

# INDO SWISS BUSINESS

The Newsmagazine of Swiss Business Hub India

Vol. 2 Issue 5

September-October 2005

member of **business network  
switzerland**



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The Fabulous Five

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## Distributed by:

**New Media Communication Pvt. Ltd.**

in association with

**Swiss Business Hub India**

**Chairman:** R. K. Prasad

**Managing Editor:** Satya Swaroop

**Director:** B.K.Sinha

**Group Editor:** Dev Varam

**Executive Editor:** C. P. Nambiar

**Consulting Editors:**

Prabhoo Sinha, Rajiv Tewari,

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**Editorial:** Tripti Chakravorty

**Head-Busi. Dev. :** Veerendra Bhargava

**Sr. Manager:** June Fernandes

**Asst. Manager:** Anand Kumar

**Asst. Project Manager:** Amit Verma

**Account Asst.:** Vrunda Gurav

**Circulation:** Jawaharlal

**Photographer:** Mumbai: Vishal, Bilal Khan

Kolkata: Debashish Paul

**Art Director:** Santosh Nawar

**Visualizer:** Maya Vichare

## BRANCHES:

### Kolkata:

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

Tel: 098300 15667, 033-24537708

Email: anurag@newmediacomm.biz

### Ranchi:

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

Tel: 0651-3095103, Telefax: 2246742

### Pune:

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

Pune 411 030. Telefax: 020 24454642

Email: pune@newmediacomm.biz

### Thiruvananthapuram:

Murugan, Branch Manager, TC-27/1915,  
MBRRA - 70, Mathrubhumi Road,  
Thiruvananthapuram

Tel: 09846555000, 0741-2468421

Email: murugan@newmediacomm.biz

### Australia Office:

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

Email: bandhana@newmediacomm.biz

### International Marketing:

**G. Biju Krishnan**

E-mail: biju@newmediacomm.biz

### New Media Communication Pvt. Ltd.,

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

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

E-mail: enquiry@newmediacomm.biz

www.newmediacomm.com

### Printed & Published by

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

**Editor: Manisha Saxena**

The news items and information published herein have  
been collected from various sources, which are considered  
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### Office of the Consulate General of Switzerland

102, Maker Chamber IV, 222,  
Jammalal Bajaj Road, Nariman Point,  
Mumbai-400 021 Tel: +91-22-2288 4563  
Fax: +91-22-2285 6566.



## **Dear Reader,**

Greetings. Banking is the backbone of the Swiss economy. In fact, banking contributes 11 percent of Switzerland's GDP. In September every year banking news hog the headlines because of the Swiss Bankers Association's annual jamboree. Naturally, the current issue of Indo-Swiss Business focuses on banking developments in Switzerland. This year, Swiss Bankers' Association Chairman Pierre Mirabaud chose the occasion to deliver a hard-hitting, thought-provoking address, stressing on Switzerland's stability, flexibility and innovativeness as the country's strengths to meet global challenges. We carry the full text of Mirabaud's speech. On his part, the Association's CEO Urs P Roth touches upon tax reforms and calls for a policy that helps improve Switzerland's global competitiveness. Then, we have a detailed write up on the Swiss Finance Institute, a research and training organization that will meet the growing requirement of highly qualified professionals in the field of banking and finance. We also carry some important economic banking news the rise in Swiss banks' revenues. Pharmaceuticals is one area in which Switzerland and India have strong bonds. The issue highlights Novartis India's corporate philosophy, which strives to improve, extend and save lives. In another development, India's Elder Pharma has tied up with TRB Chemedica International SA of Switzerland to make an arthritis drug. India has built its global image first with the tremendous strides made in Information Technology, followed by pharmaceuticals. India has established its image as the best outsourcing destination for IT products. Now, the pharmaceuticals industry is catching up with the IT Sector. Many pharma giants in the West are now looking at India and China to take advantage of the low-cost high efficiency benefit by outsourcing jobs to these countries. We carry a study. In terms of growth potential, it is healthcare which is poised for a giant leap, after IT and Pharma industries. We carry a research study that says India as a healthcare hub is growing at 30 per cent annually. The current issue also presents a unique story of an IT entrepreneur who has turned into a film producer to fulfill his passion. L. C. Singh, head of Nihilent Technologies, a successful technocrat running a successful company, has written and produced a film, titled Banaras, a mystic love story. We present a report and an interview with LC. Talking about arts, we also have a report on the Chamber Soloists of Lucerne, who were on a three-concert India tour. All these, plus other regular features make up the current issue.

Wish you happy reading

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

**Satya Swaroop**

Managing Editor

satya@newmediacomm.biz



## The Pursuit of Excellence

What appears to be a high-sounding philosophical approach to most people is just the way of life for the Swiss. Look at the way the banking industry of that country has gone about in setting up the Swiss Finance Institute, which becomes operational from January 1, 2006. As it is, the reputation of existing Swiss institutions that serve the country's banking industry is pretty high. In fact, Swiss banks carry an aura about themselves; their client confidentiality is impenetrable. Their banking practices are universally applauded and their efficiency emulated. The secrecy they maintain about their numbered accounts is legendary. Switzerland ranks among the world's top financial centers but the Swiss know that there is a lacuna somewhere. Constantly evaluating their own worth against the highest global standards, the Swiss have identified the areas in banking and finance where there is a deficiency, namely research and training. To plug this loophole, the Swiss Bankers' Association (SBA) launched an initiative two years ago, to bring about substantial improvement in university-level research, education and vocational training in the field of banking and finance. Both the government and universities have joined the fray. What

will be the ultimate goal of the Swiss Finance Centre? Besides providing world-class executives, does the Institute have any larger vision? This brings us to the provocative question that SBA Chairman Pierre Mirabaud posed some time back. "When will Switzerland win its first Nobel Prize in economics? And Mirabaud proceeded to answer it by saying confidently that the Swiss Finance Institute would help realize this vision. The world will not be surprised if a Swiss national is awarded the Nobel Prize in economics in not so distant a future! That day, the Swiss Pursuit of Excellence will have acquired its true connotation. While on the subject, the Indo-Swiss Business is fortunate to feature two fabulous reports involving," the pursuit of excellence and the passion for perfection." One is the making of the film, Banaras - A Mystic Love Story. L.C. Singh, one of the pioneers of the Indian IT industry, is the man who has written the story and screenplay for the film and also produced it. It is the pursuit of a modern mind delving deep into ancient Indian culture and values to find meaning. Where else could he get it except in Banaras, the timeless city, the abode of Lord Shiva, reposing in meditation on the banks of the sacred Ganges? The other is a music concert by five virtuosos from Lucerne in Switzerland, on a tour of three Indian cities Mumbai, Kolkata and Delhi. The discerning Mumbai audience is mesmerized by the musicians' Passion for Perfection. The exercise is eternal as there are no parameters for perfection or for passion. But the effort will continue forever and ever.

-Dev



## To meet challenges of globalization ... Swiss must rely on flexibility & innovativeness

Pierre Mirabaud, *Chairman Swiss Bankers Association*

In a hard-hitting speech delivered on September 15, 2005, the annual Swiss Bankers Day, Swiss Bankers Association Chairman Pierre G. Mirabaud stresses upon Switzerland's strengths such as stability, flexibility, innovativeness and international outlook in order to overcome the uncertainty caused by the economic, political and social instability in a world that is living through radical changes. Mirabaud appeals to bankers that Switzerland must again learn to see changes as opportunities and not as threats.

"Market playboys", "power-hungry managers", "feudal capitalists imbued with neoliberal ideology". This is how talk-show socialists, desperate perpetual electioneers and backward-looking columnists try to smear a profession: they use a populist vocabulary that would do credit to any saloon bar, an economic expertise that is still preaching the need to overthrow capitalism, and a social model that may have been briefly in vogue in 1968.

The lofty-sounding concept of "a crisis of legitimacy of the economic system" hides an attempt to turn back the wheel of history. Let me make one thing clear from the outset. Bad managers and business leaders do exist. The overwhelming majority of them do their jobs exceedingly well. "So there can be no talk at all of a "crisis of legitimacy of the economic system".

Where then does this hatred for the business sector and specifically for its managers come from? Is it because fear of the future is clouding reality? Is it because national politics is powerless in the face of global challenges? Is it simply the vanity of many movers and shakers of the last century who see their influence waning? I cannot say. There is probably - as so often - a much simpler explanation. For some years now, we have been living through a period of radical change, which is creating economic, political and social instability and uncertainty. People want explanations. But the answers don't please everyone because they mean giving up well-loved habits and privileges. In such circumstances the easiest thing to

do is to ignore reality and to seek and construct a paradigm based on evil bogeymen. And who best plays this role in the envy-ridden societies of Western Europe? Step forward high-earning managers!

### "Death to globalization"

It is particularly on the Old Continent that agitators of various political complexions are shouting death to the global economy and its exponents. We are all in their sights, and that includes you, my fellow-bankers. And in the end the victims of this whole campaign are those whose advocates the critics claim to be. For every student of economics learns in his first semester that the economic performance of a country, i.e. the gross domestic product, is in fact created by the efforts of that country's business sector and not by politics or columns in Sunday newspapers. Prosperity has first to be produced; only then can it be distributed, not vice versa.

But if in western national economies - so tied up in red tape they are at risk of a seizure - there is no growth and people are also about to go to the polls, some quarters (unanimously for once) will condemn globalization and supposedly unfettered market forces. It seems to have slipped the notoriously poor memories of left-wing critics that it is thanks to this very globalization that the prosperity was possible in the first place. There is no excuse for the omission however. If borders were at last to be opened to Third World products as well, there would in fact be no need to argue every year about the degree and funding of

development aid - development aid, which, you will note, is produced by none other than the economic sector.

Globalization cannot be a one-way street. The French economist, Alain Minc, once said that for our national economies globalization is like gravity in physics. You cannot be for or against the laws of gravity - you just have to live with them. We in the West must all realize that an additional supply of hundreds of millions has logged onto the world's labour markets. They are not "wage slaves"; they are committed workers who are seeking their share of global prosperity. The alternative to internationalization is to retreat into a bunker. And no-

one really wants that any more.

Since 1990 around three billion extra people have joined the global economy. We cannot deny them the prosperity enjoyed by the western world after the Second World War. For us, this means taking up the challenges of dismantling economic barriers, channeling resources to promising new industries and not paying a lot of money to keep outdated structures in the intensive care unit. We must free ourselves from our "all-risks-insured" mentality and learn again to take responsibility for ourselves and our lives rather than always calling on the state. It means saying good-bye to habits we know and love. We must



concentrate on our strengths, such as our stability, flexibility, innovativeness and international outlook.

