



# bulletin

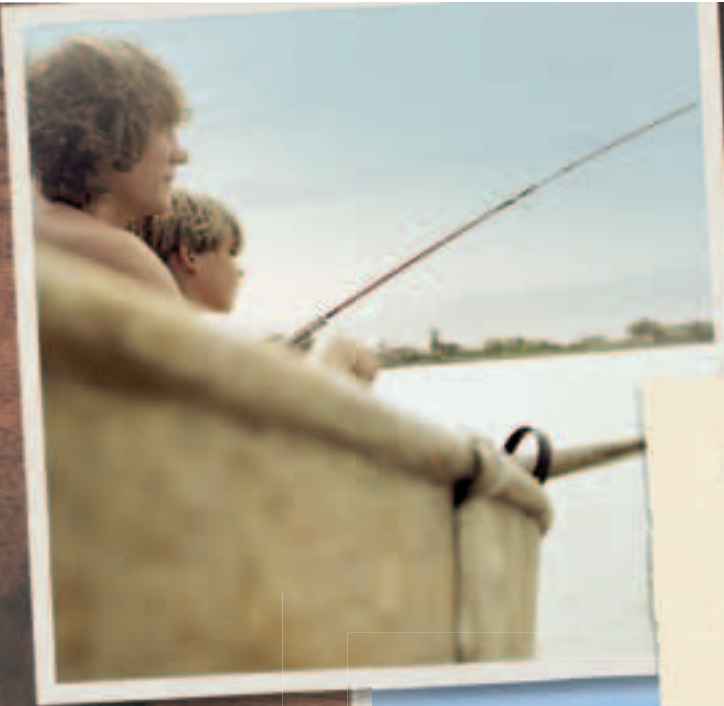
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# Roots

It is all the question of the time frame

**World Economic Forum** Financial reform and entrepreneurship on the agenda / **US Household Sector** Why it actually might be underleveraged / **Nouriel Roubini** Interview with the US economist, also nicknamed Dr Doom



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Roots are the part of a plant that brings it nourishment. Roots are also what anchor that plant to the ground. Little wonder many people find themselves in search of their roots at some point in life. It may be a search for what fed the bloodlines leading to one's existence. It is a search for grounding. While the information may not change who you are, it can give a deeper sense of place and purpose.

Both my parents immigrated to the United States from Germany in the late 1930s. They did not do so by choice, but of necessity. Growing up, it was not unusual that the people who visited our apartment in New York were in the same situation. We could always hear them chattering away in the other room in German, a language they might speak to each other or their fellow transplants but deliberately not to us. As they struggled to rebuild their lives, it was important to them we establish strong native roots in the United States. In their eyes, they were from Germany but we were to be an American family.

As if financial challenges and culture change were not enough, they would raise us in a second language only learned as adults. However, at a time when many would change their last names to sound more American, my father was clear that would not happen. We were to be an American family, but we were (and still are) the Weissensteins. A rare exception was made at the dry cleaners where we gave the English translation (Whitestone) after losing too many clothes using our proper name.

Fast-forward several decades – my oldest son tells me he heard those who involuntarily lost German citizenship during certain years are eligible to reclaim it. After contacting the German consulate, I learn this is true. Direct descendants born during a certain time are also eligible. In today's world, that citizenship extends to being part of a much larger community, the European Union. The seeds from which our family first grew in Germany and were transplanted to the United States could also grow in the transformed landscape of a broad Europe.

I have mixed feelings. The dislocation that brought my family here was painful. At the same time, reclamation can be a sign of strength. My parents made it. I have been fortunate and my children are flourishing. We continue to grow. My parents were born German. We are American. No matter what label, my children will be global citizens.

The issue of roots is not so simple. Whatever our origin, the process of growth includes transformation. Everything living is subject to that principle. This issue of bulletin explores the concept from a number of angles. We hope you find it interesting and as you contemplate your roots, you too may further define your sense of place and purpose. **Robert E. Weissenstein, Chief Investment Officer, Private Banking Americas**



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6

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**Roots** Nine people from seven different countries work together in Zurich as the Currency & Commodity Research team at Credit Suisse. We portray them with objects from their homeland that are important to them, and ask them what they find typically Swiss.

- 4\_ **Genealogical Research** Author Till Hein hopes to find traces of Viking blood in his DNA.
- 6\_ **Melting Pot** They come from all over the world, forming a tight-knit team in Zurich.
- 24\_ **Foodstuffs** Consumers want to know where their daily bread comes from – preferably from a local source.
- 27\_ **Migration** Plants and animals are also marked by a constant coming and going.
- 30\_ **Humanity** A journey through millions of years back to the origins of humanity's building blocks.

## Economy

- 34\_ **Quantitative Easing** Concerns about the fall-out of the second round seem misplaced
- 39\_ **Twice a Century Deleveraging** US households could actually be underleveraged
- 42\_ **Resolute Policies Needed** Momentous policy challenges remain, despite the recovery

## Credit Suisse

- 45\_ **News in Brief** Remembering Paul Calello, Euromoney Awards, Entrepreneurs Summit
- 46\_ **World Economic Forum** Financial regulations and entrepreneurship on the agenda
- 49\_ **Region With a Future** Interview with Antonio Quintella, CEO of the Americas region
- 51\_ **San Francisco Wealth Conference** Focus on innovation, alternative energy, investments
- 53\_ **Swiss Innovation Forum** Entrepreneurs share the reasons behind their success
- 54\_ **Asian Investment Conference** Analysis of regional investment opportunities, challenges
- 56\_ **Asian Arts** Singapore Art Museum exhibits work of Thai painter Natee Utarit
- 57\_ **White Turf** Riderless horses pulling daredevil skiers attract large crowds to St. Moritz
- 60\_ **Ageing Creatively** Dementia patients visit the National Gallery and create their own art
- 64\_ **Chinese Cellist** Prix Credit Suisse Jeunes Solistes awarded to the cellist Mi Zhou
- 65\_ **Disaster Relief Fund** After natural disasters, it is the second tranche of aid that is crucial

## Leader

- 69\_ **Roger Federer** Three days working on behalf of his own charitable foundation
- 72\_ **Nouriel Roubini** The global nomad on the world economy, greed and himself

## Service

- 68\_ **Masthead**

# Genes Never Lie – Alas

**A Russian soul? French savoir vivre? Or Viking blood coursing through one's veins? Amateur genealogists researching their ancestry can now take advantage of a helping hand from geneticists – as long as they are prepared to provide a mucus sample.**



Text: Till Hein

So just where did my forefathers hail from then? Patagonia? Zanzibar? Or just around the corner? And were they hunters? Farmers? Or even pirates?

Historians generally say that only those who understand the past can master the present. But I know virtually nothing about the origin of my own family. I recently learned at a wider family gathering that a great-uncle of mine apparently lived in Austria: He was an aristocrat, filthy rich – and gambled away his entire fortune. But before 1850 our family history is very much a blank piece of paper.

Luckily, science now seems to be making huge strides when it comes to genealogical research. It has now been proven that everyone carries within their genome (or DNA) genetic traces of their forefathers, stretching way back to long-forgotten epochs of human history. And many genetic researchers assert that they can decipher this evidence.

It was pure chance that I stumbled across this research method. I had been commissioned by a magazine to write an article about the Vikings, and being a great fan of the comic strip “Hägar the Horrible,” it seemed like a tailor-made brief. When doing my research, I came across a company in Zurich that specializes in genetic testing. “Are you a Viking?” the company iGENEA teases on its Web site, offering a range of tests to establish genetic inheritance. The price of the tests start from 199 Swiss francs (208 US dollars).

This was an opportunity I didn't feel I could pass up. Because the majority of my relatives are restless souls, just like me. We have always suffered from “itchy feet,” from the desire to roam the great expanses of the ocean. And weren't the Vikings the greatest seafarers of them all? Perhaps the answer is very simple. I thought: We Heins are their descendants! The Vikings seem to be universally

popular. Hillary Clinton, for example, is supposed to be a great admirer. After all, it was her passion for the Norse barbarians that drove her into the arms of her husband. “He looked like a Viking,” gushed the current US Secretary of State in her autobiography, describing her first ever encounter with Bill Clinton in a student club back in 1970. Hillary apparently found his red beard and long hair particularly sexy. Such a “Viking from Arkansas” was clearly an irresistible proposition.

Of course, the real Vikings of the Dark Ages did misbehave a bit: They torched monasteries and entire villages, looting gold and precious stones. “A furore Normannorum libera nos, domine!,” people would pray: “From the fury of the Norsemen deliver us, O Lord!” Though no one seems to bear a grudge against them nowadays. Instead they are viewed as cult figures: A bit clumsy, perhaps, and with overdeveloped gross motor skills – rather like Hägar the Horrible – but uncapricious and authentic, with a good sense of humor.

Canned fish, sugar cubes, mustard and cars are all marketed with the Viking dragon boat emblem, as are pickles, sausages, truffles and marzipan. Scandinavian nutritionists nowadays extol the virtues of a Viking diet, and even the gene-testing company iGENEA is making the most of the Viking fixation. As I read on the company's Web site, DNA analysis of skeletal remains has already enabled scientists to establish identity profiles for Celts, Persians, Germans, Scythians, Slavs and Illyrians, but now – thanks to analyses of blood traces from the northwest of England, reputedly more than 1,200 years old – science has even managed to isolate a genuine “Viking” blood type!

But does real Viking blood course through my own veins? For an answer to this question, I have to provide a mucus sample. The com-

pany sends me the necessary utensils for this by mail. I then scrape along the inside of one cheek with a cotton swab. Gently but firmly, so that enough cell material is captured. It's a strange sensation, as my experience of such samples to date has been limited to the German-speaking TV drama "Tatort" ("Crime Scene"). I then place the sample in a plastic container, send it off to Zurich and transfer the 199 Swiss francs as payment.

Weeks go by with no news. Maybe the company has forgotten me? But then suddenly, some interesting-looking mail. I open up a large, thick envelope and pull out a dark brown folder on which a gold company crest is emblazoned. It contains a color photocopy of a hand-drawn map of the world. This shows the major migrations of ancient peoples, with a total of almost 20 different routes marked out. No easy undertaking, this research into one's ancestors!

Another sheet of paper contains my personal test result: "Haplogroup: R1a1, Antic tribe: Teuton or Slav." Bewildered, I stare blankly at the certificate. So no Viking blood then? And what is a haplogroup anyway? An accompanying legend provides further information on this point: Haplogroups "can be compared with huge branches of the human family tree" and are essentially "ethnic races from the early period of human history." They apparently originate when population clusters develop in isolation from one another over a long period of time. So far, so good.

Unfortunately, my haplogroup "R1a1" seems to be as common as muck, not to put too fine a point on it: "More than 40 percent of men who inhabit the region stretching from the Czech Republic to Central Asia belong to this group," states the accompanying text. As does every third Hindi-speaking man in India. Most opaque. Nor are things looking very promising in my quest for Viking blood: Back in the early mists of time, members of the R1a1 haplogroup probably lived in Southern Asia.

So what about "antic tribe?" This is apparently the term used to describe the indigenous race to whom my ancestors belonged between about 900 B.C. and 900 A.D. However, it's clearly not

always possible to produce an unambivalent answer. In my case, for example it's "Teuton or Slav" – so what's it to be then?! Fortunately, iGENEA can help out a bit more: I talk to iGENEA's managing director Roman C. Scholz on the telephone and am advised to compare my DNA profile with a database containing some 300,000 other profiles in order to find "genetic cousins." In other words, people with whom I share common ancestry in recent history. "In all likelihood, within the last 24 generations," says Scholz. I enter my test number and password in the search engine, and immediately the software throws up precisely such a "cousin" in Denmark! A surge of renewed hope. So the Viking blood trail has not yet turned cold!

