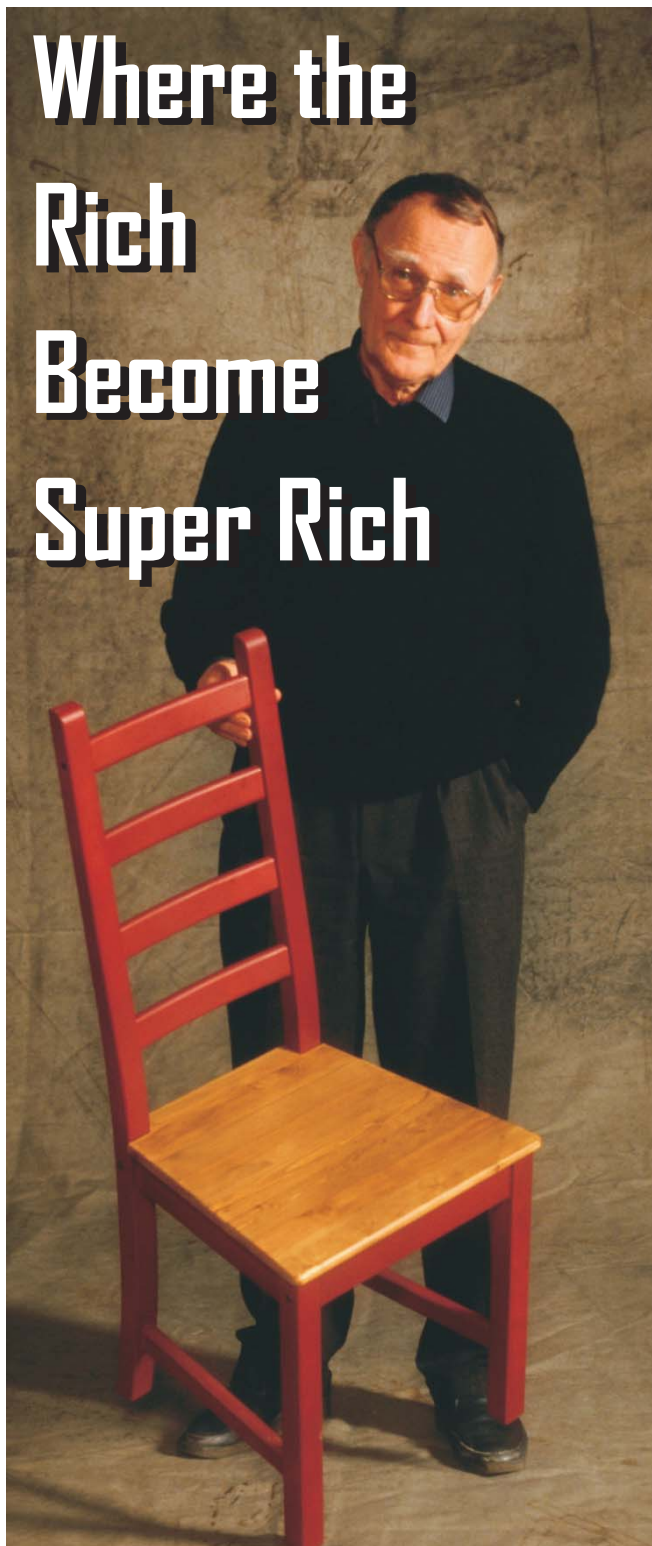
Swissmem is actively campaigning in favour of Switzerland's billion franc contribution to the EU Cohesion Fund as a rejection by the electorate would endanger all the bilateral agreements negotiated thus far. The EU member states in Eastern Europe are becoming increasingly important as trading partners for Swiss industry. Swiss companies will also profit indirectly from orders arising from the contributions to these countries.

Economic prosperity in Switzerland hinges on the presence of a strong research community. The country has a great deal of catching up to do in this area, with applied research in need of strengthening. Swissmem is calling upon the Federal Council to provide an annual budget of 150 million francs for applied research in its Dispatch on Education, Research and Technology 2008-2011.

Swissmem calls for quick and decisive political action to secure a reliable and cost-effective supply of electricity. Production capacity should be in line with domestic demand. Renewable energies alone are not enough to meet such demand. Parameters should be created for natural gas-fired power stations available as a short-term solution to enable competitive electricity generation. In view of the problems surrounding CO2 emissions and in terms of cost-effectiveness, it would also be wrong to leave nuclear power out of the equation. ■



Where the Rich Become Super Rich



The super rich in Switzerland are becoming richer and their assets now total a record SFr455 billion (\$380.3 billion), according to a Swiss economics magazine.

The flourishing economy, high stock market levels, rising real estate prices and the boom in the art market have pushed up the wealth of Switzerland's 300 richest

individuals and families by SFr55 billion compared with last year.

According to the Bilanz magazine, the super rich own on average SFr1.517 billion each. But it notes that the ten richest in the rankings account for SFr123 billion, which is about a quarter of all the assets owned by the 300.

The richest of the rich continues to be the Swedish furniture magnate Ingvar Kamprad. The king of build-it-yourself furniture managed to nail another SFr5 billion onto his assets, which now stand at an estimated SFr25-26 billion.

Industrial dynasty

The Hoffmann and Oeri families, thanks to their majority holding in the Roche pharmaceutical company, recorded a similar growth amount. The Basel industrial dynasty has assets of SFr20-21 billion, putting them in second place.

New in Switzerland and making it straight to third place is a Russian, Viktor Vekselberg. With a fortune of SFr14-15 billion, Vekselberg made a name for himself in Switzerland by showing his valuable collection of Fabergé eggs at an exhibition in Zurich.

There are 14 new names on the list of the 300 richest in Switzerland this year, one of them who is making a comeback Martin Ebner.

As a banker who once had assets of SFr4.5 billion before heavy stock market falls, Ebner now an investor has returned to the ranks with a fortune of SFr400-500 million.

No longer on the list is Gernot Langes-Swarovski, who has moved to Austria near the Swarovski crystal glass concern, taking his fortune of SFr300-400 million with him.

The largest decline in assets this year is recorded by Prakash Hinduja, who possesses SFr2.75 billion less than a year ago. But the decline is not on account of losses but because the fortune was divided among family members.

According to the survey, managers in Switzerland are also profiting from the economic situation, with 13 listed with total assets of SFr4.2 billion.

The most prominent and a new entry is Oswald Grübel, chief executive of Switzerland's second-largest bank Credit Suisse, with assets of SFr100-200 million.

Also featured is Tom O'Malley, head of the Petroplus refinery group that has just been listed on the Swiss stock exchange. His assets are estimated at SFr1-1.5 billion. ■



If a luxury hotel can be compared to an ocean liner, Montreux's Hotel National would be the Titanic. The main difference: this wreck is being "raised".

The Hotel National opened in 1875 as the first grand hotel in Montreux, the resort on the Swiss Riviera that would eventually become known for its stately accommodation. The lights went out 20 years ago when the hotel owners decided to close it down, and there is still no power.