## Following suit, but independently, in Switzerland

At present there is a sharply-focused discussion in the European Union on this very subject. Ostensibly, the EU risks a real upset at the ballot box over its vision of deeper political unity. The political leaders in Paris and Berlin, left in the lurch by their own sovereign electorates or by economic reality, are defending "ideals" that have long had more to do with national pragmatism than their vision of the future. They are having to accept, however, that their peoples are no longer willing to play along. The core problem of the enlarged EU is the quite differentiated understandings of the relationship between state, citizen and economy. On the one hand we have those across the continent who seek to shore up the "old" national economies, who would answer today's problems with yesterday's solutions and in doing so blank out tomorrow. On the other hand we have the Anglo-Saxon world view of a liberal economy whose citizens are responsible men and women, a view also subscribed to by the new EU countries in Eastern Europe. They indeed have personal experience of 40 years of socialism and what it can do. The new Europe is modernizing its economy, creating good financial and political conditions and ridding itself in record time of the inherited burdens of communism. However much the economic facts speak clearly in favour of the British approach, at intellectual gatherings in Paris or the editorial offices of Hamburg it is still considered chic to belittle Thatcherism, without which the UK could not have achieved its impressive economic success at all.

And what of Switzerland? Instead of making the most of our better starting position, instead of learning from the mistakes of our neighbours, we seem once again to be reproducing, independently, what is happening in Core Europe. Facts are glossed over, demographic changes are not taken on board and those who draw attention to these problems are vilified in the press. But in Switzerland too there are serious problems to be tackled. How can we finally get the economy growing again? What debts can we leave to future generations? How can spiraling health costs be cut? What is the answer to demographic decline? How do we keep our sovereignty and still remain an economic and political force? Yet the anti-progressives on the left and the right would rather have a

saloon bar debate about the pros and cons of the dual mandate instead of seriously discussing the need to double the rate of growth.

## Please get involved!

The political arguments in our country are getting louder, more personal and more hurtful. Just not better, unfortunately. Both extremes cancel each other out. The centre campaigns, it is true, for more freedom and less state intervention. Nonetheless, since 1990 it has increased the rate of government expenditure from 31.5 to 39 percent of GDP, the redistribution machinery has taken on EU proportions and the internal market has still not been deregulated.

Politics and the economy are mutually dependent. Poor corporate performances do not only affect prosperity, they are an invitation to a few politicians at every level to interfere through legislation and regulation. And in the recent past, there have unfortunately been a number of such opportunities in our country. But our recognition of the great importance of national and international politics does not just date from the complaints of the corporate sector about too much regulation. Politics is too important to be left to politicians. Something, alas, we have tended to forget in recent years. Hence my call to the business community - to you, therefore, my fellow-bankers to get much more involved and engage more actively in politics again. We need to renew our interest in what is happening in town halls and our national parliament. We cannot leave the field open to the supporters of the right and the left. Switzerland must again learn to see changes as opportunities and not as threats. As the Chinese philosopher Lao-Tzu said: a person is responsible not only for what he does but also for what he does not do.

A good example of far-sighted commitment by the banks in support of Switzerland as a business hub is the recent founding of the Swiss Finance Institute. As you know, the banks have undertaken to provide support for at least 15 years - together with the Federal government and some of the universities - in order to strive for a leading position in banking and finance studies at university level. The banks in Switzerland, led by the two big banks, have in fact made substantial financial contributions and also pledged sustained top management involvement. Long-term planning and a feeling of responsibility for the future of our country, rather than short-term returns, formed the basis for this initiative. ■



## Tax policy must promote global competitiveness - Urs P Roth, CEO, Swiss Bankers Association

Swiss Bankers Association CEO **Urs P. Roth** talked about the taxation of savings income, corporate tax reforms in a media address on September 14, 2005. He said that goals should properly be set for a tax system, apart from the promotion of economic growth and listed them as transparency, simplicity, justice and the preservation of international competitiveness.

I'm pleased to have the opportunity to bring to your attention two quite different topics. The first in fact also has to do with taxes, a subject which a financial organisation finds almost impossible to avoid. It will be a pleasure to explain our position on Corporate Tax Reform II, particularly with reference to the activity described as "professional securities brokerage". Then I would like to focus on the Swiss policy of extending international judicial assistance in criminal matters - I hope without going into too much legal detail - and show that assistance should be given only if constitutional criteria are met.

### Corporate Tax Reform II more courage, more pragmatism

A tax system and tax policy have a great impact on economic growth. This is a fact of economic life that is no longer seriously questioned by anyone these days. In a nutshell, the right and the left are now only divided on the issue of whether demand should be boosted by high taxes and high state spending or whether supply should be boosted by low taxes and low state spending. Take away the blinkers of dogma and compare the ailing economies of the high-taxation countries in the old Europe with the prospering low taxation countries of the new Europe and you will be able to guess our answer without being too much of a detective.

Unfortunately however, politics - and this applies to Switzerland too - has a habit of attaching many other political aims that have nothing to do with tax to the tax system, with the result that the system is overloaded. So what goals should properly be set for a tax system, apart from the promotion of economic growth, I hear you ask? In our view, transparency, simplicity, justice and the

preservation of international competitiveness. This last goal gives me an opportunity to say a few words in passing in defence of international tax competition.

Competition is in fact accepted as a good thing from the left to the right of the political spectrum. Cartels, quite properly, are prohibited. But as soon as taxation is mentioned, this is forgotten: competition ought to be eliminated and (high) taxation cartels introduced. No jobs are created with that sort of strategy. That was just a parenthesis: let me return to the real subject, that is to say, our assessment of Corporate Tax Reform II. As you know, this is the title used for the Swiss government's attempts over many years to improve general economic conditions for companies and venture capitalists.

### Scepticism about Corporate Tax Reform II proposals

We know that politics is always a mixture of what you want to do and what you can do. And yet, even with that realpolitik attitude, the proposals do not wholly convince. A certain amount of scepticism is called for. It is doubtful, for example, whether the original prime aims of improving the attractiveness of Switzerland as a location for companies and giving an urgently-needed impetus to growth can be achieved through these measures.

The economic double taxation of dividend income through direct federal taxation, which in an international comparison is anachronistic and detrimental to Switzerland as a corporate location, may have been reduced, but at 80% the proposal is clearly less than the 50% expected by the business community. On the positive side, though, this is to apply federally to all investors, whatever the size of the holding (i.e. also to portfolio investors). When it comes to the much more



significant cantonal income tax, the proposal provides for a large degree of autonomy. We do indeed welcome tax competition, as I said at the beginning. In this instance, however, no decision at all has so far been made about whether and to what extent the cantons will exercise the opportunity for tax relief.

Over and above these proposals to avoid economic double taxation, the policy paper also includes arrangements to regulate an area that is very important to the financial services sector and its customers: I refer to practicing "professional investment brokers" or "quasi-investment brokers". It is well-known that personal capital gains are not subject to tax in Switzerland. This was again clearly confirmed by the people and the cantons in December 2001, when the introduction of a capital gains tax was rejected by a large majority at the ballot box. Any gains from securities dealings that result from gainful self-employment are not to be tax-exempt. The tax authorities and the Federal Supreme Court have introduced here the notion of the "professional investment broker". In the financial press and the tax literature, this rule in particular has been rightly criticised, because it means that a "quasi-investment broker" must pay tax and even social insurance contributions on his personal investment gains.

### High Tax Burden

In a higher tax band - together with social insurance - the tax burden is often as much as 50%. Don't forget that the tax authorities don't require the quasi-investment broker really to be running a business. He doesn't have to have an infrastructure, a company, customers, etc. So this is a professional practice where the business is only "quasi", but the tax consequences are real.

In our view a distinction must clearly be drawn between the tax-exempt pure management of assets and gainful self-employment that is subject to tax. Only cases of really flagrant abuse should fall into the category of 'practising the profession of investment broker'. Pure asset management, including the active management of assets by professional, external asset managers or by banks must remain outside this category.

Under the corporate tax reform, the Federal Council now wants to replace the qualifying features used hitherto, and based on both subjective and objective criteria, with a new set of rules. The new activity of quasi-investment brokerage is to exist if one or other of two criteria apply - "funding by external sources" or "frequency of transactions". The proposed new rules may appear logical at first sight. But looked at more closely, they prove

to be unsuitable, raising more questions than they answer. The new rules would mean that a substantially higher number of taxpayers would be taxed as quasi-investment brokers than is the case today.

On the one hand, this is clearly at odds with the will of the people as expressed in 2001. On the other hand, the rules could even turn out to offer a tax loophole, because any losses from securities dealings could be taken into account for tax purposes. The SBA therefore firmly rejects the proposal as described in the official policy paper. It must be taken out of the draft legislation. This can be done quite easily in fact, because the proposal concerns a subject that does not belong in the projected corporate tax reform.

At almost the same time as the policy paper about the corporate tax reform was being published, the Swiss Tax Administration put Circular No. 8 on "professional investment brokerage" onto its website. This is intended to be a transitional arrangement and contains six points, known as the "safe haven" criteria. Both the timing of the publication and the content of the circular have created confusion and uncertainty rather than clarity and legal certainty in the minds of taxpayers, bankers and bank customers. This is also clear from the public and sometimes pointed criticism by taxation experts and politicians. And it is true: the criteria for determining that taxpayers are NOT quasi-investment brokers are impractical, complicated and costly to meet. The circular has clearly failed to achieve its intended aim of increased legal certainty. The possible effects the circular might have now depend greatly on the applied practice of the cantonal tax offices making assessments. It is essential that the statutory tax exemption of private capital gains should remain the key factor in the evaluation. However, a certain degree of arbitrariness can never be completely excluded. But this whole exercise can still be summed up by saying that the proposal in the policy paper is unsuitable, the circular is impractical, and the problem of legal uncertainty remains unresolved.

We are aware that it takes time to draft a good legislative solution and we have to admit, self-critically, that we too did not find a satisfactory solution in the short time over the summer. But we will continue to look into it in detail during the coming weeks and months. It is already clear today, however, that any solution must respect the will of the people, increase legal certainty and meet the requirement of simplicity. ■



**Swiss Finance Institute  
to take off from Jan 1, 2006**

## In pursuit of excellence in research & training

First-rate training in banking and finance is essential in order to ensure Switzerland remains competitive. With a view to achieving this goal, the Swiss Bankers Association (SBA) has joined forces with the federal government and leading universities to set up a foundation called the "Swiss Finance Institute". This Institute will promote research and education by means of competitively -awarded funding and build up an attractive range of executive education courses. The banks, the government and the universities involved in the Swiss Finance Institute will all contribute a share to the annual funding requirement of CHF 18 million. The Swiss Finance Institute is due to begin operating on 1 January 2006.

Two years ago the Swiss Bankers Association (SBA) launched an initiative to bring about a sustainable improvement in university-level research, education and vocational training in the field of banking and finance. Although Switzerland ranks amongst the world's top competing financial centres, the same cannot be said at present of Switzerland's reputation with regard to research and training in banking and finance. As a world-leading financial centre, Switzerland deserves world-leading research and training in banking and finance.

Switzerland's banks, government and leading universities all played a part in the birth of the Swiss Finance Institute and thus clearly demonstrated their commitment to improving Swiss research and executive education in the field of banking and finance. This commitment is reflected in the foundation's Council, which comprises top banking, government and university figures. It is chaired by Olivier Steimer, Chairman of the Board of Directors of Banque Cantonale Vaudoise.

Charles Kleiber, State Secretary for Education and Research and the government's representative on the Council, had the following to say about the government's involvement: "The Swiss Finance Institute is a key initiative for raising Switzerland's profile as a centre of training and research in banking and finance, and the Confederation welcomes and supports this initiative."