But not a single "genetic cousin" can be found in the classic Viking strongholds of Iceland and Norway. Dammit! The computer program finally identifies 15 "cousins": Apart from the match in Denmark, there are three Poles, three Germans, two Russians, two Italians, one Ukrainian, one Bulgarian, one Dutch and one Romanian. They obviously got about a bit, my lot! But Scholz offers me further hope, pointing out that it is "not completely out of the question" that I have Viking blood flowing in my veins. And the Web site of his company recommends a number of different "upgrades" for the more thorough researcher. For example, the mtDNA-super-test that is supposed to be much more precise than the starter test that I had undergone. This procedure involves the analysis of 67 (rather than 12) Y-chromosome DNA markers to establish paternal lineage, while at the same time subjecting the maternal line to a test too. Just the small matter of the cost: 899 Swiss francs. Wow!

I think I'd rather stretch out on the sofa and bury myself in the latest "Hägar the Horrible" comic book. <

#### **Till Hein**

**lives and works as a freelance author in Berlin. He was born in Salzburg, Austria, and writes for Die Weltwoche, mare, Die Zeit, Frankfurter Allgemeine Sonntagszeitung and the GEO family, among others.**



**Although – or perhaps because – the Vikings were so feared in the Middle Ages, many people would like to discover a direct ancestral line.**

Sven Schubert  
Germany

Marcus Hettinger  
Germany

Tobias Merath  
Germany

Julia Dumanskaya  
Russia

Shivani  
Tharmaratnam  
Singapore

# RO

**Melting pot Switzerland: With nine people originating from seven different countries, the Currency & Commodity Research team of Credit Suisse is a truly international hub. Team members discuss the things and places that connect them with their homeland – and reveal what they find so incorrigibly Swiss about Switzerland.**

Text: Bettina Bucher, Photos: Pia Zanetti





Karim Cherif  
France

Stefan Graber  
Switzerland

Joe Prendergast  
Ireland

Anna-Mária Simon  
Romania


# OTS

**Julia Dumanskaya**  
Russia

“ My mother bought this scarf for me a few years ago in Moscow. I get a really special feeling when I wear it – it makes me happy every time I put it on. The pattern is typically Russian, but I've been told that it's becoming more and more fashionable in Western Europe, too. The book under my arm is an old book of pictures from Moscow. It's a beautiful, leather-bound edition that actually belongs to my mother. I get it out when Swiss friends want to know more about my hometown. My favorite picture shows the cathedrals in the Kremlin, the symbol of Moscow.

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In Switzerland, I see a pronounced sense of responsibility with regard to things both big and small – a sustainable approach in every respect. A good example of this is the closure of the road to motor vehicles in Eigental near Zurich airport for the annual amphibian migration period every spring. This allows toads and frogs to reach their spawning grounds safely. Every year, I'm amazed by it. ”

**Joe Prendergast**  
Ireland

“ The gray painting behind me is a work by an unknown Welsh artist. It's one of the very first pictures I acquired. That was 20 years ago, and despite its cumbersome size it has always traveled with me. It adorned my walls in London, then in Ireland, and now it has come over to Switzerland with me. I love its size and depth. It's an expression of infinity, and it is far more complex than it might look at first glance.  
... ”



...  
The seriousness with which guidelines, decrees and punctuality are treated here may come across as rather cold and impersonal. But what results is a collective harmony that to my mind is a key part of the Swiss identity. One advantage of this upright and reliable society is that even young children walk to school on their own in complete safety. That's a great rarity in the modern world. ”





**Stefan Graber**  
Switzerland

“ I get around Zurich almost exclusively by bike. It’s quick, wastes no time, you never have to wait, never have to look at timetables, never struggle to find a parking space. It gives me an extra bit of quality of life. In Singapore, where I lived and worked for just under two years, I missed this simple form of mobility. Not only is the road system there geared wholly around cars, the heat and humidity of the climate is also not exactly cycle-friendly. It’s a conflicting trend – over here we’re shifting from the car to the bike, while in Asia it’s the other way round.

...



...

In Switzerland, the individual's private sphere or 'Gärtli' is very important. On public transport, for example, everyone sits on their own if they can. In restaurants, everyone orders their own dish, while in Singapore it's customary to order together, with everyone then helping themselves when the food arrives in the middle of the table. When it comes to dwellings, too, people in Switzerland are often anxious to shut themselves off from their neighbors. In Singapore, by contrast, apartment blocks always have a communal area where residents come together for any number of activities. ”



Photo: Stefan Jaeggli, Keystone



**Sven Schubert**  
Germany

“ Isn't love for one's homeland also driven a little bit by the stomach? Currywurst and fries, that's true Berliner fare. Indeed, in Berlin there are a couple of revered institutions like the "Curry 36" snack bar in Kreuzberg where you'll even find a queue at three in the morning. In Switzerland, by contrast, I've yet to find a truly delicious currywurst even though I've been here six years. That's why, whenever I travel back to Berlin, I embark on a serious mission to find the best sausage. But I'm open to new things too on the food front. It wasn't until I came to Switzerland that I started eating cheese, but I now have a high opinion of raclette and fondue.

...





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Apparently, a sword used to serve as proof of entitlement to vote at local assemblies in Appenzell. The sword was handed down from generation to generation, and even today many Appenzellers still wear their swords to community gatherings. On the one hand it's just a quaint curiosity, but on the other I think it's nice when such rituals are preserved. It enriches a culture. ”



**Marcus Hettinger**  
Germany

“ It was a VW Beetle, I remember that clearly, even though I’ve now forgotten the color. That was the car in which my parents moved from southern Germany to Switzerland in the 1970s for work reasons. Me in the back, in this child’s seat. As I’ve been in Switzerland since I was a small child, I speak the Swiss dialect perfectly. Today I live in the Basel region, so the move from southern Germany was hardly a dramatic one. That’s probably also why I have kept no real souvenirs of my former homeland—the child seat apart.

...



**Tobias Merath**  
Germany

“ My favorite food is ‘Maultaschen’ – but unfortunately it’s not easy to find in Switzerland. It’s difficult to believe but true: The moment you cross Lake Constance, you don’t see it anywhere. Whenever I go back to Germany I always buy a few packs to store in the freezer. Maultaschen are made from pasta dough with a filling consisting of sausage meat, spinach and onions. Colloquially they are also known as ‘Herrgottsbscheisserle,’ which translates as ‘Cheaters of the Lord.’ The name dates back to a time when meat had to be hidden during the fasting period.

...



**Kehrplatz  
plaz da volver**

... Switzerland is home to four native languages, which is something that people often overlook. I find it fascinating that you can travel around your own country and suddenly hear another language being spoken. You can end up in 'foreign' territory without ever crossing a border, and to my mind we should make more effort to speak these national languages, or at least understand them. ”

Photo: Arno Balzarini, Keystone



... What sometimes astonishes me is the great precision with which everything has to be done in Switzerland. For example, old paper will only be taken away for recycling if it has been tied together neatly. The opening hours of glass recycling sites have to be adhered to religiously. And the maximum time for a car to be left in a visitor parking space is four hours – you're quite likely to find a note stuck to your windscreen if you have the temerity to leave your car there for four-and-a-half hours. ”

**Anna-Mária Simon**  
Romania

“ I’m a Hungarian from the Szekler region, which lies in Romanian Transylvania. An object that reminds me of my beloved homeland is my miniature copy of a Szekler gate. These imposing wooden gates are typical of Transylvanian architecture. They are decorated with paintings or carvings, and give a majestic feel to the entrances to village houses. There are two passages under a single wooden roof: a small one for people, a larger one for vehicles. As visitors pass through a Szekler gate, they will often encounter a number of inscriptions, such as ‘A blessing upon those who enter, and peace to those who depart.’

...



...

When I first came to Switzerland, I remember rummaging around in a bookshop for reading material to practice my German. My eye fell on Hugo Loetscher's 'Der Waschküchenschlüssel' ('The Laundry Room Key'). I bought the book as it aroused my curiosity, not least because I could see that there was plenty of scope for conflict in Switzerland if I failed to observe laundry room etiquette. And what a find! Because it showed me how the Swiss mentality works in everyday life, and why it's so important to the Swiss that all rules are adhered to, whether written or unwritten. It was as if Loetscher's brilliant tale had provided the key to unlocking the Swiss version of the Szekler gate. ”



**Shivani Tharmaratnam**  
Singapore

“ Personally, I prefer taking photos myself to being photographed. That’s why I always have my digital camera with me whenever I’m traveling on business. Not just so that I can capture my latest impressions, but also because that’s where I store a whole host of photos of my friends and family back in Singapore. As well as my favorite places. I’m a real family person and my friends also mean a lot to me. One of my favorite shots is of my sister and my small niece. It’s great that modern technology allows me to carry around a pocket-size piece of my homeland and a sense of belonging wherever I go.

...





...

I'm struck by the fact that in Switzerland you can just get a ticket from a machine and then simply climb aboard the train or tram. The checking of tickets is sporadic and random. In Asia, it's usually the case that you can't even get near the train if you don't have a ticket. The Swiss seem to have a great deal of trust in the users of public transport. ”



**Karim Cherif**  
France

“ I get a slight feeling of being at home in this Moroccan tearoom. I have Arabic roots. The four colorful tiles convey a sense of oriental flair, while the low sofas are reminiscent of an Arabian living room. It's an appealing place to spend time with family and friends, and to drink tea. The latter plays an important role in our culture and tradition of hospitality. There's always time for tea, always a good reason to drink tea together. If you have a guest, you inevitably end up in the living room – drinking tea. These are moments of sharing and exchanging experiences, of happiness itself.

...







...  
 I like Switzerland best in summer, as then you can go to a 'Badi bar' – an outside swimming facility turned into a bar in the evenings. I've never come across that kind of thing in France. You wouldn't find people in Paris wanting to swim in the Seine, for example. I'm fascinated by how these Badis completely change when darkness falls. A swimming facility suddenly becomes a place where people come together to have fun and listen to music. It's a truly unique combination of big-city nightlife and pure nature. ”

Photo: Dagmar Lorenz

The renowned photographer **Pia Zanetti** has been living and working in Zurich since 1971. Prior to that, she spent eight years in Rome and London. Pia Zanetti has attracted attention through her various reportages shot in Latin America, Africa, the Middle and Far East, Western and Eastern Europe. Her pictures can be viewed in both private and public collections.

# Let It Be Local

Trend researchers have identified a “new consciousness about food” in both Europe and the US. In addition to the high quality, what matters first and foremost is a product’s origin. Food produced locally with a clearly identifiable origin helps to create an emotional link, an increasingly important factor in the era of globalization.



Text: Beat Stauffer

When guests open the menu of the “Krafft” restaurant in Basel, Switzerland, they are immediately struck by the relatively small number of dishes listed, as well as by the extensive detail with which they are described. A three-course set menu might start with a “Duo of smoked trout from Zeiningen,” before moving on to “Rapeseed capuns in unfiltered Lake Constance grape juice with shiitake mushrooms and Belper Knolle cheese.” Unpasteurized Swiss cheese specialties then round the meal off.