The windows are broken; torn curtains blow in the breeze like forlorn spirits and the corridors are filled with broken glass and crockery. In places one must wade through hallways flooded with old stationery and postcards. Dirty linen is strewn across tables and floor, seeming to have been quickly abandoned - as if the hotel's demise was as sudden as the sinking of the Titanic.

But the Hotel National was never submerged. For the past two decades, it has been an eyesore in one of the most prominent positions on the Lake Geneva shore. It was bought and resold, and plans by speculators to turn it into apartments were rejected by the authorities. The latter held out hope it could be reborn as a hotel. But instead, squatters took over.

Past Glory

The turning point came in 2005 when it was purchased by property developers who agreed to respect the integrity of the original building. The grand ground floor will be restored to its former glory, as will the façade.

The structure is to be surrounded by three modern

apartment blocks, and in total, there will be 77 flats 17 in the former hotel. Nearly half have already been sold, even though it's the priciest real estate in this part of Switzerland and the development won't be completed until 2009.

"Our customers are buying property in a wonderful location but they are also buying a piece of history," says Blaise Carroz, partner in the firm, Le National de Montreux. "This hotel is filled with the spirit of all the people who spent time here and we want to respect that."

But the story does not end there. The hotel spirit will live on through its old, broken furniture, panelling and bathroom fixtures, which are being relocated to three heritage hotels in different parts of the country.

When Montreux's archivist, Evelyne Lüthi-Graf, learned that much of the furniture and fixtures had not been auctioned off as thought 20 years ago, she quickly alerted members of the association, Swiss Historic Hotels.

Carroz agreed to give it all away providing the hotels did the repairs and put it back to its original use.

Valuable antiques

"Is the furniture worth keeping?" asks Lüthi-Graf rhetorically. "If it is then we must be dealing with valuable antiques, but they are not since they are replicas. Hotel owners purchased cheaper imitations since they could not afford to buy the originals.

"Tourists in the 19th century stayed in hotels for months at a time," she explains. "They were substitutes for their homes, so hotels were, to an extent, illusions, and the

Around 30 of the estimated 80 well-preserved heritage hotels in the country belong to the association, Swiss Historic Hotels.

Hotels must meet strict criteria before being rewarded membership. The process is monitored by building conservation experts.

Many of the listed properties have received citations from the Swiss branch of the International Council on Monuments and Sites (Icomos).

furniture was part of that illusion. Re-using this furniture in other hotels brings it back to life and shows respect for the past."

The hotel registers from 1914-1919 and 1936-1951 were also recovered and reveal the most minute details of everyday life in the hotel, such as how often guests paid to take baths or make phone calls.

The art nouveau hotel Paxmontana in the mountains of central Switzerland is recreating an entire salon of the Hotel National using the original furnishings, and is installing a complete 19th century bathroom.

The Grand Hotel Bella Tolla in the ski resort of St Luc will label the furniture with explanations about its origins.

"Each piece of furniture has its own story to tell about the guests it's seen," says Claude Buchs, owner and manager of the Bella Tolla.

"When we took over the hotel, we bought furniture that was made to look antique, but it's not the same thing. The old furniture from the National doesn't have to be as good as new. "It has much more value if it's not perfect."

Clariant to cut jobs as part of new initiative

Swiss chemicals company Clariant has announced it will slash its workforce by 10 percent and reduce its product range as part of a new restructuring round. Clariant, which began a four-year restructuring programme in 2004, expects to cut 2,200 jobs - most of them in Europe - and shrink the number of its products by a quarter.

The group has recently said it would spend SFr500 million (\$404.2 million) on the new initiatives, including closing one in ten of its sites, as it strives for new financial goals.

The number of jobs lost in Switzerland is not yet clear, but company spokesman Walter Vaterlaus said that the firm hoped natural attrition would help avoid layoffs.

Clariant decided to take these measures after spending six months analysing its situation.

"Our clear goal is reaching a top-quartile position among our peers in value creation," chief executive officer Jan Secher said in a statement from the group's headquarters near Basel. Secher took over the post in April. The company has set itself a target of a ten per cent return on invested capital by 2009.

"This is a positive move for the share value as well," said Nina Baiker, an analyst at the Zurich Cantonal Bank. She added that the mix of restructuring, cost cutting measures and profit targets were reachable.

Baiker said that with this latest restructuring move, Clariant was moving ahead much faster than its local rival Ciba Specialty Chemicals. Clariant shares have fallen more than five per cent this year at a time when most chemical stocks have for the most part been on the rise.

The company has struggled since it acquired British chemicals group BTP for SFr3.2 billion six years ago. Soaring commodity prices cut into the bottom line, and cutthroat competition from Asian rivals has stalled its recovery.

The company, which makes pigments for products from textiles to cars, posted a net loss for the third quarter of 2006 because of one-off charges, although sales and operating profit beat expectations thanks to strong demand. Clariant had previously said that it wanted to lower costs by SFr250 million in 2006 and again by SFr90 million and SFr190 million next year. The four-year restructuring programme should save the company between SFr800 million and SFr900 million.

The main trades union, Unia, on Tuesday criticised the job cuts and accused the company of only thinking about profits.



Credit Suisse pips UBS in Q3 Profit

Swiss bank Credit Suisse has reported a third-quarter net profit of SFr1.892 billion (\$1.52 billion) - a performance well ahead of forecasts. This contrasts with net profit from its rival UBS, which earlier this week announced a net profit drop of 21 per cent from a year ago to SFr2.2 billion, significantly less than expected.

Credit Suisse has said its profit had fallen by only one per cent compared with the same period last year and had been lifted by strong fixed income trading. Analysts had on average predicted a net profit of SFr1.681 billion.

The bank, Switzerland's second largest, also reported a net inflow of SFr10.9 billion into its wealth management business, lower than expected, and inflows of SFr21.2 billion into its asset management division.

Credit Suisse said income the first nine months was up 40 per cent over the same period last year. "Our wealth management was seasonally lower, while our investment banking business reported good results in fixed income but was impacted by lower equity trading revenues," said CEO Oswald Grubel in a statement.

The bank added that its pipeline of business was strong as the end of the year approached. Credit Suisse, which has announced the sale of its Winterthur insurance unit to French firm AXA, said it was keeping to a net group profit target of SFr8.2 billion for 2007.

UBS - the country's largest bank - said its net profit for the quarter had fallen because lacklustre capital markets had hurt its investment banking business. Net profit fell to SFr2.2 billion compared with



SFr2.77 a year ago. Average analysts' estimates had predicted SFr2.64 billion.

"We felt the effects of the May and June market correction in the first part of this quarter as sentiment did not really improve until September which is why we were not able to match the very strong performance in the first half," Clive Standish, UBS's chief financial officer, commented in a statement.

In August the bank announced its half-year profit had jumped by 40 per cent over the same period last year to SFr6.65 billion. However, UBS insisted it was still on track for a record full-year result, both financially and in terms of strategic progress. ■

Federal Budget gets Stamp of Approval

Parliament has agreed on the 2007 budget which foresees a surplus of SFr904 million (\$752 million). The Senate has followed the House of Representatives, bringing to an end the negotiations on what is normally a controversial issue.