### **Two important streams: Research & Executive Education**

Prof. Dr. Jean-Pierre Danthine will take charge of the foundation's operative management. He brings with him a wealth of experience and a sound understanding of both academic and political spheres from his role as Director of the foundation FAME. The Swiss Finance Institute's activities will be split into two streams: research

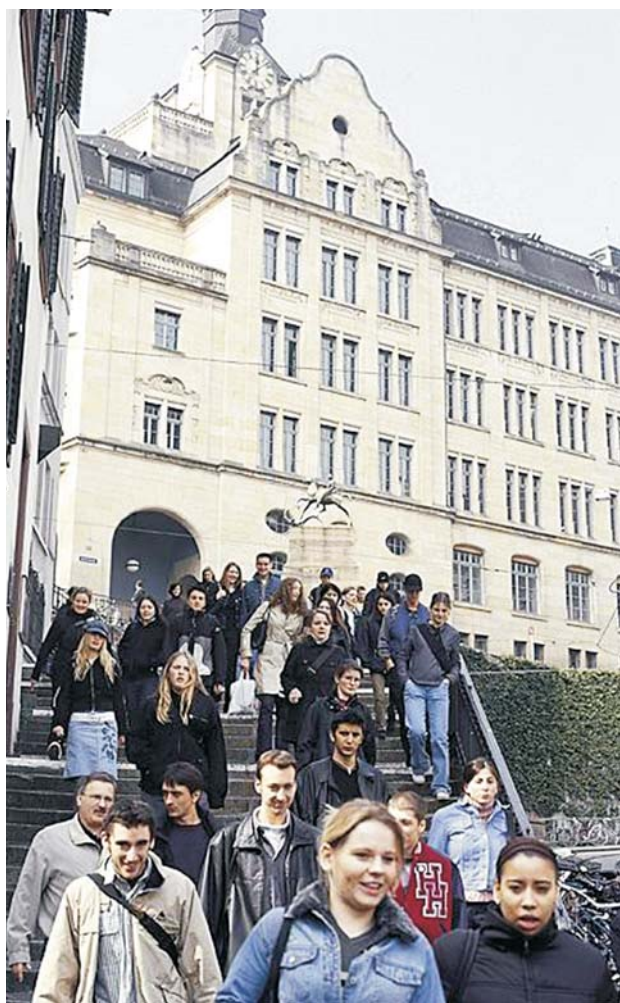
and executive education. Both will aim to increase Switzerland's attractiveness for outstanding researchers, teachers, students and participants in executive education programmes. Over the medium term, the research stream will endeavour to achieve a leading position within Europe in two or three specific areas, for example in private banking/wealth management and risk management. Research will be promoted mainly by helping universities to establish appropriate structures, supporting research projects and developing a coordinated PhD programme.

"This will significantly raise the profile of Swiss research and executive education around the world and thus enable international knowledge transfer at the very highest level to the benefit of our country's financial sector

as well as its education and training system," explained Olivier Steimer.

The Swiss Finance Institute will require annual funding of CHF 18 million for its activities. The banks, government, universities and existing foundations set up by the banks will all contribute their fair share of this amount. The Swiss banks have created a joint fund totalling CHF 75 million, which is coordinated by the SBA. The banks' annual contribution of up to CHF 7 million over the next 15 years will be paid out from this fund. This, together with the funds contributed by the government and universities, will generate a total of CHF 200 million thanks to a triple-leverage mechanism. According to the implementation plan, the Swiss Finance Institute is due to begin operating on 1 January 2006.

## A first-class financial centre requires first-class education



When he took up the position of Chairman of the Swiss Bankers Association around two years ago, Pierre Mirabaud launched an initiative to bring about a sustainable improvement in university-level research, education and vocational training in the field of banking and finance. The idea was as credible as it was clear, as it still is today: a world-class financial centre must also offer first-rate training with international reach if it is to remain successful in the face of global competition. Swiss universities should become one of the leading destinations for financial market specialists from all over the world in order to provide the Swiss banks with a much-needed source of outstanding finance graduates.

### Banking accounts for 11% GDP

This is especially crucial in view of the banking and finance sector's considerable importance for the Swiss economy it accounts for 11% of gross domestic product and its undeniably high international profile. Unfortunately, the research and training on offer in Switzerland in this field have yet to achieve a comparable reputation at the global level. However, a great deal of progress has been made in recent years. NCCR FINRISK, an academic forum for research in financial valuation and risk management created as part of the Swiss National Science Foundation's promotional efforts, has brought Swiss banking and finance research to a new level. The support given to the nascent inter-university

network in particular has been exemplary. The private foundations created and financed by the banks, namely the Swiss Banking School, FAME and the Banking and Finance Foundation at the University of Zurich, have made a substantial contribution to promoting research and executive education. What is more, the link-up between the Swiss Banking School and FAME in the area of executive education represents the first successful cooperation in this respect.

The focus going forward has to be on further stepping up all these efforts and integrating them as much as possible with a view to creating a research and training platform for the Swiss banking and finance sector that can measure up to Europe's top universities. The banks, working with the federal government and interested parties from the higher education sector, have made great strides towards this goal over the last two years. A foundation with the name "Swiss Finance Institute" was formed in summer 2005. According to its Charter, its purpose is "To promote world-class research and education in Switzerland by means of competitively-awarded funding for university institutions and networks which will enhance the advantages of Switzerland as a scientific and financial centre with results that are useful and relevant for teaching purposes and in practice."

## Competitively-awarded funding

The Swiss Finance Institute's activities will be split into two streams: research and executive education. Both will aim to increase Switzerland's appeal for outstanding researchers, teachers, students and participants in executive education programmes. The intention is for Switzerland to be perceived internationally no longer as merely a leading financial centre, but also increasingly as a leading centre of expertise, education and vocational training in banking and finance. Over the medium term, the research stream will endeavour to achieve a leading position within Europe in two or three specific areas private banking/wealth management and risk management, for instance. This will significantly raise the profile of Swiss research and executive education around the world and thus enable international knowledge transfer at the very highest level to the benefit of our country's financial sector as well as its education and training system.

## Promoting research

The Swiss Finance Institute will promote research in three main ways, aiming to bring real benefits for both academic and practical purposes:

- **Structural promotion.** The Swiss Finance Institute will help universities to set up lasting structures. Its aim is to provide an incentive for appointing top international people to teaching posts in relevant subject areas by co-financing university professorships. Leading researchers are to receive more encouragement to seek out projects at Swiss universities. Moreover, the idea of co-financing guest professors is being considered as a means of increasing the amount of international cooperation. Structural promotion will foster more solid partnerships extending across national borders and ensure that the structures are in place to sustain excellence in research and executive education. The foundation will work on determining the critical mass for these structures.

- **Project promotion.** The Swiss Finance Institute will also support and promote promising research projects in selected subject areas. It will take an approach whereby professors can compete for funding for their projects, with funding being granted based on an independent assessment according to scientific criteria. Funding projects should additionally lead to better cooperation between universities, which will in turn have a positive impact on quality. All universities and tertiary colleges will be invited to compete for project funding.

- **PhD programme.** Last but not least, the Swiss Finance Institute will support the establishment and expansion of a nationally-coordinated PhD programme. The entrance requirements will be clearly formulated, and the focus will be on outstanding doctoral candidates. The Swiss Finance Institute will co-finance

grants in conjunction with PhD courses and research. Top talents will be offered the best possible start to their professional career in line with an internationally recognized model, e.g. a defined three to four-year programme with courses/seminars and intensive tutoring.

**FAME/FINRISK** will provide a solid basis for this purpose. A key feature of the Swiss Finance Institute's research promotion will be distributing funds through a competitive system in order to encourage maximum performance and achievement in research and executive education. This will bring an entrepreneurial approach to the fore. The reasoning behind this co-financing concept is that, because they will be competing for funds, universities will have to make clear decisions as to which areas they wish to concentrate their research and educational activities on and how much of their own money they are prepared to plough into these areas so as to profile themselves as centres of excellence.

The aspiration of lifting Swiss research and training in banking and finance to the level of Europe's top

universities is expressed in a number of specific targets for research promotion. Firstly, output in terms of financial research publications is to be increased to a similar level to that of the leading European universities (e.g. the London Business School), which will mean roughly three times as many articles appearing in the most prestigious financial journals as is currently the case. It is hoped that this increase will go hand-in-hand with an expansion of current top-level research capacity in banking and finance to at least 30 professorships.

At the same time, no restrictions whatsoever will be placed on the freedom the universities enjoy in their research activities. A variety of measures will be taken to this end, central among them being the creation of an independent Scientific Council. This body's duties will include materially evaluating projects submitted and awarding funds according to scientific criteria. The Scientific Council will comprise internationally renowned professors of banking and finance from around the world. The Foundation's Council hopes to sign off the complete list of Scientific Council members by the end of 2005.

## Executive Education

As far as executive education is concerned, the Swiss Finance Institute will initially build on the programmes offered to date successfully by FAME and the Swiss Banking School. The existing range of executive education courses will be brought together under one roof and coordinated in line with a coherent strategy. In addition, there are plans to expand specific specialist courses and upgrade

existing qualifications, for example by offering an internationally-accredited Master's Degree in General Bank Management. Knowledge transfer from research to academia and ultimately to practice will also be improved. Research findings will flow more readily into courses, while, conversely, practical and academic requirements will feed back into research topics.

An Executive Education Advisory Board comprising leading specialists and practitioners from the fields of education and vocational training will be set up to oversee the strategic orientation of the courses offered and to ensure that high standards of quality and a good reputation are upheld. A list of members will be compiled and signed off by the end of 2005.

## Efficient, lean structures

The Swiss Finance Institute has a clear and streamlined organisation based on existing structures and resources. All the interest groups involved in the foundation, namely the banks, the federal government and the universities, are represented on the foundation's Council. This guarantees that their various interests and requirements are taken into consideration when strategic decisions on the foundation's activities are made.

The foundation's Council is made up of prominent figures from the worlds of business, politics and academia (see Appendix for list). It is responsible for the foundation's strategy and for defining the subject areas addressed and the qualitative criteria imposed. It is chaired by Olivier Steimer, Chairman of the Board of Directors of Banque Cantonale Vaudoise. The Vice-Chairmen are Dr Marcel Rohner, Chairman and CEO of UBS Global Wealth Management & Business Banking, and Dr Ulrich Körner, COO and CFO of Credit Suisse. The Management Board reports directly to the foundation's Council and takes care of the foundation's operative management and coordination duties. It is headed by Prof. Dr. Jean-Pierre Danthine.

## Broad support and partnerships

The SBA's initiative to set up the foundation received broad support. Banks, universities, the federal government and private foundations all played a part in the birth of the Swiss Finance Institute and thus clearly demonstrated their commitment to improving Swiss research and executive education in the field of banking and finance. At the same time, though, it was acknowledged that the foundation's ambitious



goals can only be achieved if everyone involved works together in a coordinated manner.