Toward the back of the menu, the guests can obtain further details on the origins of the meat, vegetables, fish and seafood served. The same applies to the wine, which comes exclusively from clearly identified growers. Those who want to know even more – such as the origin of the olive oil used or the sourcing of the dessert ingredients – will find the information they require on the Web site of this highly traditional hotel-restaurant.

Barely 10 minutes away from the hotel-restaurant Krafft, situated right next to the major production facilities of pharmaceutical multinational Novartis, lies Matthäusplatz – an oasis at the heart of a densely populated quarter. Every Saturday this square plays host to a vibrant, colorful market. This is a genuine producers' market, with around 80 percent of the goods on sale being grown or made by the stallholders. Local growers come here from the wider Basel region – and in many cases from neighboring South Germany – to sell their fruit and vegetables, bread and flowers, as well as a range of specialties like honey, homemade vinegar and schnapps. This market has only existed since 2006, and has been a resounding success: It attracts numerous visitors from other districts and recently earned its founder a sponsorship award from the City of Basel. In the view of Christof Dietler, coproprietor of the consultancy firm “Pluswert,” this local market epitomizes a major current trend. Experiments of this kind are followed very attentively by food industry experts and trend researchers, as they anticipate developments of the future.

### Misleading Labels

Many consumers today have a nagging feeling that they are insufficiently informed – or occasionally even deceived – about the origins of food produce. For example, it is now not only insiders who are aware that Italy has (for years) exported far more olive oil than it actually produces and that Bündner Fleisch (the dried beef specialty from the Swiss Canton of Graubünden) is often made with Argentinian rather than local beef. Consumers are also very unsettled by the use of additives and preservatives in the production processes of many foods.

Christof Dietler is adamant that the local and regional sourcing of a particular food product – and the traceability of its origins – is playing an ever greater role in determining consumer purchasing decisions. As he sees it, this trend is also manifesting itself at an international level. A similar view is held by Denise Stadler, media spokesperson for the Swiss supermarket chain Coop. Many consumers are looking not just for sustainably produced food, but also for products with local roots. “We are seeing more and more evidence that consumers are inquiring after the origins of the goods they buy,” says Stadler. She sees this as particularly pronounced among “organic-minded consumers,” as this client segment is termed in the specialist jargon of marketing experts. Furthermore, Dietler also believes that for these consumers the regional origin of a product is often

even more important than the organic certification of its means of production. What precisely lies behind this urge for regionally sourced food? On the one hand, the basic element of trust clearly plays a certain role. “People have greater confidence in food that is produced locally,” says Stadler, pointing out that the information provided on such products is more easily verified should the need arise. But environmental concerns also play an important role. Locally produced food means considerably shorter journeys to the point of sale, which almost always gives it a major environmental advantage over imported products. A third very important factor, however, is the emotional aspect: What matters here, as both experts agree, are the concepts of native produce, identification, local roots, affiliation. And demand for these criteria appears to be on the rise, even in – or rather particularly in – a globalized world. The need for a sense of native kinship is becoming increasingly important in a world where regional (and previously independent) producers are being bought up and subsumed into multinational companies that then sell the same standardized products all over the world.

Another trend that has had an influence here is the purchasing behavior of a certain type of high-earning urban dweller – collectively termed LOHAS in the US – which has now spread to other Western countries. LOHAS (see box p. 26) represents an attitude to life that combines healthy nutrition with a sense of environmental responsibility. But equally, LOHAS may perhaps be just a class-specific expression of the same trend that motivates consumers with lesser purchasing power to shun beans or asparagus flown in from the other side of the world in winter and instead buy root vegetables from a local grower in the neighboring village.

The requirement for precise designations of origin is nothing new when it comes to food and drink. In the case of high-quality wine, the precise place of production has long been a labeling requirement, while origin is also an important factor for certain types of cheese. Producers in Switzerland have relied on legally protected designations of origin such as AOC and IGP (see box p. 26) since the 1990s in order to set their “authentic” products apart from those of lower quality. The term “terroir” also plays an important role in this respect. Finally, the “slow food” movement (see box p. 26) has provided an important international boost to the preservation of genuine, unadulterated and unique types of food that afford a high degree of pleasure.

### Sustainable Supply Chains

Small, vibrant producer markets and restaurants like “Krafft” in Basel may provide important stimuli, but they cannot ultimately solve the problems that arise from unsustainably produced food and around-the-world transportation.

In this respect, argues Dietler, the fact that the major Swiss distributors have taken a number of crucial steps is key. Because the repercussions of this are huge: Thousands of animals that can live in better conditions, huge quantities of pesticides that can potentially be done away with and hundreds of thousands of kilometers clocked up by trucks that can perhaps become a thing of the past. “Ultimately it’s all about sustainable supply chains from which all those involved can benefit,” says Dietler. It’s only logical that locally produced wares will prove the beneficiaries.

Dietler believes that the two major Swiss supermarket chains, Coop and Migros, have already made significant progress in terms of sustainability and local production. Increasingly to the fore here are >

**LOHAS**

Short for “lifestyle of health and sustainability”; an attitude to life that involves a sense of responsibility toward the environment and one’s fellow beings, in addition to healthy nutrition.

**Terroir**

The term “terroir” is designed to indicate the connection of a product with a certain place of origin. This in turn implies a “terrain” characterized by certain natural conditions (soil composition, climate, fauna, flora and topography) and extends to the people who harness these local conditions.

**AOC and IGP Products**

Switzerland’s official quality seals AOC (Appellation d’Origine Contrôlée) and IGP (Indication Géographique Protégée) have been reserved (since 1997) for agricultural products with close, traditional links to their area of origin. Meat and cheese products constitute the majority of AOC- and IGP-certified products in Switzerland.

**Slow Food**

The slow food movement started in the 1990s in Italy, from where it spread to the whole of Western Europe. Its focus is on the rediscovery of a culture of enjoyment.

programs with names such as “Naturaplan” (Coop, organic food with the “bud” seal of approval, sales of 760 million Swiss francs or 800 million US dollars), “Naturafarm” (Coop, animal welfare program, sales of 480 million francs), “Terrasuisse” (Migros, food with integrated production methods from Switzerland, sales of 650 million francs), “From the region. For the region.” (Migros, sales of 750 million francs), and “Pro Montagna.” Dietler is convinced that these sales figures for regional and environmentally friendly produce set Coop and Migros apart as international pioneers, explaining why their efforts are now attracting attention throughout Europe.

**Finding Organic Produce at the Click of a Mouse**

Coop spokesperson Stadler believes that a growing customer segment is following this trend, but she is also convinced that her company has helped to mold it. Because Coop apparently pursues this policy not only in the area of organic produce, but in its entire food segment. Wherever possible, the company tries to source products from Switzerland as well as from the local region of the outlet in question. At the moment, some 70 percent of the produce sold under Coop’s own brand comes from Switzerland, a proportion that is significantly higher for fresh products. Coop sets particular store by product origin when it comes to so-called regional product lines, i.e. organic produce, which is mainly grown by small-scale producers, and products carrying the “Pro Montagna” and “Pro Specie Rara” labels. The company’s latest project in the sphere of food transparency and traceability is the “Naturaplan-ID” product label. This is a number consisting of between three and five digits with which consumers can trace the precise origin of the food product in question. Customers can use this ID to look up the organic farm in question at the click of a mouse. This new Web application has been available since October 2010.

**The Concept of “Terroir”**

But to return to the banks of the Rhine and to the hotel-restaurant Krafft, which offers its guests predominantly regionally sourced dishes and discloses the origins of many of its ingredients: Head chef Steiner is in no doubt that his “philosophy of fresh local produce” and the extensive disclosure of product origin are valued by Krafft’s guests. A similar approach is taken by restaurants like “Terroir” in Zurich and Lötschberg in Berne. The former offers exclusively Swiss (and where possible, regional) products whose precise place of origin is meticulously recorded on the menu. Indeed, the very name “Terroir” is designed to indicate the connection of a product with a certain terrain (see adjacent box). The philosophy of 100 percent “Swissness” also extends to the highly traditional recipes, which are adapted only slightly to modern tastes.

Over at the “Lötschberg” restaurant in Berne, a similar policy of exclusively Swiss produce is applied in a slightly more down-to-earth setting: wine and beer, cheese and sausages, various fondues and Valais-style raclette. Here too, the products served in the glass and on the plate have certified AOC labels, which in some cases can be traced back to individual farms or meadows.

And what about the future of sustainably produced regional foods, and those with precise designations of origin? All the experts we talk to are unanimous: This is very much a one-way trend. The words “organic,” “terroir” and even “place of origin” will continue to be prized, not least because they contain so much emotional resonance – which ultimately acts as a stronger driver than the urge for environmental equilibrium. <

**Weblinks**

- [www.krafftbasel.ch/en/restaurant.html](http://www.krafftbasel.ch/en/restaurant.html)
- [www.loetschberg-aoc.ch/en/accueil.html](http://www.loetschberg-aoc.ch/en/accueil.html)
- [www.pluswert.ch/en/foodmarketing.php](http://www.pluswert.ch/en/foodmarketing.php)

# Coming and Going

**For the past two million years, plant and animal species have passed constantly back and forth across Switzerland's borders. Without immigration, our landscape would be exceedingly drab. Even the iconic edelweiss is not actually a native of the Alps, but an import from the Asian steppes.**



Text: Mathias Plüss

In one respect, plants and animals are just like people: If you go back far enough, they're all foreigners.

Even the Alps, seen by many Swiss as epitomizing their home country, are populated almost entirely by immigrant species. When the mountains were formed some 25 to 35 million years ago, they received an influx of visitors from older ranges: The alpenrose, primula and gentians all migrated to the Alps from mountain regions in Asia, while the crocus, daisy and narcissus came in from the Mediterranean zone.

The mix of species found in the high Alps is now relatively stable. The flora and fauna of the pre-Alps, however, have seen far greater upheavals: Here, species have been constantly coming and going as the climate has changed and as mankind has molded the landscape. According to Munich-based zoologist Josef Reichholf, "it's impossible to define anything like a primeval status: Our environment has been evolving dynamically all along."

## **Constant Fluctuation Between Cold and Warm Eras**

The events that had the greatest impact before the advent of mankind were the ice ages. These were nothing less than a catastrophe for animals and plants: It had been consistently warm for 60 million years – and then, two million years ago, the glaciers suddenly started advancing. From then on, there was a continuous toing and froing between cold and warm epochs. This only ended when the last glacial period (for the time being) ended in Europe 12,000 years ago.

The temperature swings in central Europe were so great that a high proportion of fauna and flora disappeared as other species moved in to take their place. During the cold periods, the forest

vanished and land that was devoid of ice became colonized by species from eastern Europe and Siberia that felt at home on tundra and steppes. When the climate became warmer again, they retreated to the places they had come from. Central Europe then became populated once again by animals and plants that had "hibernated" in the Mediterranean region. Each climate change, therefore, was accompanied by huge migratory flows.

Some species came to grief in the process: The major European mountain ranges (Pyrenees, Alps, Carpathians) run from west to east, thus making it difficult for species to migrate from the south. So each time the climate changed from warm to cold, or vice versa, a number of species were pushed out. This is why Europe has fewer species of plants than other parts of the world. In North America, for example, where the mountain ranges run in a north-south direction, there are more than 20 species of oak against Europe's four.