The 2007 budget is based on SFr56 billion in revenue and SFr55.1 billion in expenditure and differs only slightly from the government's proposed surplus of SFr918 million.

Both houses of parliament approved extra spending for cultural projects but agreed to additional cuts in expenditure for external consultants, following a critical report.

The Senate passed the budget unanimously and without much discussion. But the House of Representatives had spent nearly one week recently on the debate. Federal funding is one of the most important issues during the winter parliamentary session.

Debate on Concern over National Debt

Several senators expressed concern over the national debt and extra spending for public transport and health envisaged in the financial plan for 2008-2010.

The Centre-right warned that an increase in expenditure must not cancel out economic growth. The centre-left Social Democrats for their part said spending cuts did not go together with tax breaks for the wealthy.

Finance Minister Hans-Rudolf Merz countered that it had become more and more difficult to introduce changes to the system. "What can you do if everyone simply wants to look after his or her own interests?" he said. Merz reiterated the need for fiscal reforms for families and businesses.

The financial plan foresees a combined surplus of SFr3.9 billion over a three-year period. The government has pencilled in an increase in spending of 4.5 per cent as well as a five per cent hike in revenues. ■



Swiss Academics seek higher R&D budget

Leading Swiss science and education authorities have added their voices to calls on the government for a ten per cent increase in the funding of research. The cabinet wants to limit the increase to 4.5 per cent over the next few years, but it is also facing pressure from parliament.

The National Science Foundation, the Academy of Science, the country's 12 universities and federal technical institutes, as well as the colleges of applied sciences warned of a serious blow to science and research in Switzerland if the government refused to increase public spending.

In a joint statement published in Basel recently they said a 4.5 per cent increase would hamper Switzerland's competitive edge. They said a 10 percent increase on the 2008-2011 budget for science and research was justified to make up for spending cuts over the past four years and because of additional tasks the institutions had to assume.

It was also argued that more money was needed because the number of students was likely to increase by 15,000 by 2011 and because new research fields should be tackled to ensure that Switzerland keeps its innovation drive.

The statement added that the spending cuts were already

threatening to undermine the competitiveness of the renowned Federal Institutes of Technology in Zurich and Lausanne. The quality of the universities had declined, research institutions lacked the money to produce excellent results and there was already a shortage of engineers, IT specialists and top researchers, it said.

Moves are also underway in parliament to force the government to reconsider its position. The House of Representatives earlier this month approved a proposal for an eight percent hike in the research budget.

The Senate for its part came out in favour of a six per cent increase. Three of the four main parties also want higher spending than the government. The Senate is also putting pressure on the cabinet to create a single unit dealing with education, vocational training and research. However the country's 26 cantons would keep their autonomy on education.

Interior Minister Pascal Couchepin argued that it made no sense to increase the budget massively for a limited period if the level of spending can't be kept up.

"If you want to maintain quality, you need a certain modesty when it comes to spending but keep it at an even rhythm," he told parliament. ■



Swiss turn 'Migrant-friendly' to offer better healthcare

A handbook and accompanying film aim to help Swiss hospitals communicate better with immigrants and deal with their specific needs. The Federal Health Office has said that if people from different cultures and linguistic backgrounds received better treatment, overall costs would go down.

Thomas Spang, head of equal opportunities and health at the Federal Health Office, has said that migrants do not have the same opportunities regarding health as locals.

He said migrants were over represented in lower socio-economic groups and poorer jobs and that they often lived with heightened health risks. He added that this was not only because of linguistic reasons, but because socio-cultural barriers prevented them from accessing the healthcare system. Preventative health campaigns and general information were not getting through to migrants satisfactorily, Spang said.

The handbook, "Diversity and Equal Opportunities", and accompanying film "Understanding Can Heal", were produced by the Swiss Hospital Association and the Federal Health Office and aim to remedy the situation.

They use examples from the "Migrant-friendly Hospitals" project part of the government's "Migration and Health" strategy and are targeted at the boards of hospitals, clinics and care homes.

When it comes to communication, for example, the patient, friends and relatives could be provided with interpreters or multilingual staff. Further aids could include pictograms and dictionaries. Training should give

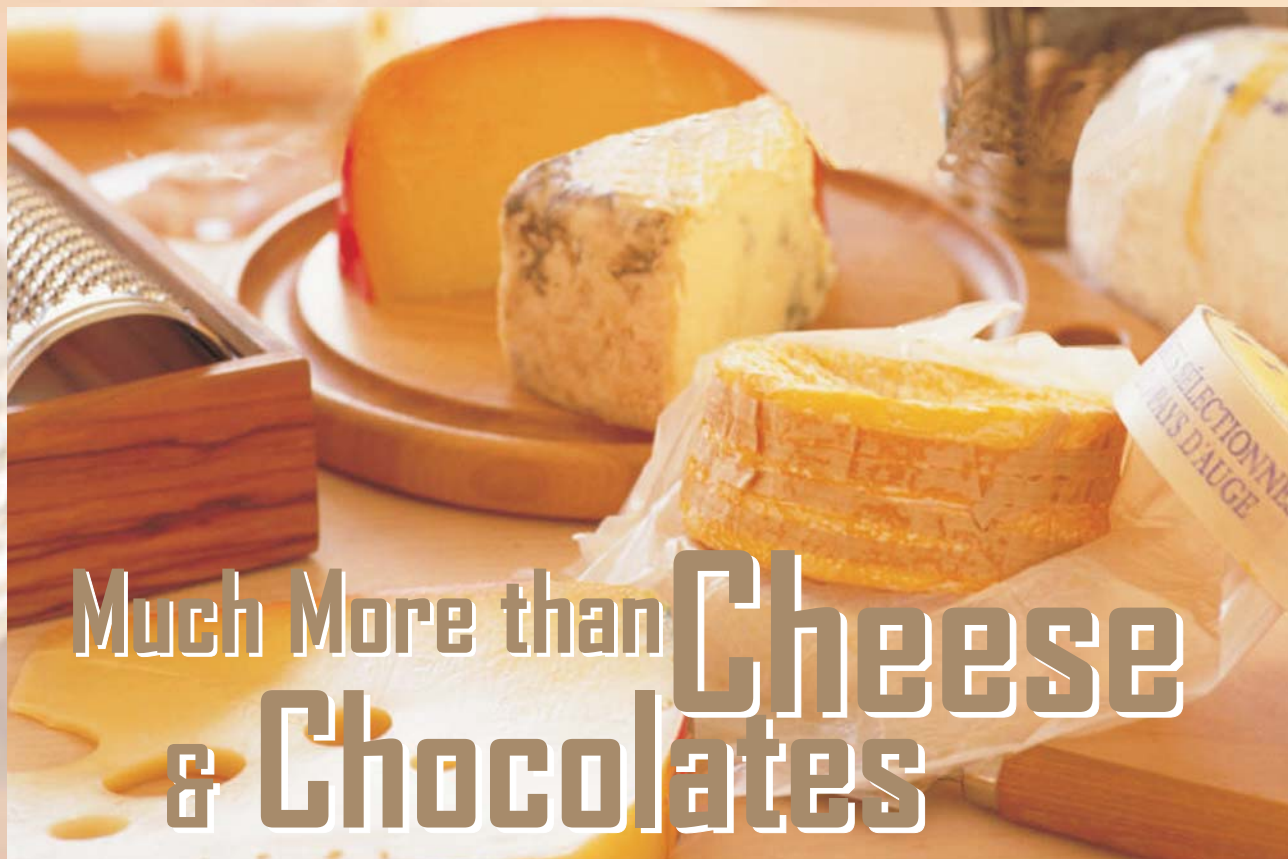
staff the necessary information to deal with patients from a variety of social and linguistic backgrounds and religions, thereby avoiding misunderstandings and stress. This in turn, it was claimed, would lead to better efficiency and lower treatment costs.