The Swiss Finance Institute will pursue close collaboration with Switzerland's leading universities and their economics faculties. Its aim is to promote the expansion of research and executive education based on structures the universities have already successfully established. The concept has been presented to all the Swiss universities and was welcomed everywhere. Taking this as a starting point, in-depth talks were then conducted that resulted in a framework agreement on cooperation between the universities and the Swiss Finance Institute. The University of Zurich, the Federal Institute of Technology in Zurich as well as the Universities of Lausanne and Geneva have already signed a Memorandum of Understanding (MoU) and so join the project as solid partners in cooperation.

## Talks with universities

Discussions with the Universities of St. Gallen and Ticino are well advanced and - especially in the case of the University of Ticino - are on the point of being concluded.



Talks with other universities are still in progress. In principle, the Swiss Finance Institute is keen to cooperate with all universities and would like to encourage them to work together within a nationwide network. The federal government will also maintain close links to the Swiss Finance Institute, for instance by discussing where promotion will be focused with NCCR FINRISK, in order to maintain and if possible build on the progress achieved so far in promoting research.

The government acknowledges and supports the Swiss Finance Institute's stated goals. It backs the planned operational cooperation between the Swiss Finance Institute, NCCR FINRISK and the Swiss National Science Foundation and takes a very positive view of the envisaged cooperation agreements with the universities directly involved, which will create an ideal basis for long-term reforms of their institutional structures. Overall, the government sees the initiative as a shining example of public-private cooperation in academia.

The Swiss Finance Institute will offer established private foundations the opportunity to achieve even better results with regard to their individual goals. Following positive feedback in preliminary consultations, talks are now underway with the respective Council members to flesh

out the details of how this will work. The aim is to integrate the existing foundations as effectively as possible with the Swiss Finance Institute, allowing each of them to optimise its own efforts by combining resources.

## Secure long-term financing

Additional financial resources are needed to create a globally-recognised platform for research and education in banking and finance that can measure up to Europe's leading universities. Nationwide coordination is equally essential. Combining and coordinating resources is the Swiss Finance Institute's task. All those involved will contribute financially to the foundation's promotional efforts: every year, the federal government/Swiss National Science Foundation will put in CHF 3 million through the continuation of FINRISK; the private foundations will donate revenue from their assets amounting to CHF 2 million and the universities will add CHF 6 million through cofinancing of research projects and structural measures. The banks will fill any funding gaps. They have set up a joint fund containing CHF 75

million in total that will pay out up to CHF 7 million a year over the next 15 years. This will play a major role in ensuring the initiative's long-term sustainability. This, together with the funds contributed by the government and universities, will generate a total of CHF 200 million thanks to a tripleleverage mechanism. Each SBA member bank will contribute its fair share. Some, including the founder banks of the Swiss Finance Institute, will make substantial additional contributions. In total, the money collected from all parties involved will cover the funding requirement of CHF 18 million a year.

## Cutoff date Jan 1, 2006

It is the Swiss Finance Institute's stated aim to become active as soon as possible and to make the results of its work tangible. According to the ambitious implementation plan, it will be possible to begin operating from 1 January 2006. Thereafter, the foundation's promotional activities are to be started as soon as possible, for example by launching the first project tenders or initiating the process to appoint individual professors. The Swiss Finance Institute's Management Board will start work on January 2006.

# "When will Switzerland win its first Nobel Prize in economics?"

**That's the question Swiss Bankers Association Chairman Pierre G. Mirabaud poses and proceeds to answer that the "Swiss Finance Institute" which will be operative from January 2006 will help realize this vision.**

This is the question with which I closed my speech when we first unveiled our initiative to promote university education in banking and finance. Now, about 18 months and countless hours' work later, we have made a big step towards realising this vision with the launch of a foundation, the "Swiss Finance Institute". There is of course much work still to be done on the academic front, but with the creation of the Swiss Finance Institute we have created a solid basis in Switzerland.

The Swiss banks' first-class performance, vast experience and reliability have given our country's financial sector world-leading status and Switzerland today ranks amongst the world's top financial centres. Unfortunately, though, Switzerland still does not enjoy quite the same prestige as an international centre of banking and finance training. Universities and institutions in other countries continue to dominate the league tables. Switzerland does indeed have very good foundation courses for undergraduates and a variety of professorships and institutes geared specifically to finance. It also boasts a number of internationally-renowned institutions such as NCCR FINRISK, FAME and the Swiss Banking School. However, its continued lack of a coordinated, goal-oriented approach at national level often means that resources both human and financial are spread out too thinly.

This is where the Swiss Finance Institute comes in. Taking existing initiatives as a starting point, it will coordinate efforts that are already underway and step them up in specific areas. Olivier Steimer, Chairman of the foundation's Council, will say more on this subject later. Our goals were formulated and communicated quickly, but achieving them will take time and pose considerable challenges for everyone involved. I am very proud that we have succeeded in persuading key representatives of the banks, the federal government and the universities to back the Swiss Finance Institute. This broad support is reflected in the composition of the foundation's Council.

I would like to take this opportunity to offer my warmest

thanks to everyone who has been involved with the project. They have shown dedication, courage and a flair for innovation that can only be good news for the future of Switzerland's economy and education system. First and foremost, I must thank Dr Charles Kleiber, State Secretary for Education and Research. We have been able to count on invaluable support from the government right from the outset. The Swiss Finance Institute is a shining example of public-private cooperation in the field of education.

The universities represented on the Council have also committed themselves to working towards the Swiss Finance Institute's goals. They have a decisive role to play in its success thanks to their experience in research and education at both academic and operational levels. It was crucial for us to win the support of Switzerland's leading universities for our cause. I would naturally also like to give special thanks to my colleagues in the banking industry. It was they who first called for the Swiss Finance Institute to be set up, and it was they who launched the initiative and pushed it forward under the aegis of the Swiss Bankers Association. Not only have the SBA member banks spoken out very strongly in favour of creating the Swiss Finance Institute; they have also been actively involved in a seemingly endless stream of meetings and discussions on the organisational form of the concept and on how it is to be realised in practice.

Swiss banks have jointly set up a fund totalling CHF 75 million. This, together with the funds contributed by the government and universities, will generate a total of CHF 200 million thanks to a triple-leverage mechanism. The banks have thereby made a substantial contribution to ensuring the Swiss Finance Institute's long-term sustainability. Once again, the banks have shown that they can pull together to work towards a worthwhile goal. In Olivier Steimer we have found a dedicated Chairman who, it goes without saying, will lead the foundation with professionalism and determination. On behalf of all those involved in the project I would like to thank him for his hard work to date and for his efforts yet to come. ■



# 'Free Movement of Persons' Vital for Swiss Economy

Swiss Bankers Association Chairman **Pierre G. Mirabaud**, interacting with media persons on September 14, on the eve of the Swiss Bankers Day, strongly supported the Free Movement of Persons policy, saying that opening-up of Switzerland to people and products would be vital to the country's economy. Excerpts.

Last year the Swiss Bankers Association, together with BAK Basel Economics, created the first "Bank Barometer". We were attempting to capture as accurate a picture as possible of economic activity in the sector using various parameters and daring to look forward to the second half of 2004. We can dispense with the reality test of our forecasts, because we - like almost all the forecasters - also expected interest rates to rise by a small amount and thus underestimated to a certain extent bank profits. During the next few minutes, therefore, I do not intend to make my peace with the past, but rather to describe what we

expect for the banking sector in Switzerland over the next few months. Before I do so, however, I would like to take this opportunity to return one last time to the forthcoming referendum on the extension of the free movement of persons to the new EU countries: a topic which clearly has a great deal to do with our subject today given its great significance for the state of the economy of our country.

With the ballot on extending the free movement of

persons (FMP) in two weeks' time, we are once again voting on our relationship with Europe. Much has already been said and written on this subject. I do not intend therefore to present yet again all the arguments in detail here. But let me just remind you of one statistic that puts the whole "fuss" into perspective. Thanks to quotas, transitional arrangements and accompanying measures, by 2011, around 3,000 permanent residence permits will have been issued to persons from the new EU countries. This corresponds to barely one per Swiss municipality. Now let me say briefly in simple words what the referendum on 25 September is really about. The future of our country is at stake. An economy like ours, so dependent on trade with other countries, needs legal certainty in its relations with its immediate neighbours and open borders for products and persons. This is what we achieved with the Bilateral I agreements. Anyone who casts doubt on the need to open our borders with false facts and a bunker mentality is playing a very dangerous game. If we do not open up further, there will be FEWER, not more, jobs in our country. If we do not open up further, Switzerland will not have a future, only a past. If we do not open up further, there will be not more, but less, sovereignty for our homeland. But the opponents in the nationalist conservative camp are cooking up quite a different dish. The ingredients are fear, xenophobia and no sense of reality served up with propaganda that shows yet again that not everyone has the same view about what is considered below the belt or what is considered good taste. But I am convinced that Swiss voters are slowly seeing through this type of referendum campaigning and will give a clear unequivocal answer, just as they did in the Schengen/Dublin referendum.

There is no need for us to fear the new EU countries, rather we must see the opening of our economy as an opportunity. On 25 September, we must remember an earlier, courageous Switzerland. A Switzerland that in 1956 and 1968 took and integrated refugees from Hungary and the former Czechoslovakia. A Switzerland that took a keen interest in Poland's fight for freedom in 1980 and 1981. That Switzerland always had a tradition of fellow feeling for the people in the former Eastern block. The Switzerland of today must now honour the promises of that earlier Switzerland and not bolt its doors.



## With expanding global economy ... Swiss banks' revenues seen rising in 2005

The global economy experienced extraordinarily strong growth in 2004. The cyclical high point may have been passed, but overall the global economy is set to expand further. The main drivers of this expansion are still the US and China. In contrast, the prospects for growth in the euro zone are much more modest. The Swiss economy, being within the pull of the weak euro zone, is also likely to grow less in 2005 than in 2004. Against that global economic background, the Swiss banking sector succeeded in recording a welcome increase in earnings in 2004: total net earnings rose by 6.4 percent compared with 2003, reaching CHF 58.5 billion. This signals some recovery from the crisis years of 2001-2003.

In the first half of 2005, the general market environment continued positive for the banks. The upsurge in share prices stimulated demand in the private banking sector and asset dependent earnings. Assets under management increased considerably compared with the end of 2004, primarily the result of performance-dependent operations, but a second factor was also the inflow of new money. Growth may not have been as good as in the commission business, but services and trading obtained positive results in the first half. On the other hand, market conditions in the interest-earning business did not improve: the toughness of the competition pushed the interest margin down despite the fact that interest rates did not change.

Overall, revenues from interest income business were flat, though the cantonal banks and the Raiffeisen Banks did very well. We see further opportunities for growth in investment banking and in asset management during the second half of 2005, because the mood of the stock markets has been positive up to now, although the possibility of stock market consolidation might slow the pace. We must also remember that customer needs mean that the cross-border asset management business is likely to grow less than onshore banking. At the same time, the current trend of greater proximity to the customer would tend to indicate that there will be expansion abroad. In summary, we expect 2005 again to produce higher total revenues for the banks in Switzerland, although they may not grow as much as in the previous year.