## **Lions and Leopards on Switzerland's Central Plateau**

Sometimes, however, climate change also brought an enrichment: The edelweiss, originally an inhabitant of the high steppes of central Asia, probably only colonized the European lowlands in the last Ice Age. When the climate warmed up, these plants moved higher into the mountains rather than retreating back to the steppes. So even the most charismatic of all alpine flowers is an immigrant – and in fact rather a recent arrival. The impoverishment of the animal world was rather more dramatic than the loss of plant species. The variety of large mammals that roamed Switzerland just 30,000 years ago is hard to imagine. In addition to the relatively well-known mammoth, saber-toothed cat and cave bear, central Europe was in fact >



**The edelweiss is believed to have arrived in the European lowlands during the last Ice Age as a migrant from the Asian steppes.**

home to many more Ice Age species: the woolly rhinoceros, musk ox, steppe bison, wild horse and saiga antelope, for example, not to mention giant stags with antlers weighing up to 45 kilograms (99 pounds) and large predators such as hyenas, wolverines and leopards. Lions were also still found in Europe after the last glacial period, with individuals living in Hungary and the Balkans until as recently as 2,500 years ago.

### **Hippos a Common Sight in the Rhine**

Central European wildlife looks even more exotic if we go back to the last warm period about 120,000 years ago: At that time, the *Stephanorhinus* genus of rhinoceros lived here, along with fallow deer, aurochs, water buffalo, wild horses and wild donkeys. The hippopotamus was a common species in the Rhine valley. But the most impressive sight of all was surely the forest elephant; then also common in central Europe, these measured up to four meters (157.5 inches) at the shoulders. Even 18th-century scholars still considered the idea of rhinos and elephants inhabiting Europe to be preposterous, and dismissed all the bones found up to that time as the remains of animals that had been imported by the Romans for their blood sports.

As we are now living in a warmer period again, we might normally expect to see fauna from warmer climes colonizing our environment. But most such animals are now extinct or have retreated to Africa and Asia. The same applies to the large mammals and predators of the glacial period. While many populations would have been weakened by the abrupt climate change at the end of the last Ice Age,

this cannot be seen as the cause of the rapid extinction of so many species – which did, after all, manage to survive a number of temperature surges in the past. The only plausible explanation is that mankind, as hunter and competitor for food sources, decimated Europe's formerly diverse fauna.

The extermination of the large mammals was only the beginning. 7,000 years ago, agriculture started to transform the landscape as people wrought first gradual and then massive changes upon Europe's vegetation – with the result that virtually none of Switzerland is now in its primeval state. Until 8,000 years ago, some 80 to 90 percent of central Europe below the tree line was covered with forest. In the lowlands, the only treeless areas to be found were the result of forest fires and landslides, or along watercourses. That is not to say that Switzerland was covered with dense and gloomy ranks of spruce trees: The vegetation would certainly have been quite varied and open. For one thing, the last survivors of the big grazing animals, such as red deer, aurochs and bison, would have kept the forest open by browsing and trampling their way through the undergrowth.

### **Switzerland's Forests Largely Man-Made**

Our ancestors then set about burning down and clearing areas of forest in order to grow crops. This not only reduced the forested area, but also made it less diverse. As research by the Bernese botanist Willy Tinner and his team has shown, the familiar predominant mix of beech, oak and spruce trees is a man-made feature: By repeatedly encouraging forest fires and harvesting timber, mankind decimated the elms, limes, maples and ash trees that once dominated the forests of Switzerland's central plateau. It was the species most resistant to disturbance – above all beech and oak trees – that benefited from these activities.

So while the forests became increasingly impoverished, the open land was enriched: It wasn't just cereals that grew on the areas that had been cleared, but a whole host of secondary flora that our Stone Age forebears imported along with grain crops from the Middle East. Chamomile, corn cockles, poppies and cornflowers: All of these attractive species, some of which have become rare again, were actually imported from the East.

But they weren't the only ones. Some 40 percent of the plant species in Switzerland are thought to be synanthropes – species that benefit from an association with human activities. Some migrated in from the steppes at the time mankind was felling trees wholesale. Others had already been present on existing small areas of open land, but then spread rapidly with the advance of agriculture. The same applies to the Swiss fauna: Field mice and cabbage white butterflies are associated with human activities, but so are the now endangered partridge, hare and lapwing.

### **Experts Want More Wilderness Again**

Almost no part of Switzerland has remained untouched by man. There are virtually no primeval forests or completely natural watercourses. And those most diverse habitats that one might think of as quintessentially natural – the closely managed meadows and fields with their hedges, isolated trees and wooded edges – are man-made features: They are the unintended result of a certain type of land use and are disappearing again as agriculture becomes more and more intensive. How can nature conservation efforts cope with this situation? On the one hand, the experts all agree that we need more wilderness – more new national parks, for instance, where natural processes can



**The wisent, or European bison, was a common species in the pre-Alpine regions a few thousand years ago.**

evolve with a minimum of disturbance. The fact is, however, that no large areas can be made available for such purposes within the foreseeable future. “In the late Stone Age, the land occupied by present-day Switzerland was home to just 20,000 people, and even by the Bronze Age the population had only risen to about 100,000,” says Urs Tester of the environmental organization Pro Natura. “With today’s population density, there is no question of achieving 80 per cent forest cover again.”

#### **State Funds for Landscape Protection?**

On the other hand, the landscapes that we have become familiar with and that have evolved with us over the millennia are valuable precisely for this reason – even if they are in fact man-made. But if the extensive farming techniques that gave rise to them are disappearing, how are we to preserve them? Pro Natura is urging farmers to set aside fallow land on which diverse flora can thrive, and to intersperse their fields with less intensively cultivated strips. “Secondary flora goes hand in hand with arable farming,” says Tester. “If grain crops weren’t grown in Switzerland anymore, we wouldn’t need the secondary flora anymore either. If the habitat no longer existed, such flora would be nothing more than a museum relic – and that’s not something we want.”

It is precisely this image of a museum that Josef Reichholf conjures up, however: “In agriculture and forestry, it is unrealistic in the long run to strive for a state in which yields would be lower than those achieved with intensive techniques,” he maintains. In his view, that is why conservationists should be caring for the landscape and

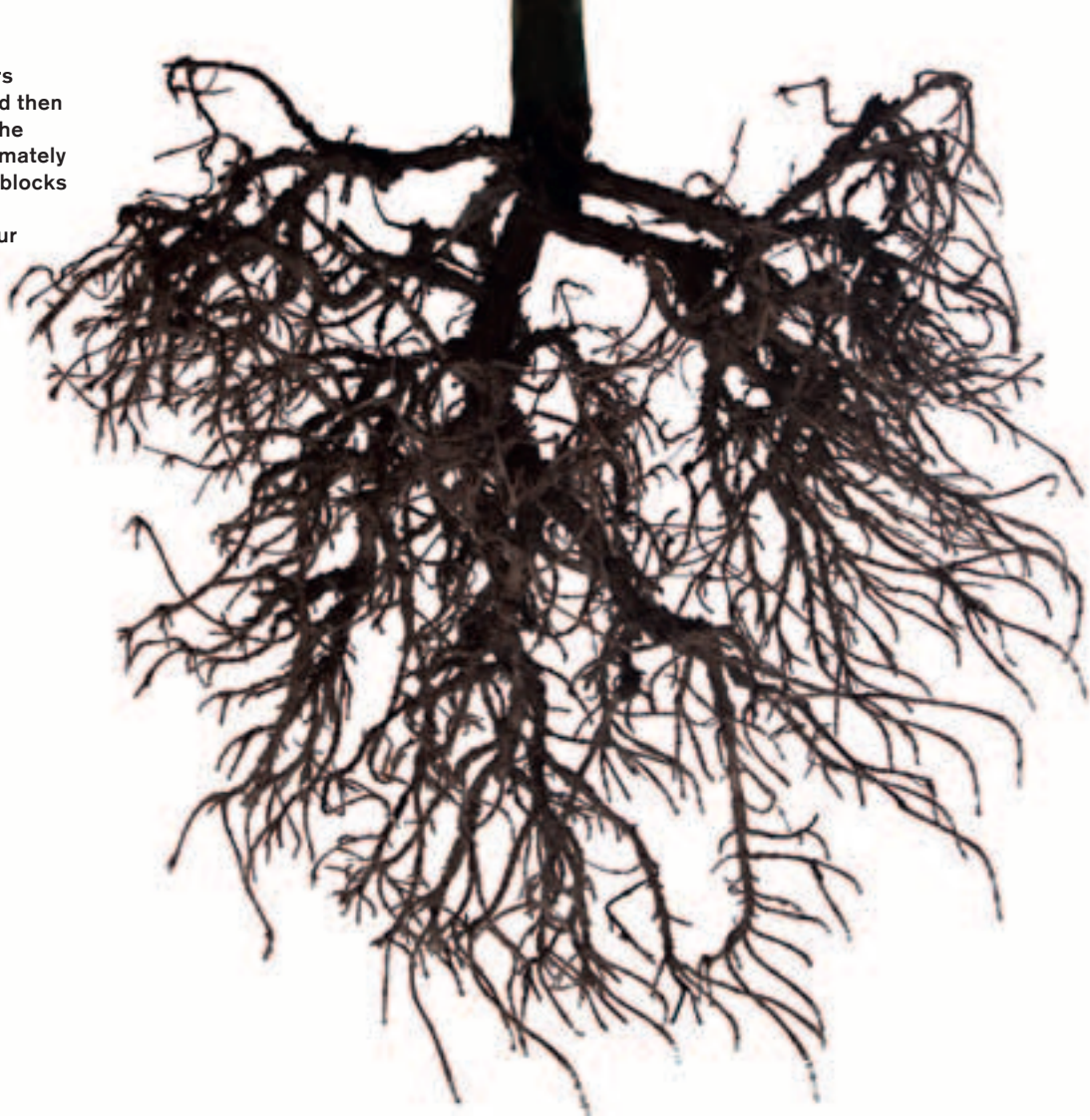
not farmers. “It’s part of our cultural heritage, so looking after it is a task for heritage bodies. It would be best if the nature conservation associations owned land and took care of parts of the landscape. The state could provide the funding. It would be the same as with the museums, where state funds are used to preserve certain things that mean something to a section of the population.”

#### **Could Bison Be Reintroduced?**

When it comes to wildlife we have lost altogether, the answers are not so easy. Would it be possible, for example, to reintroduce the wisent – the European bison that roamed Switzerland in large numbers a few thousand years ago? “In fact, a large herbivore like the wisent would belong in our landscape,” says Tester of Pro Natura. The possibility of releasing some of these animals in northwestern Switzerland is currently being considered, though they would be confined to enclosures. “Otherwise they would soon come into conflict with human land uses.” Josef Reichholf has similar concerns: If we were really to reintroduce a species, then a robust species of horse would be preferable. “Horses would fit in best. They keep their distance and are quick to learn – they soon realize that cars are dangerous.”

And how about the big carnivores that used to populate Europe? The Danish biologist Jens-Christian Svenning has quite seriously suggested that lions be reintroduced into Europe. But you don’t need to be a prophet to see that such a plan would be doomed to failure in Switzerland at least: A densely populated country that has trouble coping with the handful of bears and wolves now moving back into the Alps would never tolerate lions. <

Thousands of stars had to be born and then die again before the elements that ultimately form the building blocks for human bodies could evolve on our Earth.