A study by the Geneva-based International Centre for Migration and Health (ICMH), published two years ago, found that nearly a quarter of clandestine migrants felt their health had deteriorated since arriving in Switzerland. Four out of five said they were depressed and many reported problems of a psychosomatic nature such as ulcers, back pains, chronic headaches, loss of appetite and sleep disorders.

The report's authors, who interviewed 235 unofficial migrants in Geneva, found that knowledge about certain health matters was limited and that they were often poorly informed about contraception and family planning. Most were not covered by any form of health insurance and those that sought it were generally refused policies by insurance companies.

More than 60 per cent could not name one hospital in Geneva and most were unaware that special health services were available to clandestine migrants. More than three-quarters of those questioned feared they would be denounced if they approached social services for help. The ICMH estimates there are 15,000 clandestine migrants in Geneva.

The study concluded that more needed to be done to promote and protect the well-being of illegal migrants to prevent long-term social and health problems. ■



Much More than Cheese & Chocolates

Located in central Europe, Switzerland is bordered by Germany, Austria, Liechtenstein, Italy, and France. A small country, Switzerland's very name conjures up images of chocolates, cheese, watches, bankers, and snow-capped mountains.

The picturesque city of Zurich, located on the banks of the Limmat River, is the intellectual and cultural capital of Switzerland and the hub of tourist activity. The 13th-century St. Peter's Church and the Fraumunster Church are two important sights. An evening walk along the banks of Lake Zürich or the alleys of the old town will cover almost all the attractions of the city.

On the banks of the River Rhone is Geneva, a city that houses over 200 international organizations. The ropeway journey to Mont Saleve offers a breathtaking view of the entire city. The Cathedral St Pierre, Place du Bourg-de-Four, Museum of Art and History, Petit Palais, Museum of Old Musical Instruments, and the Horology Museum are some attractions of Geneva.

On the hills and lower valleys of Switzerland a moderate climate exists, with an average yearly temperature of

about 10° C. The temperature decreases about 2° C for every additional 300 m of elevation. Rain also varies considerably according to elevation. Much of the rain occurs during the winter in the form of snow; the peaks of most mountains about 2,700 m or higher are snow-covered throughout the year. Large glaciers exist especially in the Alps.

Geneva, a truly global city

Say 'Geneva' to a person and what will come up first? An inhabitant of the city itself will probably say that it is 'a continent on its own'. Say it to a foreigner and he or she will probably refer to the building of the United Nations



located in Geneva. After the foundation of the Red Cross in 1864, Geneva became the home of many international organizations. The European head-office is located here still, together with departments of organizations, such as the World Health Organization (WHO) and the European Centre for Particle Physics (CERN).

Geneva is divided in two parts by the Rhone river that flows out of the lac Lemman (lake Geneva). The old city is located on the southern shore (rive gauche or left bank), the train station north of the river, and the airport north-west of the city, straddling the French border, but only a short bus ride away. Most sights are within easy walking distance and the public transport system (with busses and trams) is very reliable.

This 'smallest of the large capitals', as it is called, offers nearly everything, ranging from extensive banking and shopping areas to rich artistic and cultural input. Geneva is packed with museums and, to a lesser extent, historical sights. When you have had it for the day, go to one of the many parks, largely created by the financial input of many wealthy citizens. Most of the time during the summer, you can watch a free concert in one of the theatres or simply prepare yourself for the nightlife in Geneva.

Nightlife and Entertainment

It won't be difficult to find a café at Place du Bourg de Four. An empty seat might be more of a problem, especially during summer when the terraces are packed with people watching the world go by. The Old Town is a good area to head for when you're looking for some

entertainment during night-time as well as the Rues basses. There are plenty of bars and discos and the venues where you can hear and see live music performed are still increasing. Check the newspaper for the latest news on what's happening where in Geneva during your stay



United Nations & Museums

The building of the United Nations is one of the famous buildings in Geneva. This enormous complex, which covers a surface area equal to that of Versailles, was completed in 1936. Since 1946 it has housed the offices of the United Nations.

Besides this, Geneva has over thirty museums. Together with the private galleries, they house some prestigious collections, which bear witness to the creativity and cultural influence of Geneva. For those interested in history and architecture, the Old Town has a number of

exceptional sites and Genevan emblems, such as the Jet d'Eau Fountain' and the Floral Clock. When you want to breathe in some fresh air, you can find lushy parks and splendid botanical gardens

Quick meals

Quick meals won't be a problem in Geneva. Fries, kebabs, burgers can be bought in most areas. Many cafes offer Plats du Jour, a tasty dish that doesn't ruin your wallet. Besides that, there are of course fancy restaurants where the gastronomic masters rule and a whole bunch of restaurants dedicated to all sort of cuisines, ranging from spicy Mexican food to soft and sweet local fish dishes. ■





Basel, the third largest city of Switzerland, is known as a pharmaceutical multinational centre. However, it would be a bit narrow-minded to leave it at that. Basel is an interesting arty city, split up by the river Rhine and its medieval past is endowed with some of the greatest minds



of European history, including Erasmus, Ulrich Zwingli and later Friedrich Nietzsche and Hermann Hesse. Its long-standing patronage of the arts has resulted in a panoply of first-rate museums and galleries, which are well worth visiting, as is its historic centre. The right bank (better known as Kleinbasel) is the more modern centre. On the left bank (Grossbasel), one can trace the history of Basel in the old town that is ruled by the Münster cathedral where the bones of the reformist Erasmus are buried.

Basel's sights can be easily explored on foot. The highest concentration of sights is around the old marketplace and the cathedral. The hilly surroundings of the city offer some excellent views and walks. Don't miss your chance to stand on the three countries corner (Switzerland, France and Germany). A good day-trip is a visit to Kaiseraugst, just some few kilometres from Basel. Here, you can visit the remnants of the oldest roman city on the Rhine.