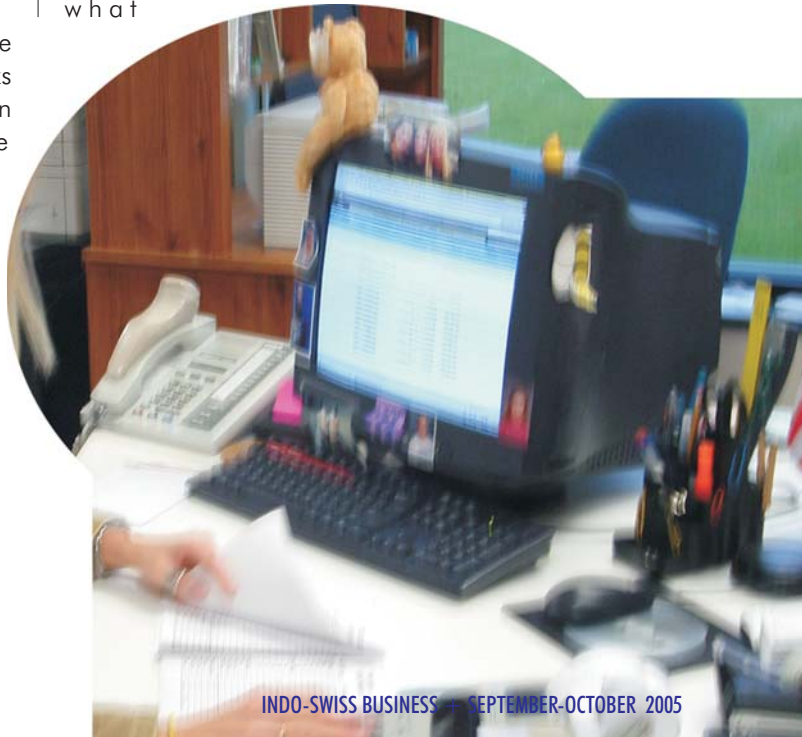
**Bank lending slower mortgage lending growth**

In 2004, the balance sheet total for all banks in Switzerland was CHF 2,490 billion, i.e. 11 percent higher than in the previous year. Bank lending represents a significant item in the balance sheet and is also an important fundamental in the financing of the non-monetary economy. In the first half of 2005, interest rates remained low; consequently, compared with the end of 2004, the take-up of loans grew by a further 2.8 percent, thanks to higher mortgage lending (+2.4%), but especially to an increase in other forms of lending (+4.7%). In the first half of 2005, there was a slightly higher rise in loans to private households than to the corporate sector (+3.2% vs. +1.8%), which points to a growing demand for personal credit (consumer credit for example)

In the second half of 2005, we expect a slowing of the growth in mortgage loans, because of the high level of lending and the expected trend away from real estate investment and into securities, whilst the slight improvement in the general economic situation ought to provide support for other forms of lending.

**Assets under management: the stock market outlook is the main factor**

Asset management, a core business of Swiss banks, shows high growth potential, but this is very dependent on w h a t



happens in the stock markets. In addition, statutory and fiscal regulations play a major part in the success of banks that are competing internationally. At the end of 2004, assets under management totalled CHF 3,550 billion, which is just 3.6 percent below the absolute peak recorded in 2000. The particular reasons for the marked increase in managed securities, up 7.7 percent in 2004, were rising share prices and the consequent improvement in willingness to invest on the part of wealthy customers. The growth slowed, however, in the second half of 2004. Following that welcome growth in 2004, there has been a considerable expansion of asset holdings in 2005: at the end of June, the value of securities held in custody accounts in Switzerland was 12 percent higher than at the end of 2004. The increase in managed securities demonstrates great confidence on the part of domestic and foreign customers in Swiss banks. Again, the upward movement in share prices played an important role in the growth of the first half. For the second half, however, we expect assets under management to grow more slowly. The primary reason for this, we think, would be a possible stock market consolidation.

On the other hand, the entry into force of the taxation of savings income agreement with the EU at the beginning of July should hardly influence demand from foreign customers. Nevertheless, competition for new customers in Switzerland and in neighbouring foreign countries is tough, and the growth potential for asset management business is greater in the dynamically growing markets of Asia and the Middle East than in Europe.

### **Bank employment in Switzerland: the nadir has been passed**

The banking sector has employed an average of 3.7 percent (full time equivalents) of the workforce in Switzerland in recent years. According to Swiss National Bank statistics, a good 99,500 people were employees of the banks in Switzerland at the end of 2004. Given that levels of employment did not change in 2004, it would appear that the latest phase of consolidation of employment in the Swiss banks is at an end. In fact, the second survey of all the Swiss banks by the Swiss Bankers Association revealed that the number of employees in the country went up by 0.7 percent (full-time equivalents) between end 2004 and mid-2005. Compared with the previous year therefore, there has been an improvement in the employment situation, because in the first half of 2004 there was no change one way or the other.

The survey asked a question about the comings and goings of bank staff, which can shed light on the background to changes in the overall number of employees. 88 percent of the banks answered this question; the analysis therefore applied only to data from those institutions, which together account for two-thirds of bank employees. This sample also recorded a rise in staff levels of 0.7 percent in the first half of 2005. Behind the figure of 463 new posts in the first half, there were 3,573 arrivals and 3,110 departures. These movements are explained by the restructuring that is tending to occur between the various operations of the banks: the survey responses point to a decline in commission business and an increase in the number of persons employed in "other areas" - logistics and IT, as well as trading. With regard to the second half of 2005, the survey asked for an estimate of changes in staff levels between the middle and the end of the year. The responses show that 65 percent of the banks expect no change in employment numbers.

Only a few banks were expecting the level to go down, whilst 22 percent predict an increase in staff. Altogether, when the middle of the year is compared to the end of 2005, it is expected that there will be the same or a slightly higher level of employment. Based on the results of the Swiss Bankers Association survey, we can assume that slightly more people will be employed in the banks in Switzerland at the end of 2005 as compared with the end of 2004. This tallies with the view that the stabilising of employment levels in 2004 signalled a change of direction away from the period of consolidation experienced during 2001-2003. ■



# 'Swiss banking confidentiality will not shield drug traffickers & terrorists'

In the last few years, Switzerland has made great efforts to combat money laundering and funds linked to potentates, and it has proved too that the relevant laws can also be applied very strictly in the financial sector and that banking confidentiality protects neither drug traffickers nor terrorists. The instrument for cross-border cooperation between judicial authorities is the granting of mutual judicial assistance in criminal matters. Thanks to stricter know-your-customer rules, meticulous monitoring and a solid legal foundation.

Switzerland and its banks are quickly in a position to provide judicial assistance to criminal prosecution authorities in other countries.

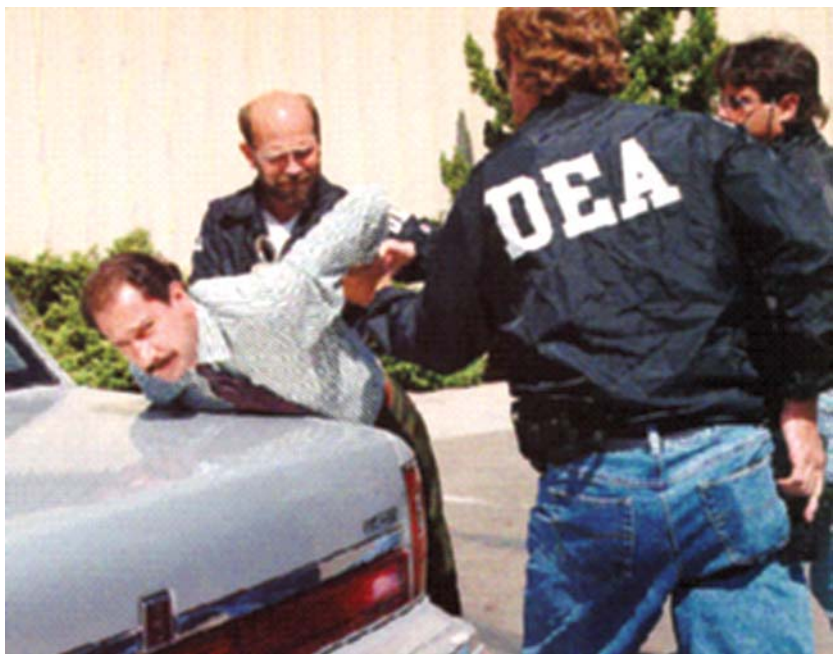
For Swiss banks, international mutual assistance in criminal matters is very important for the combating of international crime. For us too, combating international crime is a very high priority. Judicial assistance must not be abused by foreign countries using legal proceedings just as a pretext. Nobody seriously questions the purpose of judicial assistance in criminal matters. But there has to be an impeccable constitutional framework for the fight against crime, too. Judicial assistance practice must take this into account.

Of course Switzerland should not interfere in legal proceedings abroad, nor does it carry any responsibility for them; but it does have a responsibility to see that the legitimate defence rights of an accused person are guaranteed under the judicial assistance procedure. This applies particularly to cases where outsiders or wrongfully-accused persons are prosecuted in foreign proceedings or if criminal proceedings have a political purpose. And it is particularly in the financial sphere that the granting of judicial assistance can have serious consequences for those involved. A long-term blocking of accounts, which is what the procedure often leads to in Switzerland, can threaten the very existence of a company.

## Judicial Assistance

Bank-client confidentiality is suspended in Switzerland in an international judicial

assistance process, as long as certain principles are respected. Banks are required by the competent Swiss authorities to hand over documents as evidence, to give information, to produce items of property or assets or even to block accounts, on the basis of properly valid letters rogatory. Quite recently, legal experts and practitioners have been increasingly critical of the judicial



assistance practice of the Swiss authorities. There are suspicions that the judicial authorities in foreign countries may start a prosecution just as a pretext to get

at financial information through judicial legal assistance or to put companies under economic pressure by having their accounts blocked. This clearly would be an abuse of judicial assistance. Judicial assistance cannot be allowed to serve domestic political goals by being misused to exert pressure on influential or politically unpopular persons or companies. Switzerland, it is true, bears no responsibility for foreign proceedings but it has a duty not to be simply a willing provider of assistance in cases that are clearly

politically motivated. The protection of personal financial privacy is part of the bedrock of the Swiss legal psyche and is the right of every respectable bank customer in Switzerland, whatever his or her nationality. Switzerland must not be pushed by the judicial assistance process into becoming simply a purveyor of information. There must be no jeopardizing of either the protection of individual rights, which is a highly-valued principle in Switzerland, or of the trust foreign customers and investors have in our legal system.

### Careful vetting of foreign requests

We are well aware that the decision to grant international judicial assistance is not an easy one. The Swiss judicial authorities have to perform a delicate balancing act between the combating of international crime and guaranteed respect for the fundamental rights of the parties involved. But the growing number of requests for judicial assistance means that the judicial authorities must now pay more attention to compliance with the constitutional criteria when granting assistance. Up to now, requests for judicial assistance have basically been vetted only summarily by the Federal Office of Justice. The primary aim is to ensure that procedural requirements are met.