# Children of The Universe

While attempts to investigate the emergence of mankind often fall back on mythical concepts, the true origins nonetheless remain obscure. By contrast, the origins of the “building blocks” that make up man have been researched much more convincingly.





Text: Andreas Walker

To the best of our understanding, we live in a universe that originated some 13 billion years ago. From a tremendous explosion – the big bang – an extremely small ball of fire of unimaginable density and temperature was created. This ball was our early universe. As a consequence of the explosion it began to expand, a process that is continuing even today. Several hundred thousand years after the big bang occurred, huge quantities of hydrogen (the lightest element consisting of a proton and an electron) were formed, together with a certain amount of helium and traces of lithium.

Modern physicists are still conjecturing as to why the creation of the universe could take place shortly after the big bang. Because from a purely theoretical standpoint, hydrogen ought to have been able to distribute itself fairly evenly throughout the universe, in which case it would have remained a cloud in space, becoming ever thinner as the universe expanded.

Had the universe been subjected to this development, it would have died before anything could have become of it. Or, to be more precise, it would have ended up as a gigantic area containing nothing but clouds of hydrogen floating around. But nature had another development in mind altogether.

As a result of the aggregation of matter, stars were formed over the course of time that then became arranged in giant clusters or galaxies. Galaxies are gigantic accumulations of several hundred billion stars. And there are now estimated to be over one hundred billion galaxies in existence.

### **Gaseous Masses Condense Into Stars**

In the same way, a rotating gas spiral – or what would become our very own Milky Way – was created out of material from this original cloud. When the gaseous masses slowly condensed into stars, suns were the result. Massive stars from this first generation fused hydrogen into helium and other heavier elements. As these massive stars were short-lived and became unstable toward the end of their lives, they “soon” split asunder in bright supernova explosions – leaving just the residue of the star and a gigantic cloud of gas. A few billion years ago, a cloud of dust and gas situated right at the edge of the Milky Way also condensed. A dense, hot core formed at its center, from which a yellow star was born – our own sun. Today it is assumed that the remaining matter accumulated in concentric circles

around this newly created sun, from which around 4.8 billion years ago the eight planets were finally created, together with various dwarf planets, at least 60 moons, thousands of asteroids and countless meteoroids and comets.

### **The Development Stages of the Sun and Other Stars**

The Sun is now more or less exactly in the middle of its life. In the “near future” – i.e. for the next few hundred million years – it will shine at the same constancy as it does today. Thereafter its luminosity will slowly increase and it will balloon in size until it is around one-and-a-half times as large as it is today, and around twice as bright.

As a result, the temperature on Earth will become intolerably hot. This means the ice caps will melt and the land will be transformed into deserts. In around five billion years, the reserves of hydrogen in the interior of the sun will be finally burnt up. The core will then shrink under its own gravitational pull and will heat up until nuclear fusion processes are sparked off in the outer layers, where there is still hydrogen available. This will result in the sun expanding even more, while at the same time its outer surface will cool. In this phase, it will become a giant red star, some hundred times brighter than it is today, with a circumference extending as far as Mercury’s orbit. Down on earth an “oven climate” will then prevail, with the oceans evaporating and the Earth’s surface becoming blazing hot.

After another few million years, the temperature in the helium core of the giant red sun will rise to around 100 million degrees Celsius (212 million degrees Fahrenheit). This will then trigger the fusion of helium atoms to carbon and oxygen atoms. From this point onward, carbon will accumulate at the center of the sun. The core will then shrink once again, and the helium burning zone will migrate toward the sun’s exterior. This will see the red giant expand to such a magnitude that it will engulf Earth itself.

Finally, over a time frame of around 100,000 years, the sun will expel its outer layers into the universe. This gaseous cloud will expand ever further into outer space as a so-called planetary nebula, while a hot star emitting only a little light will remain at the center – the exposed core of the giant red sun.

After a few more million years, this star will gradually shrink to become a white dwarf. Once the sun has reached this stage, it will possess around half the mass of today’s sun, and yet be only >

around the same size as our Earth. The residual matter will have been propelled into outer space during the giant phase.

White dwarfs have an average density of around a ton per cubic centimeter. Nuclear fusion processes no longer take place within them, and they gradually cool down as a result, over a period of several billion years.

Stars with up to four times the sun's mass undergo a similar development to that of the sun, but much faster. The greater the mass of a star, the shorter its life span. For example, the mass of the star Sirius may be around twice that of the sun, but its life span will only be a 10ths of it. Stars of enormous mass will actually exist for "only" a few million years, which is very short in the cosmological scheme of things.

### Stellar Remains – Our Building Blocks

Stars with considerable mass may only have a short life span, but they nonetheless fulfill a very important function in the cosmos: They produce the heavy chemical elements. Over the course of their development they become red supergiants, generating such heat in their cores that the nuclear fusion process goes far beyond the helium-burning process of the stars that have a mass similar to that of the sun. This extreme heat triggers a chain reaction that produces increasingly heavy elements. After the star has fused silicon nuclei into iron nuclei, the energy production ends and the core collapses in on itself. It then expels its outer layers in an explosion that can be likened to a giant cosmic firework of unimaginable proportions – a supernova. In doing so, the star acquires the luminosity of a billion normal suns and catapults enough matter into space to create a solar system such as ours many times over. For observers on Earth, the star suddenly becomes so bright that it illuminates its entire galaxy – even if the latter had previously been completely invisible to us. This is what gives the impression that a new star has emerged from nowhere. And this in turn is why the sudden illumination of a quasi-stellar object is termed a "nova," and a very large example of the same phenomenon a "supernova."

During a supernova explosion, the conditions are ripe for the creation of elements even heavier than iron. This is how the "exotic" atoms such as gold or uranium are formed, which are likewise found on our planet. Through this gigantic explosion the newly created elements are flung out into outer space, where they then mix with other gaseous clouds and are later "used" to create new suns and planets. All the elements that are found on our planet were first "hatched" in stars and supernovae. Our human bodies are quite literally made up of incinerated stardust, or to put it another way – our bodies are the transformed remains of suns that have long since ceased to exist. It's a fascinating notion that the people who are now reading this issue of bulletin – and even the telescopes with which

they observe the stars, and ultimately the entire building blocks of the world – all consist of bygone stellar material. We are, in a very literal sense of the word, "children of the universe."

And this is where it becomes clear that a fascinating "intelligence" is evidently working toward the creation of life in the universe in a targeted way. Thanks to incalculable quantities of hydrogen, galaxies and stars were formed from tiny fluctuations in density and the impact of gravity. Had the hydrogen become distributed quite evenly, we simply wouldn't exist today. The "very large suns" burned very rapidly, and as a result produced the building blocks that were essential for the further development of the universe. After a number of stellar generations, the universe then contained elements that were heavier than hydrogen and helium – including carbon and silicon, which played an important role in the development of life on our Earth. Finally, it required small yellow suns like our own with a sufficiently long life span and a position at the heart of a planetary system. In addition, this planetary system must also contain a planet positioned at the "right" distance from the mother sun – known as the "Goldilocks zone." Too close or too far from this mother sun, and the conditions would not be right. Moreover, it must have the right atmospheric density and composition, as it might otherwise have a baking hot climate like that of Venus, or a perpetual ice age as in the case of Mars. Given these prerequisites, the forms of life that we know today can evolve – as long as there is also enough water in the appropriate form (fluid oceans).

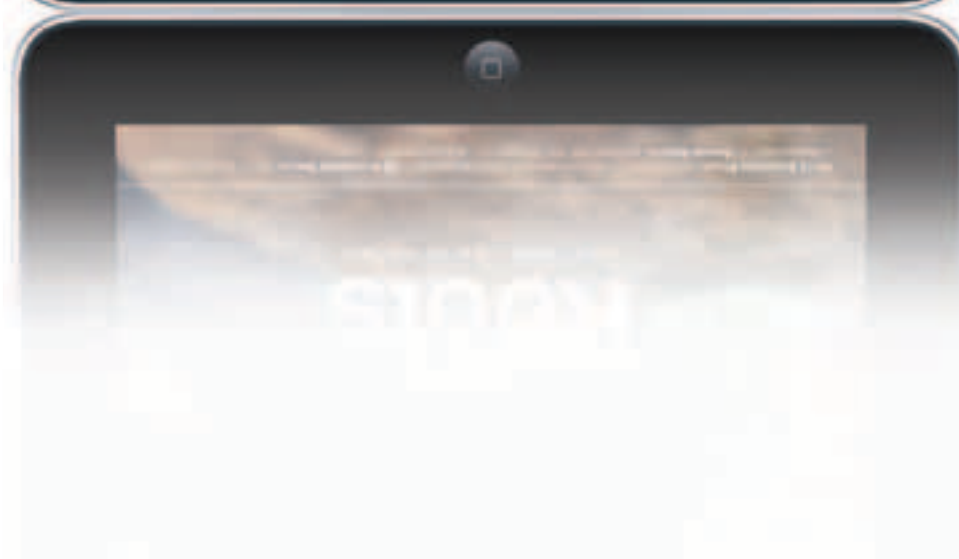
Viewed from a purely statistical standpoint, the 13 billion years that the cosmos has been in existence is much too short for the wholly coincidental emergence of life. In other words, highly evolved life forms have arisen in virtually the shortest conceivable time frame possible. Even if at first glance it seems that our Earth exists in a cold universe hostile to life, a universe so large that we feel quite isolated – precisely the opposite is true.

### A Universe Programmed for Life

The universe appears to be programmed to create an ever-higher order of matter in everlasting cycles of growth and decay on the part of billions of suns – a process that is conducive to first primitive life and ultimately higher life-forms. Several generations of stars had to be born and then die in order for the materials that are found on our Earth to come about, materials of which we ourselves are ultimately composed.

The question as to why seems to exceed the limits of human understanding. Irrespective of whether one refers to this power as God, higher intelligence, creator or something else – as far as we humans are concerned, the emergence of life in the universe will remain the most fascinating miracle that has ever taken place! <





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# Emerging Markets and The Fallout From Quantitative Easing 2

The US economy is picking up speed, just as emerging markets, as a result of further quantitative easing and tax cuts.



China



US



Emerging  
markets



China

US

Emerging markets

## After the Federal Reserve floated the possibility of a second round of so-called quantitative easing last August, many commentators raised concerns about its likely international fallout. Six months on, such concerns seem misplaced.

Text: Simon J. Evenett, director of MBA programs and professor of international trade and economic development at the University of St. Gallen, Switzerland

Ben Bernanke, chairman of the US Federal Reserve Board of Governors, first floated the possibility of a second round of quantitative easing (QE2) during a speech held at Jackson Hole, Wyoming in August 2010. Many commentators – in particular those from emerging markets – at the time raised concerns about its likely international fallout. Understanding what happened since reveals much about the challenges facing emerging markets in 2011, the current state of international interdependence and the effectiveness of recent US monetary policy.

### Cautious Hints

What is striking is how cautiously Bernanke made the case for QE2 back in August and subsequently. There was none of the table-thumping associated with the inflation-crushing measures of yesteryear. Instead, caveats aplenty can be found in his speeches. Perhaps this was due in part to the recognition that many factors determine interest rates on long-term US Treasuries and that the effects of the planned 600 billion US dollars of bond purchases might be offset by other factors. Still, it was argued that lower long-term interest rates would induce upward revaluations in asset prices, with positive knock-on effects for private consumption spending, as well as encouraging investment outlays by US firms.