Basel's main sights can be easily explored on foot. The highest concentration of sights is around the old marketplace (also the place to go when you want to go shopping) and around the oldest university in the whole of Switzerland. Being the cultural city as it is, it will take you several days to visit all of Basel. ■

Bern, A World Heritage City

Bern is the beautiful capital city of Switzerland. Bern is a small city with many sights, most of them dating back to the 15th century. Bern is also known for its Bear Pits where you can see real bears - there's a myth saying the city's name derives from the German word for bear. Sights include the 12th century Clock Tower, the botanical gardens, the Kunstmuseum (Paul Klee), the Albert Einstein House and the arcades in the center where you can shop till you drop under the vaulted arcades.

With its time-honoured sandstone buildings, historic towers and unique fountains Bern is one of the finest examples of mediaeval civic architecture in Europe. The city's appearance has remained virtually unchanged for centuries, earning Bern a place on the UNESCO list of World Heritage Sites. Thanks to this honour the city with its popular Bear Pits (the bear is Bern's heraldic symbol) is on a par with Rome, the Egyptian pyramids and the Taj Mahal. Bern is also the seat of the Swiss government. The River Aare is Bern's green artery: ideal for summer dips. The river snakes round the Old Town and offers

plenty of room for recreation. Just a few minutes' walk from the rail station you can stroll along the river bank under leafy trees, surrounded by Nature.

Einstein & Theory of Relativity

Bern is not only a World Heritage Site but also embraces modern movements of architecture and design. The Museum of Fine Art houses the world's largest collection of Paul Klee works. Einstein developed his special theory of relativity here in Bern, and Tobler created his world-famous Toblerone chocolate. Concert hall and municipal theatre are only a few steps apart. Besides this, a lively arts scene, modern dance performances and jazz concerts add up to a rich, world-class cultural life.

At the heart of Europe

Bern is easy and fast to reach. The city is near to major European centres as well as the Alps. So it's an ideal point of departure for unforgettable excursions to Zermatt, Lucerne, the Jungfrauoch, Lake Geneva and lots more.

Where Mann wrote his "Magic Mountain"

Davos

City of Global Business Conferences

Davos is a busy resort in a beautiful alpine playground. The town extends for several kilometers along the broad Landwasser River Valley, between two giant mountain ranges. The area is part of the southeastern canton of Graubünden, "the holiday corner of Switzerland" and home to some of the best developed winter sports centers in the world: Arosa, Klosters, Flims, St. Moritz and Pontresina. Apart from these tourist centers, the canton is relatively unspoiled, boasting beautiful alpine lakes and exquisite mountain settings. Davos was once hugely popular with Brits, but has fallen out of favor and is now dominated by the Swiss themselves and Germans. Few resorts in the world have more extensive slopes, or offer more for all standards. But the area has its drawbacks: it is split into several unlinked sectors, and relatively ancient and queue-prone lifts access some of them. Those prepared to accept such small drawbacks normally do so as the price of staying in a captivating Alpine village.

During the mid-19th century, the area became known for its health benefits. The clean, dry air and high altitudes provided the perfect environment to recover from tuberculosis and other lung ailments so prevalent at this time. The setting of Nobel laureate Thomas Mann's "Magic Mountain" is a hospital in Davos. By now, many of the old sanitariums have been converted to present-day hotels. The medical importance has continued, as several highly specialized practices still provide therapies and research for allergies, respiratory illnesses, and dermatological problems. It is also a world renowned medical conference center, and many top-tier international meetings are held at the convention center.

In 1877 a natural ice rink was built, which became the first step towards the development of a world-class winter sports destination. Flanked on both sides by stunning

mountain views, this setting provided a natural attraction. The high Landwasser Valley is wind protected by forested mountain slopes. It was, and remains, a perfect environment to enjoy nature at its finest throughout the year.

Skiing and boarding in Davos is excellent. Seven distinct ski areas have been developed in the immediate area, so snow sports enthusiasts can spend a week and ski a different resort every day. From west to east along the northern face are the resorts of Schatzalp/Strela, Parsenn, Gotschna, and Madrisa. On the opposite side of the valley, you can ski or board at Pischas, Jakobshorn, or the Rinerhorn. The Parsenn is the largest and most familiar of the group. A wide selection of terrain offers satisfying skiing for all ability levels. The area is renowned for its off-piste skiing and long cruisers.

Although the mountain setting is spectacular, much of Davos' architecture is undistinguished. The area has the hustle and bustle of a busy town, with only two major roads to handle the flow of traffic. The ski areas are widely spread along the mountain faces and are easily accessible from town, but only some are connected by lifts. Many lift and cable car systems have been renovated in the course of the last decade. This together with the completely new 'Parsenn' tram means that the long queues during peak times have become a thing of the past. Furthermore, the transit system between ski areas is excellent.

Après-ski options are abundant. The dining is exceptional, the nightlife can hop, and cultural activities regularly poke through the snow. Note especially the Kirchner Museum, the world's largest collection of works by the German Expressionist painter Ernst Ludwig Kirchner. ■

Interlaken

A City Between the Lakes

Interlaken is the secret capital Switzerland's beautiful Bernese Oberland. The town is located between the lakes of Thun and Brienz, at the foot of the towering trio of the Eiger, Mönch & Jungfrau. Located in the German-speaking heart of Switzerland, Interlaken offers winter sport's fans access to some of the most spectacular skiing in the Alps, with their base in a service-packed small city in a spectacular lakeside setting.

Traditionally a 'Summer' resort, Interlaken had long been attractive to winter sports enthusiasts because of its prime location and the fact that its excellent hotels and other facilities offer very low rates during the winter. Its status became 'official' however with the launch of the The Jungfrau Top Ski Region, containing more than 160 Km (100 miles) of trails in ski centers above Grindelwald, all linked to Interlaken by a mountain railway included in a ski pass. The average length of runs in the area is a remarkable 6 - 12 km. With the pass, it's possible to ski a different ski area every day for a week.

The name 'Interlaken' actually means "between the lakes"

- Lake Thun and Lake Brienz to be precise and water is omnipresent throughout the area with idyllic clear mountain streams and waterfalls running off the hills and into the lakes. The resort offers dozens of water-based activities, throughout the year. If you ever got bored of sliding on the cold white variety you can always enjoy anything from a cruise on a lake steamer to just feeding the ducks or even frog watching! Visitors first started arriving at Interlaken long before downhill skiing was conceived. One of them, Lord Byron, famously remarked "it's a dream" on first seeing the town. The first hotels opened their doors in 1806, complementing the existing monastery hospice (now the four star hotel Interlaken) with the boom years beginning in the 1860's. Much of the beautiful architecture and grand design date from this 50-year era up to the First World War, but the impressive exteriors hide equally impressive fully modernized interiors, enabling Interlaken to offer the best of old and new. In the early days, when the likes of Goethe and Mendelssohn popped by, Interlaken was promoted for its healthy climate, as well as the spectacular views. ■