This alone is no longer enough. The presentation of the facts of the case must also be checked more closely in order to be sure that the foreign prosecution concerns behaviour that really is criminal and is not just a pretext for concealing a political purpose behind foreign legal proceedings. In addition, the proceedings in the foreign country must also respect the principles of the European Convention of Human Rights. The Swiss authorities, however, systematically assume that a requesting state is proceeding in accordance with the same legal norms as Switzerland. The Swiss judicial authorities must not close their eyes to possible injustices in a foreign prosecution and simply decide on the basis of procedural criteria. Suspect or at least doubtful requests should be refused or additional information sought, despite any fears that this might cause diplomatic friction. It is absolutely necessary and right that Switzerland should comply with international standards and conventions in the field of judicial assistance. But even these noble aims and the desire of our authorities for greater international cooperation cannot justify the use of any means to achieve them. This applies particularly to the guaranteeing of those fundamental individual rights that continue to be very highly regarded in Switzerland. ■

## The Fight Against Money Laundering

### What does money laundering mean?

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

### What does Switzerland do?

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

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

### Does Switzerland need this sort of money?

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

## Novartis India's Corporate Philosophy To improve, extend & save lives

In March 1996, Chairmen of the Boards of Ciba and Sandoz announced their intention to merge and form the biggest Life Sciences company - Novartis. The name Novartis is derived from the Latin "Novae Artes" which means new skills. Novartis was formally founded on December 20, 1996 when it was entered in the register of Companies in Switzerland.

In India the merger took a while longer. The shareholders of Hindustan Ciba - Geigy Limited and Sandoz (India) Limited approved the merger at their respective EGMs in December 1996. Approval of the Bombay High Court was received in August 1997 and the name change to Novartis India Ltd was formally registered by the Registrar of Companies in October 1997.

The formation of Novartis India Ltd. was a major event for all shareholders and employees of the two companies, Sandoz (India) Limited and Hindustan Ciba - Geigy Limited. With an enlarged portfolio, field force and infrastructural strength, Novartis India Ltd has the capability to make progress towards becoming a leader in all the businesses it participates in. There are opportunities for revenue and profitability growth.

Another area of focus is oncology. Better medicines, improved healthcare and overall progress has meant a longer life span. A falling death rate means more old people and associated health problems. A disease associated with old age - Alzheimers - has drawn the attention of the medical world. In India an estimated 60 million of the population are said to be affected by Alzheimers disease. Novartis with Exelon offers a new line of treatment for Alzheimers. Exelon helps maintain and improve the patients mental and functional abilities, preserving and sometimes restoring his independence and dignity.

Novartis offers hope to epileptic patients through Tegrital, which has a wide range of activity and is arguably one of the most useful anti-epileptic drugs currently available. A new product in this therapeutic area is Eptiril, which caters to certain types of epilepsy cases not likely to respond to Tegrital.

Personnel programmes have focussed on

individual and organisational development and growth. Workshops on High Performance Organisation, H R Toolkit, Novartis Call Excellence and Role Excellence have focussed on raising organisational productivity. Marketing Power House has the objective of ensuring state-of-the-art marketing execution by introducing rigorous, fact-based decision-making at HQ, Region and Country level.

The F A R projects, another Company initiative has introduced the concept of resolving business issues using the pooled talents and skills across functions and units.

H R initiatives such as the Assessment and Development Centres and concepts such as 'Pay for Performance' and other Reward & Recognition systems have engendered a culture of continuously seeking excellence.

On or about 24th April every year, in commemoration of the day shareholders of the 2 companies gave their approval for the formation of Novartis, employees are encouraged to actively participate in projects such as organising outings for sick and handicapped people, visiting and helping poor tribal communities, donating food, clothes and toys, teaching children, visiting old and terminally ill patients, cleaning railway platforms and a host of other activities demonstrating care and concern for the people and environment - living out the words of Kahlil Gibran: "You give but little when you give of your possessions. It is when you give of yourself that you truly give" Novartis knows the way forward as encapsulated in the three key questions:

Why we are here - We improve lives. We extend lives. We save lives.

Where we are going - we want to rank among the top performers in the industry

How we will get there - We will achieve this through innovation and our people

Our commitment to customers, shareholders, employees, the environment and the society we live in is reflected in the quality of our products and services, concern for economy in our activities and our stress on progressive personnel and personal growth. ■

The Rs 3-billion Elder Pharmaceuticals Limited has entered into an in-licensing tie-up with TRB Chemedica International SA of Switzerland for its manufacture and marketing in India of its Arthritis product namely Artrodar, which is available in more than 40 countries, earmarking its foray into the fast growing Pain Management segment.

TRB Chemedica, European leader in the field of Rheumatology, Ophthalmology and Neurology is a family owned, multinational

## Elder Pharma's pact with Swiss firm to make arthritis drug



pharmaceutical group headquartered in Vouvry, Switzerland.

As a part of the in-licensing agreement, Elder shall manufacture and market the product in India. Artrodar is a very superior product having been experimented on 4800 patients over a period of 3 years with clinical trials having proven that the molecule Diacerein is highly effective in relieving the symptoms of Arthritis. Further results from studies conducted in vitro, in animals and in humans indicate that it has the capability to modify the course of the disease.

TRB Chemedica has 15 products, both ethical pharmaceuticals and medical devices, and its manufacturing activities include APIs, Formulations and medical devices. The manufacturing facilities of the Group are based in Vouvry, Switzerland and Buenos Aires, Argentina.



Alok Saxena, Director, Elder Pharmaceuticals, said, "This alliance also marks TRB Chemedica's entry into India. Elder expects to generate a turnover of Rs 180-200mn at the end of the 3rd year from launch which will be this month. Elder's focus areas in the years to come shall be Pain Management, Diabetology and Cardiology and our endeavour will be to bring to India globally accepted, well researched products." ■



## Indian Company to Make Generic Version of Flu Drug Tamiflu

A major Indian drug company has announced that it would start making a generic version of Tamiflu, the anti-influenza drug that is in critically short supply in the face of a possible epidemic of avian flu.

"Right or wrong, we're going to commercialize and make oseltamivir," said Dr. Yusuf K. Hamied, chairman of Cipla of Bombay, using the drug's generic name and acknowledging that he might face a fight in the Indian courts with Roche, the Swiss pharmaceutical giant that holds the patent.

Although generic manufacturers cannot legally sell the patented drug in the West, all national patent laws, including those of the United States allow governments to cancel patents during emergencies and either buy generics or force patent holders to license their formulas to rivals.

A spokeswoman for the Department of Health and Human Services, which has recently ordered 12.3 million doses of Tamiflu from Roche, said she could not comment on the effect of Cipla's announcement. "Preparing the world for a pandemic flu outbreak is a top priority, and we're looking at various options in stockpiling drugs and vaccine," said the spokeswoman, Christina Pearson. "But there are a lot of issues, and it's too early to speculate about this right now."

Roche has been under growing pressure from several countries and the United Nations secretary general, Kofi Annan to license generic versions of the drug, which eases flu's worst symptoms.

The company, which sells Tamiflu for \$60 per treatment in the United States, has repeatedly refused to license the generic version, or even to disclose how much it makes, other than saying it plans to increase production "eightfold." A Roche spokesman, Terry Hurley, said yesterday that the company "fully intends to remain the sole manufacturer of Tamiflu."

Making the drug involves 10 complex steps, he said, and the company believes that it will take another company

"two to three years, starting from scratch," to produce it.

Dr. Hamied dismissed that claim, saying that he initially thought it would be too hard but that his scientists had finished reverse-engineering the drug in his laboratories two weeks ago. He said he could have small commercial quantities available as early as January.

Asked if he thought Dr. Hamied was making an idle boast, Mr. Hurley declined to comment.

Cipla, India's third-largest drug maker, has copied dozens of Western drugs, including Lipitor and Viagra, and produces raw ingredients for Western drug companies. Its inexpensive HIV drugs, approved by the World Health Organization, are used by 400,000 people worldwide.

Dr. Hamied said he would sell generic Tamiflu "at a humanitarian price" in developing nations and not aim at the American or European market. "God forbid the avian flu should strike India," he said. "There is no line of defense."

Under Indian patent laws, which were tightened in March, he believes that he can sell the drug in India and in 49 other countries rated "least developed" by the United Nations.

The new law recognizes patents filed by Western companies after Jan. 1, 1995, and the Tamiflu patent in India was filed with a "priority date" of Feb. 26, 1995. Dr. Hamied said he thought the Indian government would be unlikely to fight over a 10-year-old difference of two months, especially if the lives of millions of Indians were at stake.

Scientists in Taiwan and other countries have said they, too, can produce generic Tamiflu, if patent issues are resolved.

Mr. Hurley declined to say whether Roche would fight Cipla in court, but said, "If we determine that there has been an infringement, we'd move to protect our rights and interests."

## After IT & Pharma...

# India's Healthcare Sector poised for giant leap

With global revenues of an estimated \$2.8 trillion, the healthcare industry is the world's largest industry.

According to a research study, India as a healthcare hub is growing 30 per cent annually and has a potential to attract over a million tourists per annum, augmenting its economic growth.

The indigenous in-depth study, titled, 'The Healthcare Scenario of the Southeast Asia' was conducted recently by Imprimis Life Pvt Ltd, India's leading healthcare and life sciences specialist and a pioneer in healthcare communications.



The study says that the Indian healthcare industry has the potential to show the same exponential growth that the software and pharmaceutical industries have shown in the past decade.

Propelled by health conscious people and escalating medical costs the West is looking towards East for medical support. Southeast countries with their indigenous advantages of supreme medical treatment with low cost production and skilled workforce have emerged as the



hot seats for medical tourism of the world, the study says.

While a heart surgery costs \$30,000 in the US, it costs \$6,000 in Southeast Asia. Similarly, a bone marrow transplant costs \$26,000 in Southeast Asia compared to \$250,000 in the US.

"This disparity in cost difference has leveraged Southeast Asia as a competitive strength to promote medical tourism," the study says.

According to the growing competition and the importance of research will ensure the effective use of resources for the development of the healthcare sector.

The research was aimed at underlining the medical advantages that the Southeast Asian countries exhibit in comparison to the monetary disadvantages the West is struggling to overcome.

The research is a comparative analysis of the five Southeast Asian countries namely India,



Malaysia, Singapore, Indonesia and Thailand. The study gives a comprehensive break up of the market scenario of the five potential nations, individually highlighting their strengths and weakness. ■

With current estimations of bringing one new molecule into the market amounting to at least \$800 million, pharmaceutical companies looking for effective solutions are turning their attention to outsourcing to low-cost, developing countries rather than persisting with expensive R&D efforts.

The cost is certain to rise in the future. The European Federation of Pharmaceutical Industries and Associations (EFPIA) recently estimated in a report that, on an average out of 10,000 molecules developed in laboratories, only one or two will successfully pass all stages of drug development and be commercialized.

Current business strategies include forming alliances with

A report prepared by Frost and Sullivan pointed out that despite the benefits, there has been a relatively low level of utilisation of the opportunities in both countries due to various concerns with respect to quality and infrastructure.

Companies are worried about probable loss of control in processes and proprietary knowledge. The report recommended, proper management was needed to utilize complicated and long-distance collaborative third-party relationships. Delays can even happen due to regulatory hold-ups.