Foreign governments and analysts saw matters differently. Lower long-term interest rates in the US would, it was argued, encourage investors to seek higher returns elsewhere, inducing not only a devaluation of the dollar, but also more hot money flows into

emerging markets, creating asset price bubbles and at worst posing a threat to macro-economic stability.

It turns out that this critique was, at most, half right. The trade-weighted exchange index for the dollar did fall after the Jackson Hole speech, but has subsequently fully recovered (see figure 1). If QE2 weighed down the dollar in late 2010, something stronger has propped it up in recent months. If anyone in Washington saw QE2 as a means for the US economy to export its way to recovery, then they must be very disappointed!

### Faster Growth Ahead?

Predictions of faster growth of the US economy in 2011, arising from not just QE2, but also the December 2010 deal between President Obama and the Republican Party leadership in the US Congress to extend the Bush-era tax cuts, shifted sentiment markedly in favor of holding US stocks as the year closed. Lax monetary policy is now to be coupled in the US with even laxer fiscal policy, avoiding an implied reduction in aggregate demand that would have followed from the expiration of the Bush-era tax cuts, as well as the crisis-related fiscal stimulus package. Some commentators fret that QE2 will lead ultimately to inflation. But any price increases will register first in the goods market, likely creating short-term profit opportunities for American firms and thereby justifying at least a temporary increase of the US stock market indices.

Whether driven by demands for greater inflation risk premia or improved profit fore-

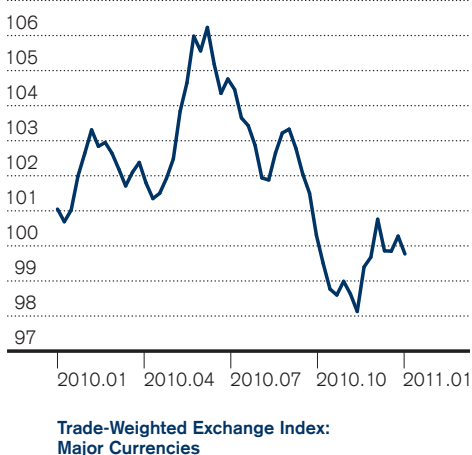
casts for US firms, these developments have also led to an increase in long-term interest rates in the US. (Perhaps Bernanke was right to worry about the potential unanticipated knock-on effects of QE2!) What is for sure, however, is that at the turn of the year investors saw their incentive to sell US-denominated assets diminish. If anything, hot money flows to emerging markets from the US should diminish, contrary to earlier fears. With concerns growing that leading emerging market stock markets are overheating, these developments in the US ought to be welcome news, up to a point. Figure 2 shows those emerging markets where the benchmark stock market index grew by more than 20 percent in 2010 in dollar terms. Should speculative bubbles in the real estate and in financial markets burst, then another round of bad loans may be incurred in emerging market banking systems. In the light of these potential developments, steps by China and India to progressively increase their banks' reserve ratios over the past year or so seem sensible precautionary measures.

More bad news from European government bond markets are unlikely to offset the effect of these recent policy developments in the US. Few, if any, emerging markets are seen as safe havens to benefit from any financial turbulence in Belgium, Italy, Portugal and Spain. In sum, those in search of higher yield will almost certainly chase dollar-denominated assets in the first half of 2011. Emerging market stock valuations will come under pressure and so might their currencies. Rather than fretting about controlling >

## 1 The US Dollar's Evolution in 2010

By the end of 2010, the dollar had returned to levels preceding the announcement of the second quantitative easing package.

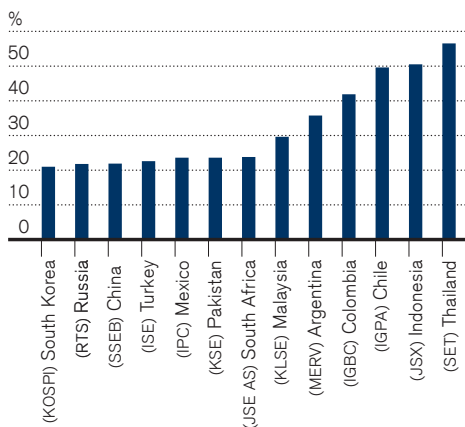
Source: Board of Governors of the Federal Exchange System



## 2 Emerging Markets Outperformed

Emerging markets rose more than 20 percent in 2010, with the Thai and Indonesian benchmark stock market indices in the lead. (in US dollar terms)

Source: The Economist



capital inflows, managing capital outflows may be the greater challenge for governments of certain emerging markets in 2011.

### Rising Demand for Goods, Commodities?

Turning from the financial markets to international trade linkages, given the differences across emerging markets in their export structures, it will be difficult to generalize about the effects of recent developments in the US. For sure, faster economic growth and greater aggregate demand in the US will increase demand for final goods and for commodities. But how much aggregate demand rises by in 2011 in the US will depend on several, some unknown, factors. For instance, much will depend on the types of taxes cut and the extent to which they are altered. (Here analysts will have to follow track how many additional tax cuts and loopholes are added to the primary deal as the relevant legislation passes through US Congress.) Furthermore, it remains unclear how much US consumers and firms will spend on durable goods once uncertainty over the future of the Bush tax cuts is over.

Greater US demand for products will be reinforced in some cases, countered in others, by the recent broad-based appreciation of the dollar. Exporters of final goods to US market surely benefit from the dollar appreciation, meanwhile exporters of parts and components to the US may see orders fall if the dollar's appreciation reduces sales of the products made from those inputs. In a world of supply chains it is risky to assume that an emerging market's manufacturers must all gain from an appreciation of the dollar. The impact on so-called Factory Asia will be ambiguous, both its transpacific and intra-regional trade.

To the extent that the dollar's appreciation weighs down on the dollar prices of commodities – and again, be warned that more than one factor affects the price of each commodity –, then emerging market exporters of commodities have been harmed by the failure of the dollar to fall with the implementation of QE2. Still, the above trend rates of global economic growth should support commodity prices. The trade impact of QE2 on emerging markets, then, has been a mixed bag.

### Impact of Rising Long-Term Rates

Looking beyond the near-term jump in economic sentiment toward dollar-denominated assets, the medium-term consequences of

rising long-term interest rates on US Treasury Bills could have the most profound consequences for policymakers in emerging markets. For sure, current long-term rates such as 30-year US government bonds are well below historical averages. Rising long-term rates will provide lenders of short-term finance with a more lucrative alternative option, which will either lead to higher costs of carry trade finance or margin calls on existing contracts. The implied repatriation of funds from emerging markets will put further downward pressure on their currencies. Sharp corrections in bilateral exchange rates with the dollar and yen, such as those seen in 2008 and 2009, cannot be ruled out.

Moreover, those governments that formally or informally peg their currencies to the dollar may end up reviewing these arrangements as the cost of matching US interest rate increases becomes larger, especially in terms of lower domestic private sector investment, reduced sales to trading partners that do not tie their currencies to the dollar, and cuts in government borrowing (now that the costs of such borrowing have risen). The attractions of exchange rate flexibility – the polite way of describing retaining the option to devalue a nation's currency – may grow larger and ultimately prove irresistible. Voluntary delinking from the dollar or forced – through speculative attacks – cannot be ruled out as interest rates in the US rise.

### Portfolio Allocation Set to Be Affected

Finally, the future of the QE2 policy might well turn on how much aggregate demand in the US responds to the tax cuts. Should the US growth rate accelerate and the prospects of inflation rising markedly be taken seriously by the Federal Reserve Board, then the QE2 policy might be set aside and a policy of raising short-term interest rates adopted. Still, this is more of a risk for the second half of 2011, not least because inflation expectations would have to adjust first.

Although conceived as a domestic measure, the first six months of implementation of QE2 have not gone entirely according to Federal Reserve Board's original plan, nor have they proved as disruptive to the world economy as foreign critics feared. Still, the second-round effects of QE2 on the US economy will likely affect international portfolio allocation in 2011, at best taking some of the steam out of emerging market financial markets and at worst forcing some sharp corrections in asset prices. <



Text: James Sweeney, Global Fixed Income

**“Deleveraging” has become a household word. But declining US debt is a consequence of bad (housing) loans made from 2004 to 2007, not voluntary deleveraging. The situation is far from ubiquitous: The US household sector as a whole can handle its debt. It might even be underleveraged!**

In 1929, the US household debt-GDP ratio reached 70 percent (see figure 1), an extraordinarily high level in a country where indebtedness was often seen as a sign of moral failing. Borrowing probably felt sensible in the Roaring Twenties, as easy short-term, floating-rate loans financed homes and farms, as well as cars, radios and securities. Once the economy turned down, unemploy-

ment stayed high for years, and bankruptcies and severe deflation seemed to feed on each other. A popular narrative explains the Depression as a sort of punishment for the excesses of the 1920s. Foreclosure rates on mortgages reached 28 percent. And nearly half of all mortgages were in default or arrears! The collapse of nominal gross domestic product against a fixed debt stock pushed

the debt-GDP ratio up to almost 100 percent by 1933. The supposed deleveraging nightmare then began.

Between 1933 and 1940, the ratio fell by more than half, but this was due to both disappearing debt and strong growth. Neither nominal nor real GDP growth was weak: They ran at 7.6 percent and 6.3 percent per annum, respectively. By the end of World >



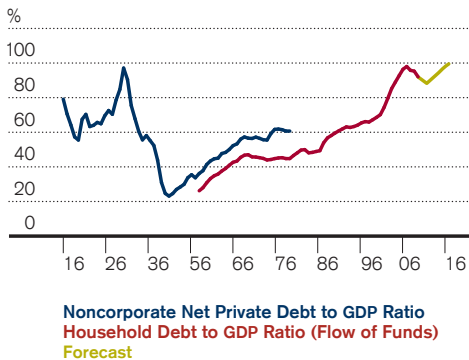
The ongoing deleveraging of US households is driven by foreclosed mortgages, not the purging of “excessive” consumer debt.

# Twice a Century Deleveraging?

## 1 US Household Sector Debt Versus GDP Ratio Over a Century

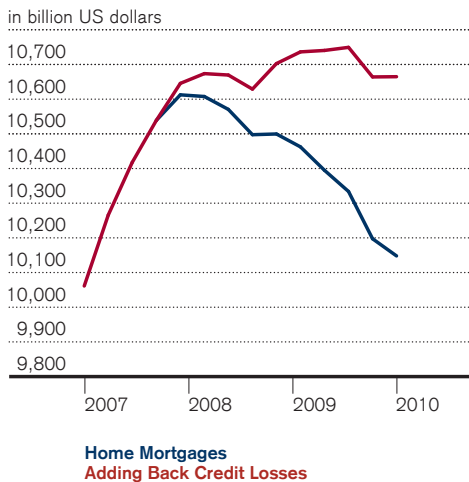
The evolution of the US household sector's debt versus the US GDP ratio has been rising steadily since the end of World War II.

Sources: Credit Suisse, US Department of Commerce, Federal Reserve



## 2 Household Mortgage Debt

The home mortgage debt held by US households has declined since 2008, but when adding back credit losses it has actually been stable. Source: Credit Suisse, US Interest Rate Strategy



War II, the debt-GDP ratio was below 30 percent of GDP. The “infamous” structural increase in household leverage began promptly after the war. In 1999, the ratio returned to the 1929 level. Instead of this causing a recession, a debt boom was about to begin. It was promoted by monetary policy, regulatory policy and foremost by a credit-driven bubble in the house prices. By late 2007 the ratio had soared to 98 percent. It has now dropped to 92 percent. Household debt to disposable income has likewise fallen from 130 percent to 118 percent. This is the biggest decline in leverage since the 1940s and it is set to continue. Delinquencies are still high, and much bad debt has not been purged. Recent announcements of halts in the foreclosure process only delay the inevitable adjustments. However, Credit Suisse thinks household leverage will decline by only a few more percentage points and then begin to trend higher again. The major risk to Credit Suisse's view is that house prices take a major further dive, perhaps alongside general deflation.