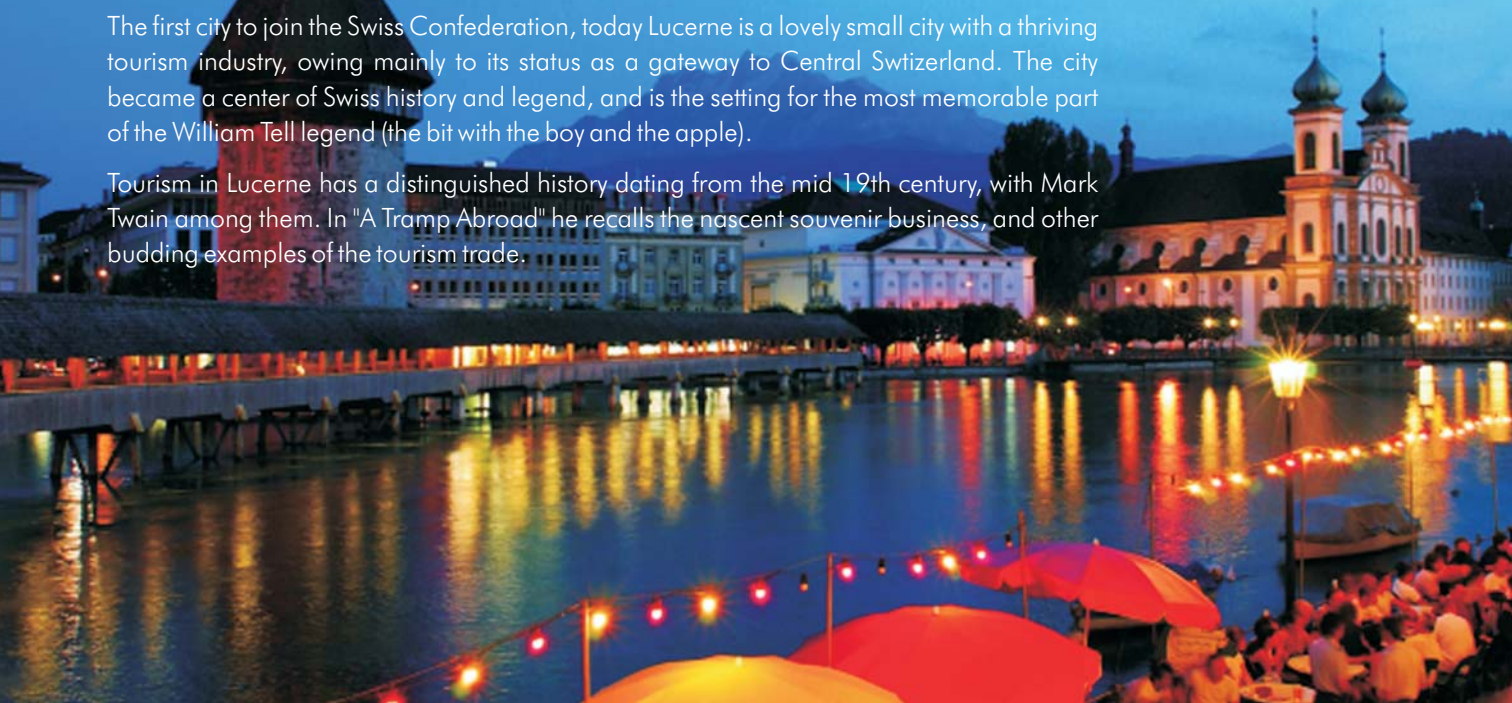
Lucerne

Where William Tell Shot the Apple

Lucerne (Luzern in Swiss-German) is a beautiful small city in the heartland of Switzerland, and where legend has it William Tell shot an apple off of his son's head. In addition to being a fine place to visit in and of itself Lucerne is a great base from which to explore famous Swiss sites such as Mnt. Rigi, the Grutli Meadow.

The first city to join the Swiss Confederation, today Lucerne is a lovely small city with a thriving tourism industry, owing mainly to its status as a gateway to Central Switzerland. The city became a center of Swiss history and legend, and is the setting for the most memorable part of the William Tell legend (the bit with the boy and the apple).

Tourism in Lucerne has a distinguished history dating from the mid 19th century, with Mark Twain among them. In "A Tramp Abroad" he recalls the nascent souvenir business, and other budding examples of the tourism trade.



Nyon

A Nice City on Lake Kak

Nyon is a very nice city located on the borders of Lac Lemman (aka Lake of Geneva). It is reached in twenty minutes from Geneva with regular trains. Steep streets with old houses lead up from the lake to the white Chateau. From Nyon you can make boat trips to Evian and Geneva. The view across the lake is spectacular on a clear day you see the Mont Blanc. At the time of the Romans the city was named Julia Equestris. It has many features demonstrating that it was once an important Roman colony. As you walk down from Place Perdretemps you may spot an amphitheatre, discovered during some building works for apartments that would never be built. One of the major summer events is the Paléo Festival de Nyon.

Lausanne

The Olympic City

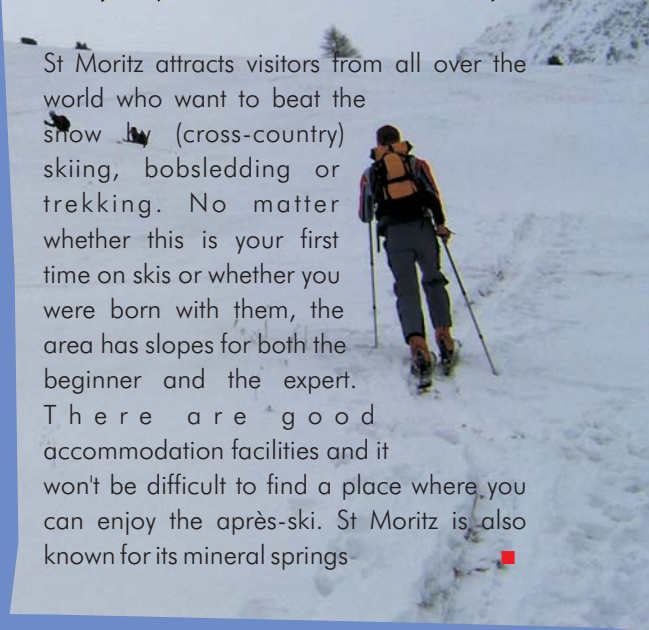
Lausanne, better known as the Olympic City of the world, is a small city that has a lot to offer. There are several good museums (besides the famous Olympic Museum) and some interesting sights, such as the Gothic Cathedral. Built on three hills, Lausanne offers some astonishing views of the surroundings. It'll only take a short walk to take a boat tour on the lake or a short ride to explore the great snowy outdoors.