As a result, recent amendments to Schedule Y of Drugs

## Now West starts outsourcing R&D to India, China

**The cost-effective benefits and research standards set to become international have added to the attraction of outsourcing R&D to India and China. The two developing nations are set to ease ever-increasing cost pressures, shorter product life cycles and numerous regulatory challenges in the West.**



local companies, contractual outsourcing arrangements and establishing local subsidiaries.

Underlining the growing appeal of these two regions, several European pharmaceutical/biotechnology companies are looking to expand their presence. At the start of last year, Switzerland's Roche set up an R&D centre in Shanghai in a move, which reflected the growing importance of the country as both a market for pharmaceutical products and a site for drug research.

Roche now intends making India one of its larger sourcing hubs for active ingredients and bulk intermediates. Novartis is investigating clinical trial opportunities in both countries while big pharmaceutical companies such as Eli Lilly, Pfizer and Roche have established their clinical trial programmes in India.

Indeed, these outsourcing activities in developing countries amount to 20 to 30 per cent of total global clinical trials. Access to specialized skills in both countries and work hours on a 24/7 basis underpins their competitive advantage. In addition, better management from the start reduces development risks.

and Cosmetics Rules of India, 1945, signify a progressive attitude on the part of the Indian Government, clarifying the environment for clinical research in the country.

It is the same case in China. Regular monitoring of clinical trials ensures good clinical practice (GCP)-compliant research centres established by the government. These steps will enable the two countries attain international standards in pharmaceutical research.

"Government commitment in India and China to improve access to high-quality healthcare is a bonus for R&D outsourcing," said an analyst, adding, "the regulatory environment in both countries is gradually changing in favour of clinical research."

The report said that for companies wishing to leverage the regulatory changes and high-quality research, alliance strategies and identifying regions of opportunity should be priorities.

"Embracing these changes through innovative strategies and flexible approaches will allow international pharmaceutical enterprises to capitalise on these new attractive propositions," said the report. ■

Film



Setu Creations  
presents

# BANARAS

a mystic love story

Where  
Life Acquires a  
New Meaning  
& Death Loses  
Its Sting

**B**anaras. The spiritual centre of the Universe; the abode of Lord Vishwanath. The Buddha and the Adi Shankara trod on this sacred earth. It was here that seekers of truth have since time immemorial strived to free their souls from the cobwebs of desires and attain unity with the Divine. It is the last port of call for one and all - the prince and the pauper, the rich and the poor, the saint and the sinner. Flowing through the ancient city is the great Ganges, swishing and swirling, carrying in her bosom, the sins and secrets, the mortal remains and moral turpitude of the human multitude. The temple spires rise high into the skies, above the long rows of the river-washed stone stairs, the bathing ghats. The tinkling of a million silver bells, mix in harmony with the symphony of the echoing conch shells across the city to evoke the Lord of the Universe, from His deep meditation. In the spiraling smoke of the burning ghats, man finds salvation. And it is here that life acquires a new meaning and death loses its sting.

**And here, the film, Banaras-A Mystic Love Story, is made.**

## SYNOPSIS

The story, as the title indicates, is set in the timeless city of Banaras. And it revolves round love, the most endearing of all human emotions. That love knows no barriers and has no boundaries is the crux of the drama that unfolds. Which is why, when Shwetambari (Urmilla Matondkar), the beautiful Brahmin girl from a cultured aristocratic family, a student at the local university, meets Soham (Ashmit Patel), a young, handsome, low-caste music teacher and mystic, love is born. The opposites - she a highborn and he a lowborn - unite in love, that all consuming and purifying fire. Love has no consideration for class, caste or creed. But it ignites the passions of hatred in the city, steeped in orthodoxy. Banaras boils with ancient rage. Conservatives condemn the sacred love between Shwetambari and Soham as an act of sin and sacrilege. Dark forces that dictate terms to tradition take over. Destiny determines its own course for the shattered young lives. Shwetambari leaves Banaras despite support from her enlightened parents (Dimple Kapadia and Raj Babbar). Soham finds meaning in meditation under his Guru, the enlightened mystic, Babaji (Naseeruddin Shah).

The wise say that time heals and forgives. But, 17 years later, Shwetambari, now a renowned world teacher of philosophy and religion, is caught up in a dilemma. Whether or not to return to Banaras, where her doting father lies dying. Would her return revive the demons and dark forces of the past lying dormant? What would in the end rule the human hearts and souls - revenge and retribution or love and compassion? That's the question. The film tries to provide the answer, the same way as does the inscrutable Babaji, meditating on the banks of the Ganges.

Like enduring love that lasts forever, the Mother Ganges continues her endless journey, with joys and sorrows merging as inseparable ripples of the same sacred waters.



# BANARAS

a mystic love story



# The Passion & The Film

L.C. Singh, one of the pioneers of the Indian IT industry, has been very successful as a technocrat. He has stints with giant corporations such as the State Bank of India, Tata Consultancy Services (TCS) and Zensar Technologies. At present, LC heads Nihilent Technologies, a global solutions integration and change management company, with its headquarters in Pune. LC has been both a student and scholar of existentialism and mysticism for more than three decades.

Many years ago, LC had delivered an address to the cream of IT international senior managers at Harvard. He put forth his thoughts, culled out from his deep understanding of Indian culture, with copious references to Banaras. The audience, though largely materialistic in their outlook and immensely successful in their careers, felt touched. Banaras has always been growing on LC - as a creative concept, a human drama, a philosophy, a symphony and salvation. LC has finally made the movie, *Banaras - A Mystic Love Story*. It took him two years to write the story. He also collaborated in writing the film's screenplay with Javed Siddiqi, one of the best dialogue writers and a master craftsman in the Hindi film industry. Pankuj Parashar, the man who gave such a blockbuster as *Chalbaaz*, directed the film. Music was composed by Himesh Reshammiya and lyrics were by Sameer. The Film's cast includes Urmilla Matondkar, Ashmit Patel, Naseeruddin Shah, Dimple Kapadia, Raj Babbar & Akash Khurana.

Talking about the film, Parashar said, "it would prove to be a marked departure from my familiar style and pattern as it is a different genre of film, which is based on a spiritual subject."

**LC tells in his own words, about the film, *Banaras - A Mystic Love Story*, how it has happened.**

The first thing, Banaras visually appeals to you. Look at the Ganges, her sacred waters. It is nothing but concentration of pure energy.

Then you go to Saranath, Tusi Das' home, the Kabir Muth. Experiences beyond description. There are so many different colours. In just seven kilometers of space, look at the contradictions in the philosophy of the great men. Some follow "Nirankar", some "Sakar." Yet all were great paths. Buddha was right, Mahavir was right, Patanjali was right, Guru Nanak was right. Who is wrong?

That reminds me of the Gita, "Sadgun" is right and so is 'Nirgun'. Only the paths are different. What strikes is that so many intellectual giants in different eras of time should come to Banaras. What did they see in Banaras that they have to come there and gain something from? The question invoked intense curiosity. And thus began my own journey. I began going deeper and deeper. You know, beyond a point, the knowledge disappears. What you know disappears. Then a feeling starts building up. Then you feel almost a sense of devotion. There is only that spiritual longing, an unshakable faith in one's values and a deep passion to communicate them through a creative medium. And it culminated in the film, *Banaras - A Mystic Love Story*.

## The Idea of Banaras

While I stayed in Banaras, I was curious and wanted to learn more. Later, all that

suddenly ceased. When I left Banaras, I did not want to know anything. I felt that ideas were intertwined in my mind. In fact, a decade back, I gave a talk at Harvard in which there was a reference to Banaras. Many have written and still write to me saying that they read the speech when they are depressed about life. Then the idea in mind started taking shape. I thought I needed to communicate it. Those people who have gotten money, feel more disillusioned than people who are chasing it. When we don't have anything, the first priority is material; to gain some money. But having done that one needs to move on to create a balance between mind and matter. This harmony is the culture that we need to be evolving. The concept needs to be completely internalized, Not as knowledge, but as a feeling, a kind of compassion. Not a reaction. But absolute compassion. And to me that is Banaras.

### About the story

A story is all about creating drama with messages embedded. The big difference between a documentary and drama, in layman's terms, is the human drama. In a documentary somebody talks and offers information and knowledge. In the

drama, even if one has to preach, one character will have to preach to some other. You can't talk to the audience. Talking to the audience amounts to a sacrilege. That's why I approached Javed Siddiqi, who is a master craftsman; one of the best dialogue writers. I don't want to deviate from the classic cinema, the human drama. The ultimate drama is the human drama. The ultimate drama is Death. The ultimate drama is Life. The ultimate drama is Transformation. The struggle that we carry with us, if that ends, it is drama. If it begins, it is drama. In this film, every character in itself, all of them, have their own understanding of life. They clash because everybody's perception of life is different. So you will find the characters in the movie, even the small characters, stand absolutely firm on ground. You won't be able to identify the villain - no one is a villain. Because, we have gone so deep into her/his character, and from her/his point of view, what she/he does appears right. Hence you are perplexed as to what is right and what is wrong. And I can assure you that nobody can guess what happens in the movie. Because, at every stage you are empathizing with the characters so much, that you do not

know what is going to happen.

### The Music

Then there is that visual appeal of Banaras and the background music to match it. In Banaras, music is embedded in life. Not external. Without music a film on Banaras cannot be made. The whole film itself is like a symphony.

### The Message

These days, revenge, retribution and competition have become the culture. Very Darwinian. The survival of the strongest. I think the film defies that. We show that by practicing the philosophy of revenge, you only create a hell. Because the forces which are defeated, only go dormant. They don't die. They will come back and create a perfect hell around you. This philosophy of retribution and revenge, will only lead to creation of hell. The heaven can be created only by love and compassion. That is the message of the film.

In the end, you will feel good and go back home with peace in heart and soul and some ideas in mind to transform your own life.

## IN PURSUIT OF THE PERFECT SYMPHONY

**We think it relevant to reproduce here a brief address delivered by LC at Harvard years back. Mind-blowing in their simplicity and clarity, the thoughts flow live, like the vibes from a meditative mind.**

Banaras is the oldest city on earth. It is known as the spiritual capital of India. Banares is where Buddha chose to give his first sermon after the enlightenment.

Drawn by the mystique, a few years back I visited a "master" who lived in a tiny hut on the banks of the river Ganges. It will be useful to point out that I am not exactly a "religious" person and I am against all fragmentation, dogmas and judgments.

As I entered the hut, I was overwhelmed by my feelings. There was a calmness, tranquility and serenity beyond words. As I looked at the master, a spontaneous smile flashed on his face. Time and space simply froze.

The other day I was walking in the lawns of the campus here. A child three or four years old was playing with his mother. Seeing me he ran, stopped and stood blocking my way, smiling. No purpose .... No reason. My response was not a thought but a flash. For few divine moments ... there was no Harvard ... no child ... no mother ... no "I". I became the boy.

**Experiences beyond boundaries; transcendental**

The master continued to smile. My ego soon took control.

I came back to reality. In retrospect, I don't know which was the actual reality. The moment of timeless experience or being back with the conditioned mind and all the thoughts?

I was now again an intellectual ready to discuss and question. Looking at the master, I managed to ask, "Sir, why is there so much evil in the universe?"

"Son, all the evil is in your mind. Clear it from there and you will witness a different world," the master replied.