### Life in a Bubble

The sharp 10-year increase in US household debt to 98 percent of GDP in 2007 involved rampant equity withdrawal and expansion of mortgage debt into previously credit-constrained markets. Much of this debt would clearly be vulnerable once house prices stopped rising, and the borrowing binge left households unable to smooth their consumption in a subsequent income shock. Whether a 98 percent debt-to-GDP ratio represented some natural limit is unclear. Other countries indeed have higher ratios. However, it is clear that the 30-percent increase in seven years coincided with lots of very risky lending, some of even fitting the definition of “Ponzi” debt: Loans where the expected income on the asset being purchased is insufficient to cover interest (let alone principal) costs. Additional capital via new debt is the usual way of keeping a Ponzi scheme going. Negatively amortizing mortgages are classic examples.

According to the Federal Reserve's Flow of Funds report, US household debt has declined outright by 492 billion US dollars. Most of this (about 420 billion dollars) was from a reduction in mortgage debt. Mortgage debt is about three-quarters of household debt. There has also been a 185 billion dollars reduction in consumer credit, mostly through falling credit card balances. Bank loan balances, meanwhile, rose by 95 billion

dollars, partly reflecting households tapping existing home equity lines of credit. The fall in household debt reflects lender charge-offs of bad loans. New York Fed President William C. Dudley recently said: “Since 2007, charge-offs have reduced household debt outstanding by over 880 billion dollars.” A similar estimate produced by Credit Suisse's US Interest Rate Strategy team suggests the same: Debt has not fallen but for charge-offs. Figure 2 shows overall household mortgage debt and then the same series with bank and government-sponsored enterprises (GSE) mortgage charge-offs added back. Other than what's being lost from bad debt, household debt is not falling. This is clear evidence that what has happened is forced adjustment, not an across-the-board purposeful deleveraging.

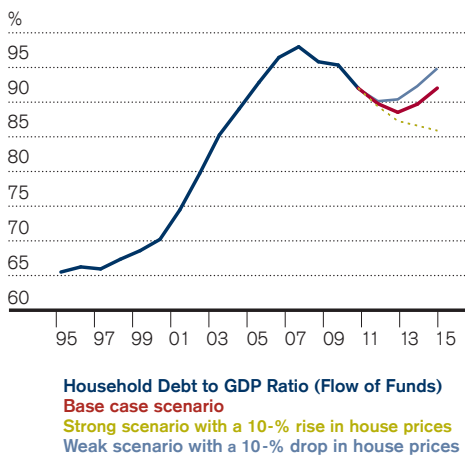
### Incentives Matter

New mortgage activity remains weak for a variety of reasons. Some banks are still reeling from losses caused by the crisis and are reluctant to increase their balance sheets. Others are willing to lend, but face regulatory pressure to maintain strict lending standards that require good credit scores, high down payments and ample disclosures. Finally, many households have lost money on their houses or stocks in recent years and are in no position to make a down payment on a house. These impediments to credit growth matter but are unlikely to be permanent for one simple reason: Rising debt benefits too many people. Politicians, banks and households all have incentives to increase debt, and so they will find ways to make it happen. This may be the simplest explanation of why policymakers are going to such extraordinary lengths to prevent deflation, most recently in the form of further quantitative easing from the Fed.

The political incentives for debt growth are explained in the book “Fault Lines” by Professor Raghuram Rajan. He argues that expanding access to credit pleases voters by boosting their opportunities. Politicians are likely to cater to these wishes, especially while the economy is weak. Although regulatory pressure would seem to be working in the opposite direction at the moment, it should be remembered that by taking over the GSEs, the US government has guaranteed a huge source of continued cheap mortgages. The US financial sector – at least in the near term – would have been unlikely to provide such amounts of financing on its own. Banks,

### 3 The US Household Debt-GDP Ratio: Various Scenarios

The US household debt-GDP ratio will according to Credit Suisse's base case scenario bottom out in 2011 or 2012, before being rising to 92 percent by 2015. Source: Credit Suisse



### 4 Debt-GDP Projection Assumptions

The following assumptions are made to calculate the scenarios shown in figure 3.

Source: Credit Suisse

	Base Case	Weak	Strong
<b>GDP growth</b>	3.0%	1.6%	3.7%
<b>House prices</b>	4.0%	-10.0%	10.0%
<b>Foreclosures</b>	6 mln	7 mln	5 mln
<b>Dept/GDP Ratio</b>			
<b>Current</b>	92.1%	92.1%	92.1%
<b>2011</b>	89.6%	88.6%	89.8%
<b>2013</b>	89.3%	85.7%	91.1%
<b>2015</b>	92.0%	85.2%	94.3%

meanwhile, have clear incentives to lend, because interest rates have slumped to very low levels and securities are increasingly unlikely to offer good returns. Households' incentives are also clear. They either rent or buy housing services. So taking out a mortgage does not increase a household's liabilities. It just changes the composition.

If a homeowner decides to sell his house and become a renter, his leverage will fall, but his true housing liability will not. The only change is that he is now exposed to sharply higher rents in the future, should inflation ignite. So while mortgage holders have their implicit put to cope with deflation, renters have no safety net to guard against rental inflation, nor access to the option value of owning the upside if house prices increase, but walking away from their debt, if prices fall sharply. Because most mortgages are effectively nonrecourse loans, mortgage holders own a valuable option to walk away without facing the full cost of a house price collapse. As long as this option exists and interest and principal payments are low, leverage may tend to rise. Most important of all, the Fed's recent move toward further quantitative easing has made the likelihood of outright deflation much lower and has already had a significant impact on real yields (lower) and inflation expectations (higher). Unless there is a clear overshoot in housing costs with macroeconomic implications (as in 2007 and to the present date), or affordability does become a problem, we should expect household leverage to resume its long-term upward trend. Given a financial ability to service more debt, myriad incentives to borrow, and current widespread depressed animal spirits, it would appear that the household sector overall is not overleveraged. It just might be underleveraged.

#### The Future of Leverage

We can project how much deleveraging is ultimately likely by counting the distressed debt and estimating how much of it should disappear. There are currently 6.1 million mortgages that are severely delinquent or in foreclosure in the US and this number is still rising, albeit at a slowing rate. There have been about 2 million foreclosure starts so far. Credit Suisse's Mortgage Strategy team believes the total may reach 6 million in the next three to four years. Given various macroeconomic and unemployment scenarios, the possible range of outcomes is between 3 million and 8 million. At an average house

price of 220,000 dollars, 6 million foreclosures (with 100 percent loan-to-value [LTVs] on average) represent a total debt of around 1.3 trillion dollars, or 9.2 percent of US GDP. The banks, agencies and others who wind up owning houses after a foreclosure are likely to be slow in reselling, leading to a sharp temporary drop in debt. Once the house is resold, however, debt will rebound if the new buyer takes out a mortgage.

If we assume an average house price of 180,000 dollars and 80 percent LTVs on new purchases of foreclosed homes, then the eventual fall in mortgage debt from foreclosures could ultimately be as little as 3.2 percent of US GDP. Mortgage debt has already fallen by more than this amount, but it should overshoot at first as creditors hold inventories of foreclosed homes. House prices are the key variable determining how much debt ultimately drops. A rise in prices would reduce the number of foreclosures and lead to stronger debt growth when foreclosed homes are resold. House prices fell 33 percent in the recession and have slightly rebounded since April 2009. However, government programs, including the first-time home buyers' credit, have likely influenced behavior recently so that further mild declines could occur before a broader rebound.

As GDP recovery continues, credit demand should rise for the healthier part of the household sector. Plausible assumptions about growth, foreclosures, and new house purchases over the next four years suggest at most a further 3 to 7 percent reduction in the leverage ratio. In Credit Suisse's base case, the debt-GDP ratio bottoms just below 90 percent (near the 2004 level) in 2011 or 2012 and then starts to rise, reaching 92 percent in four years. The structural increase in leverage over 50 years mirrors a structural increase in household credit. The Fed's Survey of Consumer Finances shows those with debt tend to have higher incomes and education than others. The evolution of the economy has simply made more people creditworthy, and financial innovation has expanded access to borrowing simultaneously. Although this process went awry during the housing bubble, a return to normal will necessarily include high and growing debt levels. So do not be surprised if 10 years from now the debt-GDP ratio is significantly above 100 percent with no sign of flagging. Leverage will stop growing when borrowing no longer makes good economic sense. We are a long way from there. <

# Resolute Policy Will Prevail

**The global economy is in recovery mode. Yet momentous policy challenges remain. As next year unfolds, Credit Suisse expects the resolve of the authorities and the appropriateness of the policies to form a more favorable virtuous circle.**

Text: Neal Soss, Chief Economist,  
Investment Banking Americas

The global economy is in recovery mode. Growth has reverted to the precrisis rates in nearly all major countries and blocs of the global economy. Last summer's global slowdown scare is now turning into something approaching a global speedup scare. The sum of purchasing managers' reports from around the world suggests that the midsummer snooze is over and global growth momentum will accelerate in 2011. The global manufacturing PMI index continued to improve in November after breaking a five-month losing streak in October. Specifically, the forward-looking new-orders component rose again after posting the sharpest rebound in October since August 2009. The stronger performance of new orders suggests that the reacceleration will have further to go. Another encouraging growth sign is that the pace of improvement in the service sector has caught up with its manufacturing equivalent in recent months (see figure 1). As the service sector carries a large weight in terms of both output and employment, particularly in developed countries, the accelerating expansion in this sector suggests a more sustained economic recovery. Credit Suisse expects the global economy to



**The world economy is currently  
in recovery mode...**

grow by 4.9 percent in 2010, and then somewhat slower in 2011, by 4.5 percent. All these numbers are within a measurement error tolerance of the 4.5 percent growth average in the five years prior to the crisis.

## **Immense Regional Growth Difference**

While growth has been restored in the major blocs of the global economy, levels of economic performance still differ immensely. Taking China and the US as examples of the emerging markets and the developed economies illustrates the different problems macroeconomic managers face. China did not suffer an outright decline in output during the downturn, and rather (too) successfully provided domestic credit and other stimulus measures to protect its export sector. Since then, exports have revived along with the global economy. Chinese real gross domestic product (GDP) is hitting new all-time highs with every passing quarter (see figure 2). By contrast, the US suffered a large output loss in the recession and has mounted only a mediocre recovery by historical standards. If the US economy had continued growing for the last three years at the rate that prevailed in the previous business upswing, its

real GDP would today be about 9 percent larger than it actually is. That amounts to 1 trillion US dollar or more of “missing” economic well-being. This calculation may overestimate the true “output gap,” but it is suggestive of the order of magnitude.

### Momentous Policy Challenges Remain

America's sense of well-being is undermined by unemployment that idles nearly one in ten of the workforce. Nearly half the unemployed have been out of work for over six months, and millions more are underemployed. In this regard, it is worth mentioning that Europe's largest economy has moved in the opposite direction (see figure 3). German unemployment is at a multi-decade low and consumer confidence is high, thanks to its export, investment and inventory-driven recovery. The weak euro has also buoyed German competitiveness.