St. Moritz

City of Snow & Skiing

St Moritz attracts visitors from all over the world who want to beat the snow by (cross-country) skiing, bobsledding or trekking. No matter whether this is your first time on skis or whether you were born with them, the area has slopes for both the beginner and the expert. There are good accommodation facilities and it won't be difficult to find a place where you can enjoy the après-ski. St Moritz is also known for its mineral springs



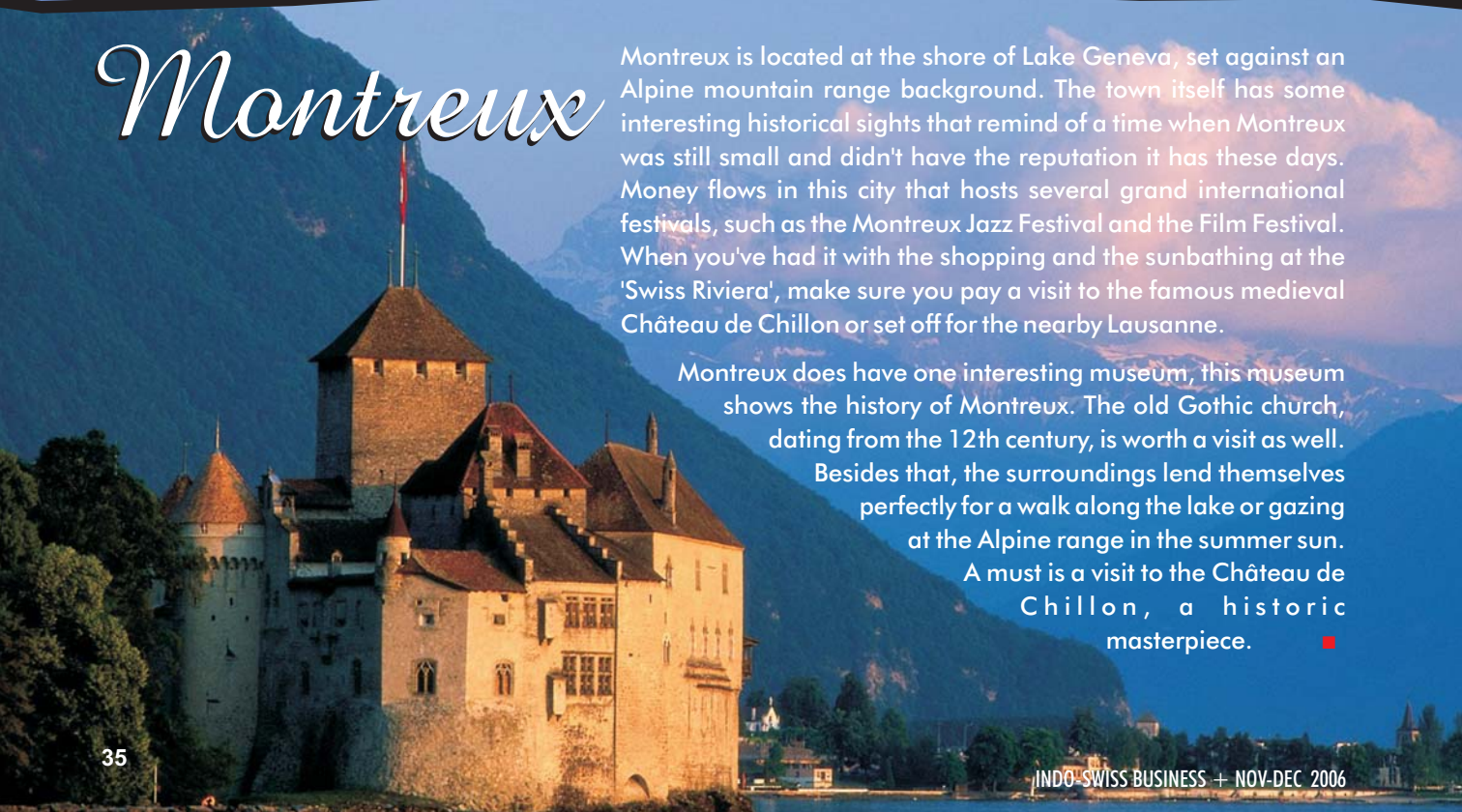
Montreux

Montreux is located at the shore of Lake Geneva, set against an Alpine mountain range background. The town itself has some interesting historical sights that remind of a time when Montreux was still small and didn't have the reputation it has these days. Money flows in this city that hosts several grand international festivals, such as the Montreux Jazz Festival and the Film Festival. When you've had it with the shopping and the sunbathing at the 'Swiss Riviera', make sure you pay a visit to the famous medieval Château de Chillon or set off for the nearby Lausanne.

Montreux does have one interesting museum, this museum shows the history of Montreux. The old Gothic church, dating from the 12th century, is worth a visit as well.

Besides that, the surroundings lend themselves perfectly for a walk along the lake or gazing at the Alpine range in the summer sun.

A must is a visit to the Château de Chillon, a historic masterpiece.



Zurich

A Shoppers' Paradise

Zurich, located 409 meters above sea level at the northern end of the Lake of Zürich on the Swiss central plateau, is charming and multilateral. Its well-preserved Old Town lies on both banks of the River Limmat, which flows out of the lake in a northerly direction. With a population of 360,000, Zürich is the largest city in Switzerland. The canton of the same name hosts 1.1 million inhabitants and is thus the country's most densely populated canton.

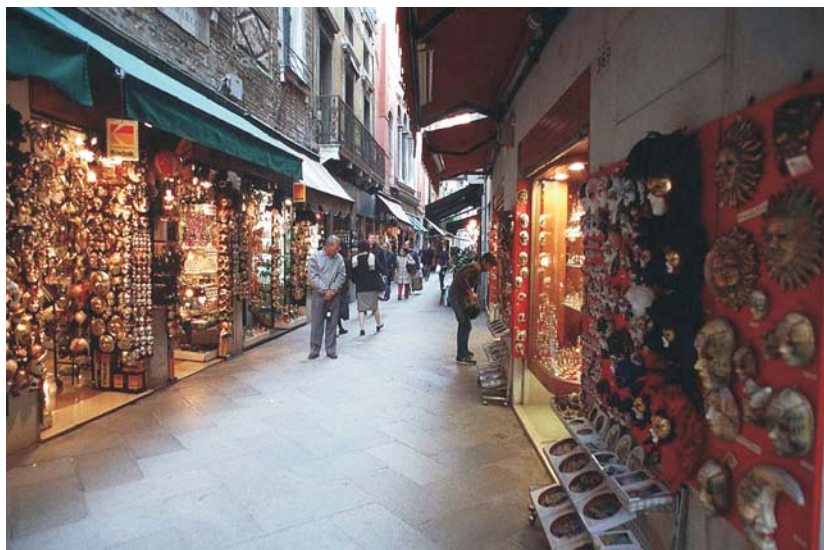
The Old Town consists of narrow streets which can be easily explored on foot. Along the riverside, you can find baroque guild houses that tell their own version of the city's past. Winding streets that show a nostalgic Zürich

or maybe even expose the city's fringe - just give way for the enthusiasm this inspired and colourful (both with houses and people) city appeals. You will find a myriad of small boutiques, antique shops, bars and cafes in the Old Town on the left bank of the Limmat.

The main shopping area is concentrated nearby the train station. Stroll down the famous 'Bahnhofstrasse' - one of the most beautiful shopping streets in Europe - towards 'Paradeplatz' and the lake. Here you will find all sorts of elegant boutiques, department stores and specialist shops with a rich selection of high quality goods. When you feel like it, take a tour on the river so you can lay eyes on the nice skyline of Zürich.