I felt slightly offended and a little humiliated. I became aggressive, "Sir", I said, "I am a rational being and I have good control over my mind".

He eyed me affectionately. "Go, in that corner". He said, "sit inside the prayer circle for ten minutes in lotus posture. A revelation awaits you. While seated pray if you like, think if you like. You can think of all the evil in the world if you like", he paused and added, "there is only one small condition. Do not think about a monkey."

Puzzled, I went and sat inside the circle. As soon as I crossed my legs for the posture the first thought came ... Guess what...

Monkey, of course!

I closed my eyes...Monkey and monkey. The monkeys were everywhere. The whole world vanished and became a monkey.

I held my head and opened my eyes. Master was standing in front of me. His eyes were like eternity. His face was glowing with compassion, affection and love.

I got up and he embraced me. By now I was crying unabated like a child.

"Son", he whispered, "You are born as a seed. Human life is not an actuality. It has some beautiful potentiality. You are not an Intellect. Intellect is competition and competition is primitive. An animal has these instincts by birth. A dog is born as dog and will die as dog. It has no other possibility. It is perfect as dog. With humans it is different. You are compassion, love and pure awareness. Abandon all your conditioning, fragmentation and fear."

He looked at me for the last time and said, "Son, learn to think, not with your mind, but with your heart."

With those words in my ears, the master went away. I never saw him again, ever.

Life is not the past, neither it is future.

It is only the moment, now.

Life is like a musical instrument.

Music is possible. Symphony is a potentiality.

Life is not keep repeating the same note again and again.

Life is longing for the perfection.

Ravindranath Tagore, the great Indian poet and mystic and a Nobel laureate prayed his last prayer to God, "Oh lord, your world was beautiful and you gave me a precious life. I don't want to disappear yet: I have to sing many songs; I have yet to paint many paintings. There is, yet, in my heart, which needs to bloom. Send me back, I am not perfect! Send me back." This was his last prayer. He died praying this way. What a beautiful way to die. "Your world was beautiful. I wasn't worthy of it but you made me. I am not worthy to be sent back but your compassion is great. One more time, send me back. I have to complete my song."

A friend of Tagore was sitting by his bedside. He couldn't stop himself, "Ravindra, You must be mad. Shelly is thought to be one of the greatest poets in Europe. He wrote only two thousand songs, you wrote six thousand. You beat him three times. You should be happy and contented."

Tagore opened his tearful eyes "I am not. Yes, six thousand songs I have sung but you don't know the inside story. I wanted to sing only one song. But because it was never possible... I tried once failed. I tried again failed. I failed six thousand times. Those are all efforts. That which I wanted to sing, my friend, is till unsung."

My dearest friends at Harvard, the pursuit of the perfection, let us begin, here and now. Pray lord, that this quest continues life after life after life.

In this journey my friends:

The pen is not important, only the poem is,

The brush is not important, only the painting is,

The instrument is not important only the music is,

The perfect symphony is not important, only the effort is.

Our Gurus of the Harvard Business School, you were kind to us. When we arrived here, our minds were conditioned with the odd "notes" we were comfortable with. You have opened the new treasures in our mind and shown us the way to new potentialities.

Forgive us, if ever we hurt any feelings unintentionally; for many times, we were no different than young, curious, little children.

We urge you, our beloved teachers! Bless us, please, to succeed in our pursuit of the perfect symphony.

God bless us all.

# THE FABULOUS Five

It was a concert of western classical and folk music on a mellow autumn evening on October 18, 2005. For the discerning music lovers who congregated at Mumbai's prestigious National Centre for Performing Arts (NCPA), it was more than music. It was sheer magic. Because, the bows of the violins became the wands of magic in the hands of five fabulous virtuosos from the Chamber Soloists Lucerne of Switzerland. At the end of the two-hour concert the musicians received a thunderous, standing ovation and had to bow several times to gracefully acknowledge the unending applause.

Speaking for the whole group at the start of the concert, Daniel Dodds, the solo violinist, who had started playing the instrument since the age of five, said: "We are terribly excited about this concert. It is a great opportunity. We are looking forward to this."

For Dodd, a soloist from the Festival Strings Lucerne, it was the second visit to India.

"The reception here is wonderful. The people are very friendly. India is a music-crazy country," he said referring apparently to the craze for classical music of select audiences across the country.

When asked about the similarities between Indian and western music, especially the classical music, Dodd said, "Both the western and Indian music

have the prerequisite of listening. I think, it is a common ground, the awareness and listening to the music. On the level of sounds, there is such a rich variety".

## The \$ 2-mln Violin

This violin, the instrument that Dodd plays has a history. It was made in 1717 and was used by the great musicians of Switzerland. It has since passed through many hands, maturing with each concert. The conductor of Festival Strings Chamber Music Orchestra bought it in 1960. The current value of the violin is estimated at \$2 million.

"Unfortunately I don't know the entire history of this violin," Dodd said. It was used by Antonio Studdweiss, which was his golden period. It is a wonderful instrument," Dodd said. The way the violin yielded to his coaxing producing a miraculous range of melodious and mellifluous sound that swayed the audience.

The star that stole the show was Yang Jing, the Chinese musician, who played the pipa, the string instrument with frets. To begin with, Jing is pretty. In her solo performance, without any accompaniment, Jing played the Pipa with such a command, producing music delicate as whispers and rising to the crescendo of rock music. When accompanied by the violins, the pipa in Jings hands turned into a singing lute. Such was her mastery of her fingers on the frets, they looked blurred.

It was Ying's first visit to India. "I am really impressed," she said very excitedly. "The Indians have heart and soul for music. And very open to music and enjoy it. It is really fantastic. I am surprised to discover the quality of acoustics. It is so clean and tender."

Talking about the similarities that the pipa shared with the Indian instrument of sarod, Jing said: "You know, to me it is another issue. It is very very exciting. My instrument, the Pipa came from India 2000 years ago."

The concert featured compositions from Shubert, Schnyder, Beethoven, Vivaldi and Mozart folk songs, a lullaby and two tangos.

The Consul General of Switzerland, Josef Eisele, was as excited at the end of the concert as the audience and for a good reason. He said, "I am happy to have these outstanding musicians from Lucerne, my home town." That explains. He added: "These exceptional musicians are a bridge between the East and the West."

## The Brief Sketches of the Artistes

**Jurg Eichenberger** was born and raised in Switzerland. He completed his Concert Award in 1984 and the Soloist Diploma in 1990 when he was awarded the prestigious Edwin Fischer Memorial Award. In 1989 he was a finalist at the International Chamber Music Competition in Osaka, Japan. He is a co-founder of the Trip Festival and the Sinfonisches Orchester Zurich. He initiated the Chamber Soloists Lucerne and apart from touring and performing with the group, he can be found at the Musikhochschule Lucerne where he is a Professor.

**Daniel Dodds** was born in Adelaide, Australia and later moved to Switzerland. He started playing the violin when he was 5 years old. He received an Artist's Diploma in Lucerne in 1997 and has won

many national and international competitions and scholarships. He is a soloist with the Festival Strings Lucerne and has toured Europe, South America and Australia with the Brisbane Symphony Orchestra. He is a member of the Chamber Soloists Lucerne as well as the Onyx Quartet.

**Christina Gallati** has studied the violin with Prof. Henry Rubin when she went on an exchange program to Houston, USA. Upon her return to Switzerland, she began studying with Edith Peinemann and Gunars Larsens, which led her to an Artist's Diploma (Honors). She has since, continued her studies in Switzerland and also performs with the Festival Strings Lucerne and the Chamber Soloists Lucerne.

**Markus Wieser** was born in Zurich and has studied the violin with Aida Piraccini-Stucki in Winterthur from where he received his Artist's Diploma. He has done further studies and master courses in France, Italy and Japan. He was a member of the Collegium Musicum Zurich under Paul Sacher. In 1995, as part of the Sabeth Trio Basel, he won Migros Chamber Music Award and thereafter began a series of concerts and festivals across Europe. He is the solo viola player of the Festival Strings Lucerne. He also teaches the viola and violin at the Musikhochschule Lucerne and Meggen.

**Yang Jing** studied the pipa from the Shanghai Conservatory and, upon her graduation, became a soloist with the China National Orchestra. Twelve years later, she had

established herself as a soloist and has since performed with a variety of orchestras around the world. Her international tours have seen her perform in hallowed music venues like Carnegie Hall (USA) and the Golden Hall (Austria). In 1996, she founded China's first female quartet.



# Rising load factor helps SWISS fly higher



SWISS has reported an average seat load factor of 79.1% on its scheduled services for the first nine months of 2005, an improvement of 3.9 percentage points on the same period in the previous year. Seat load factor for intercontinental services stood at 85.0%, a year-on-year increase of 4.1 percentage points. European seat load factor was also an improvement on the same period last year, rising 4.7 percentage points to 66.8%. SWISS carried 7.33 million passengers in the first nine months of 2005, an increase of 4.6% on the prior-year period.

SWISS posted a seat load factor of 82.2% for September 2005, up 4.2 percentage points on the same month last

prior-year period. Services to the Middle East posted another year-on-year improvement: the 82.5% seat load factor was a 7.3-percentage-point increase on September 2004. Services to Africa reported a seat load factor of 80.4%, down 2.9 percentage points from its prior-year level. South America flights saw their seat load factor improve 5.0 percentage points to 89.4%.

Seat load factor on SWISS's European services for September stood at 71.3%, a 6.0-percentage-point improvement on the prior-year period. ASK capacity was 1.1% up on September 2004. The additional capacity was more than absorbed by demand, which produced a 10.5% increase in traffic in RPK terms. SWISS raised capacity year-on-year on its European network in September while simultaneously reducing the total number of flights, which was 9.2% lower than a year ago. The use of larger-capacity aircraft on its European routes helps lower unit costs per ASK and gives SWISS more scope to compete, especially against the budget carriers, and to further enhance its competitive position at its Zurich Airport hub.

SWISS's cargo business showed positive overall trends for the first nine months of 2005. Cargo load factor (by volume) did suffer a slight 0.1-percentage-point year-on-year decline to 85.7%; but the total airfreight carried by SWISS's Swiss WorldCargo business unit was 0.9% up on the prior-year period at 853.6 million cargo tonne-kilometres. ■



year. September seat load factor on intercontinental services stood at 87.4% (up 3.6 percentage points), while the European seat load factor of 71.3% was a 6.0-percentage-point improvement on September 2004.

September seat load factor on SWISS's intercontinental services amounted to 87.4%, which compares to 83.8% for the same month last year. As in previous months, available seat kilometre (ASK) capacity was reduced from its prior-year level, by 3.1%; but revenue passenger kilometre (RPK) traffic for the month was a 1.0% improvement on the prior-year period.

As in previous months, most traffic regions contributed to the year-on-year improvement in September long-haul seat load factor. North Atlantic services saw their seat load factor rise 4.9 percentage points to 91.5%. Seat load factor on Far East services stood at 86.6%, a 3.6-percentage-point improvement on the

## Key SWISS scheduled services results for January to September 2005

Total passengers carried	7 329 983
Total flights performed	102 670
Available seat-kilometres (million)	19 781
Revenue passenger-kilometres (million)	15 640
Seat load factor	79.1%