If you are on a budget, you do not have to avoid the city. Try doing just the window shopping on Bahnhofstrasse, but move over to the other side of the river Limmat for your catering needs. The Niederdorf, Zürich's left side, offers plenty of cheaper places to buy, eat and drink. Although considered Zürich's most touristic area, you still find some pretty genuine places here - just wander through the narrow lanes with their old houses, many of which date back to the 14th century.

Besides being a business centre and a shopping paradise (for the wealthy, that is), Zürich is known for 'culture': Old Churches, such as the 'Grossmünster' and the 'Fraumünster' with stained glass windows by Marc Chagall; art galleries with the finest collections, amongst them Chagall, Miro and Picasso and museums for all sorts of tastes. Try to stay at least two days. This will give you the time to explore not only the city by daylight but also Zürich's exciting and varied nightlife, ranging from jazzy bars and popular discos to cabaret performances in smokey clubs.



If you plan to stay over night, Zürich offers a wide variety of amusements. There is not only the famous Schauspielhaus (which kept German drama alive during the 2nd world war), but some small but fine theatres with less well known ensembles that offer exquisite drama. As for a small city of only around 350,000 inhabitants, Zürich also has excellent movie theatres (for a price, though). Unlike in Germany, movies here are not dubbed and mostly shown in their original language with German and French subtitles - and usually you'll see good copies.

However, if you want to get in touch with the aborigines here, you have to make your way into areas like Aussersihl (Zürich's still very lively working class district with plenty of

good foreign restaurants and an astonishing diversity of people from all kinds of nations) or the newly developed center around Escher Wyss Platz, which was the former industrial area of the city. Here you find the 'in' places: bars, restaurants, clubs, all of which are frequented by the locals and offering a more insider sight of the richest city in Europe.

In the Old Town centre, you can find gothic and baroque churches and an overdose of museums. Some, such as the 'Kunsthau', exhibit excellent collections of paintings. Make sure when you have paid a visit to the 'Peterskirche' and the 'Fraumünster', that you continue your walk to the 'Lindenhof'. At this site beside the Limmat, you can see the 'cradle' of Zurich. It shows remnants of an old Roman fortress as well as a customs post. From this point, you can command a fine view of the Old Town

Zurich is a shopping paradise! The main shopping area is concentrated within one square kilometer in the heart of the city. The best place to start is at the main railway station. Stroll down the famous 'Bahnhofstrasse' - one of

the most beautiful shopping streets in Europe - towards 'Paradeplatz' and the lake. Here you will find elegant boutiques, department stores, specialist shops with a rich selection of high quality goods (shoes, furs, leather goods, accessories, porcelain, jewelry and watches), banks, confectioners and street cafes which tempt you to linger and relax for a while. Each season of the year has its special charm on 'Bahnhofstrasse': spring, when the air is filled with the perfume of the lime trees; summer, when visitors from all over the world throng the street; autumn, when the shop windows are especially tempting; and winter, when the Christmas lights bring an extra sparkle to this area. You will find a myriad of

small boutiques, antique shops, bars and cafes in the Old Town on the left bank of the Limmat. Another attractive shopping street is the 'Limmatquai' on the right bank of the river, with its guildhalls, fashionable boutiques and countless romantic, winding side-streets. Finish your tour with a stroll through the Old Town - the Oberdorf and Niederdorf areas - on the right bank of the Limmat. The 'Löwenstrasse' and the adjoining 'Bahnhofpassage' under the main railway station have also developed into a popular shopping area. The 'Langstrasse' with its exotic atmosphere offers anything your heart desires and at moderate prices. There is a lot of fun there although it is quite hard to spend for bargain hunters out there. ■

Calmy-Rey is New Swiss President

Foreign Minister Micheline Calmy-Rey, who has been elected federal president for 2007, enjoys a large degree of popularity among the Swiss population. She regularly tops popularity polls for Swiss politicians. But her outspoken manner and policy decisions have also won her some enemies.

Calmy-Rey was appointed in a rare joint session of the two parliamentary chambers, the House of Representatives and the Senate. The 61-year-old is expected to continue pushing Switzerland's views in the world, engaging in efforts to bring about peace in troubled regions and enforcing the Geneva humanitarian conventions internationally.

The daughter of a train driver has come a long way since she ran a book distribution business in French-speaking Switzerland. In 1979 she joined the centre-left Social Democratic Party of Geneva, which she later served as president for two terms.

As a cantonal parliamentarian she took an interest in public finance, and when she became a member of the cantonal government in 1998, she took over as head of the department of finance.

The next step in her career as a politician came in 2002 when the federal parliament elected her to the cabinet. She took over the foreign ministry and has pursued an active policy marked by raising the profile of Swiss diplomacy and promoting international law, human rights and peace.

In 2003 Calmy-Rey became the first non-Korean government official to cross the four-kilometer-wide demilitarized zone between North and South Korea.

She has pushed several diplomatic initiatives: the Geneva Accord, an unofficial peace proposal aimed at solving the Israeli-Palestinian conflict; the United Nations Human Rights Council; the Red Crystal symbol of the International Committee of the Red Cross, and her efforts to secure independence for Kosovo.

Active neutrality

"Public diplomacy involves replacing the usual tact that permeates negotiations between governments of international treaties with a transparent method of getting one's position across by exerting pressure," she said in a speech 100 days after entering government.

This approach enjoys far from unanimous support. Critics accused her of violating Swiss neutrality when she called for a ceasefire between Israel and Islamic Hezbollah militants in Lebanon. She had said the Israeli operations were "disproportionate compared with their aims".

Calmy-Rey retorted that being the depositary state of the Geneva Conventions meant Switzerland had a duty to denounce attacks on fundamental principles.

But the rightwing Swiss People's Party laid into this policy, which it considered too "active". Never afraid to speak her mind, Calmy-Rey



CALMY-REY'S CAREER

- 1981-1997: Member of the Geneva cantonal parliament, chair of the finance commission, later speaker of the parliament.
- 1997: elected to the Geneva cantonal government.
- 2001: President of the Geneva cantonal government.
- December 4, 2002: elected to the cabinet, heading the foreign ministry. She is the fourth woman to be elected to the cabinet.

defended her brand of active neutrality at a conference of Swiss diplomats and went on to attack both the United States and the European Union for their policies in the Middle East.

She has also denounced the death penalty by hanging of Saddam Hussein as "not tolerable" and supports the idea of a Swiss seat in the UN Security Council.

But while her spontaneous and outspoken comments might rile some within parliament, the public appears to appreciate a straight-talking but approachable politician.

Calmy-Rey has won all three nationwide votes over foreign policy: accords on closer police cooperation with the EU, as well as a labour deal and a SFr1 billion (\$830 million) contribution to the ten new EU members.

This combination of guile and smile has consistently made her the Swiss public's favourite politician although she has faced competition since Doris Leuthard joined the cabinet in June. ■