The euro project is, however, challenged as divergence reverberates between its core and peripheral member states. Convergence was the happy symptom of the project's initial success as peripheral economies were welcomed into the larger community. Now, divergent economic performance, fiscal circumstances, and banking system concerns – all dramatically impinging on sovereign debt markets – have again revealed the incompleteness of Europe's institutional architecture. Meanwhile, many emerging markets, notably China, are poised at a threshold between adolescence and adulthood, as they make the transition from export-led growth to increased reliance on domestic demand. China's current account surplus and the US current account deficit have both nearly halved in the last three years (see figure 4). Inflation and over-heating in some sectors are symptoms that demand policy attention.

Policies to address these issues are being pursued. Their success depends, in part, perhaps in very large part, on the resolve of the authorities “to do whatever it takes” and their ability to communicate that to households, businesses and financial markets. So far, we would judge the policies in the various regions to be directionally appropriate. The Federal Reserve is easing money to boost the US economy and proclaims itself confident in its ability to turn off the tap when (in the distant future) that becomes appropriate. In addition, President Obama has sealed a tax deal to advance a significant fiscal easing for 2011, with less assurance about medium-term sustainability. Europe is implementing



... with the global growth momentum set to accelerate in 2011.

its European Financial Stability Facility (EFSF) and designing a more permanent successor mechanism. China is tightening credit and allowing a (slow) currency revaluation to help rebalance its economy. Tightening monetary policy in China in turn makes room for other emerging markets, particularly its Asian neighbors, to implement a tighter more anti-inflationary stance without fear of losing export competitiveness.

### The Importance of Being Unconventional

The US may not be quite as central to the global economy as it was, but it nonetheless remains the single-largest component. Added to this is the role of the dollar as the central currency of the global trade and financial systems. As a result, the success (or failure) of the second quantitative easing program (QE2) is one of the main forecasting issues at present. Estimating the response with precise arithmetical precision is difficult. But the direction of risk in our judgment is clear and to the upside.

Credit Suisse's view is that QE2 will produce easier financial conditions than otherwise. The stock market has been the most visible beneficiary so far. We are also reasonably optimistic that 2011 will feature a less stringent environment for credit supply and increased credit demand, as banks rebuild loan portfolios and businesses expand operations. We expect the Fed to continue its 600-billion-dollar QE2 program as currently scheduled to midyear, conditional on the evolution of inflation and unemployment. The new news in this regard is a significant fiscal boost to the economy. In that respect, the probability of QE3 has declined, but it is still slightly better than 50/50, in our opinion. If the Fed opts for QE3, we think it will be half the present pace, say around 300 billion dollar in asset purchases during the second half of 2011. Unemployment around 8.5 percent is a real improvement over the current near-10-percent rate, but still marks an absolutely large amount of slack in the US economy. Hence, the notions that the Fed may well choose to continue an accommodative (but less intensely accommodative) policy. In that spirit, we expect Fed policy to remain stimulative, but less intensely so, in 2012. Given the Fed's expanded balance sheet, the Federal Open Market Committee will likely continue to use the interest it pays on reserves (IOR), as the lever by which it controls its Fed funds rate target. If the unemployment rate continues trending lower through mid- >

### 1 Global Manufacturing and Service Purchasing Managers Index (PMI)

The service sector caught up with the manufacturing sector in October, suggesting a more sustained recovery.

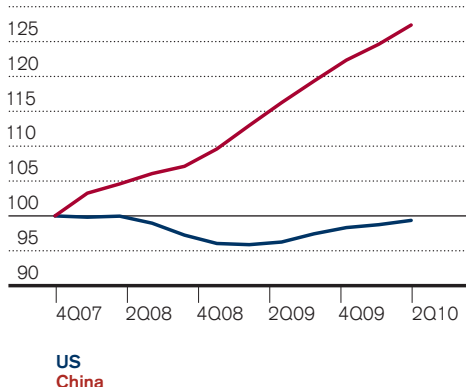
Source: Markit Economics, Credit Suisse



### 2 Real Chinese and US Gross Domestic Product (GDP) (4Q=100)

Real Chinese gross domestic product (GDP) has been hitting new all-time highs every quarter since the end of 2007, while real US GDP has lagged.

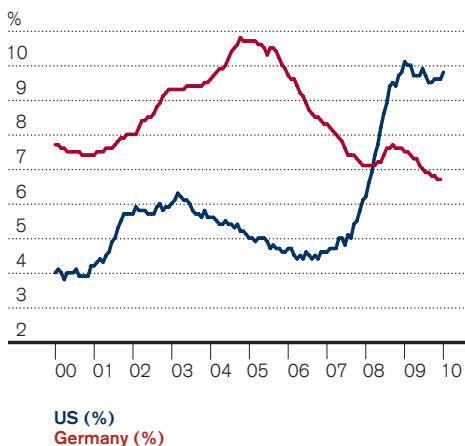
Source: Thomson Reuters Datastream, Credit Suisse



### 3 US and German Unemployment (standardized, in percent)

While the US unemployment only reached this level once in the last 60 years, German unemployment is at a multi-decade low.

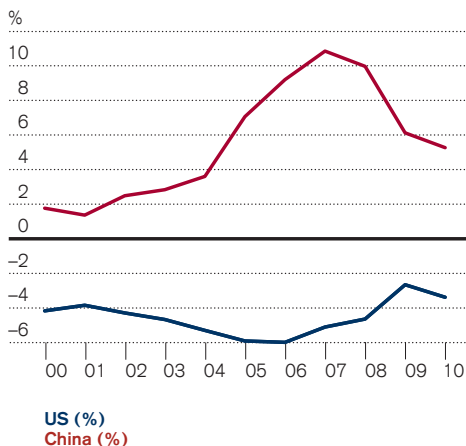
Source: Thomson Reuters Datastream, Credit Suisse



### 4 US and Chinese Current Account (as percentage of GDP)

The imbalances of the US and Chinese current accounts have both nearly halved in the last three years.

Source: BEA, China National Bureau of Statistics, State Administration of Foreign Exchange, Credit Suisse



year 2012, as we anticipate, the initial Fed rate hike may come later that year. Our forecast features a 50-basis-point hike in IOR by year-end 2012, to 0.75 percent, and an accompanying Fed funds rate target range of 0.50 percent - 0.75 percent.

The Fed's nightmare scenario is a sudden increase in US headline inflation (of food and gasoline prices) with no accompanying pickup in wages or real growth. There would probably be little support for a follow-up

package (QE3), but there would presumably be continued clamor from the market participants for an economic policy boosting output and employment.

#### Tax Deal Also Spurs the Economy

The Great Tax Deal of 2010 has passed the US Congress. With his signature, President Obama prevented taxes from rising for virtually every American household. The agreement links a two-year extension of all the

Bush-era income tax rates to a one-year cut in payroll taxes, a 13-month extension of unemployment benefits, temporary business tax relief and other measures. Although the federal deficit outlook is worsened, the deal makes us more optimistic with respect to 2011, with a real GDP growth of 3.3 percent expected in the US.

#### The Open Question Is Resolve

Market participants will implement the authorities' wishes; if they are convinced the latter mean to pursue the relevant policies until the goal is achieved. Maybe they will "only" do so if they are convinced of the resolve. The current mix of criticism and wishy-washy commitment renders the various approaches less potent than they might be otherwise. This reduces public and policymaker confidence, which further calls into question the sense of full-hearted open-ended commitment that is so central to policy success. Credit Suisse believes that the authorities can and will break out of this adverse feedback loop. As 2011 unfolds, we expect the authorities' resolve and the policies' appropriateness to form a more favorable virtuous circle. Nothing succeeds like success. The world economy looks to be doing better anyway. The continuing evidence of recovery alongside policies that seem appropriate should allow increasing confidence in both.

Imagine the circumstances in spring or summer. If US unemployment is drifting down, and core inflation is still rock bottom, as we expect, support for QE2 will likely broaden and deepen. If Europe has secured its periphery, no matter how unpleasant the austerity, while the core economies continue to post solid growth, as we expect, confidence in the European project will likely strengthen again, along with the euro itself. After all, for now, the euro area contains some relatively big economies with relatively small problems and some relatively small economies with relatively big problems. If the emerging markets have persisted with efforts to contain inflation, confidence in the rebalancing of international trade flows will get more of the recognition that facts on the ground already warrant. We would view this constellation as a bullish backdrop for financial life.

Of course there is a sting in the tail. There always is. The sting comes in the form of embedding high-priced, low-yield securities in the financial sector's asset structure. That's a problem that will need to be addressed eventually. Eventually, but not in 2011. <

# Credit Suisse

Business / Sponsoring / Responsibility



01

## 01 In Memoriam Paul Calello

The Chairman of Credit Suisse's Investment Bank, Paul Calello, died at age 49. "Paul Calello was an outstanding leader and a down-to-earth, very human colleague who forged strong relationships and made a positive difference in the world around him. We will miss him greatly, but his spirit and accomplishments will remain a part of Credit Suisse," CEO of Credit Suisse, Brady W. Dougan, said. Calello, who joined Credit Suisse in 1990, was part of the team building up Credit Suisse Financial Products. In 2006, he was named CEO of the bank's Asia Pacific region, where he led Credit Suisse's dramatic growth across the region. Seven years later, he was appointed CEO of the Investment Banking division, just as the financial crisis set in. "He did an incredible job, working with his team, to navigate the crisis," Dougan added. He was named Chairman of the Investment Banking division in July 2010.



02

## 02 Best Private Bank Globally

Credit Suisse received, for the second consecutive year, the global award for best private bank globally from Euromoney, a leading publication for the global banking and capital markets. We were also granted a number of regional and country awards, including best private bank in Western Europe, in the Middle East and in Central and Eastern Europe. Euromoney's rankings are based on a qualitative and quantitative review of the best services in private banking by markets and by areas of service.

## 03 Frontline Training Global Certification Scheme Rolled Out

Credit Suisse has rolled out a new global testing and certification scheme for all of its client-facing Private Banking employees. The so-called Frontline Training and Certification program is composed of a rigorous Web-based and classroom-based training. The program focuses on investment topics such as advisory process, mutual funds, alternative investments, foreign exchange, discretionary mandates and structured derivatives. Non-investment topics such as inheritance planning or One Bank are also part of the curriculum. More than 6,000 Credit Suisse relationship managers will be certified by the end of 2012. The first pilot groups, composed of around 150 employees, successfully completed the scheme in September. Since then, a total of 615 employees worldwide have passed this comprehensive training program.

## 04 Singapore Family Office Opened

The bank's first ever Family Office Hub opened up in Singapore in January, to better serve its ultra-high-net-worth clients. Many clients across this region are currently going through generational wealth transfer issues. The Family Office Hubs assist clients with family legacy and wealth transfer matters, as well as investment policy and governance. Bernard Fung leads this new team.



03

## 03 Succeeding in a Socially Aware World

Credit Suisse Private Banking USA held its second annual Entrepreneurs Summit in Sundance, Utah, as part of its efforts to provide ultra-high-net-worth entrepreneurs with thought leadership. The summit also gave the participants the opportunity to network with their peers, exchange knowledge with experts and learn about current market developments. It focused on innovation in the new decade, and on how to achieve success in a socially aware business world. Biz Stone, cofounder of Twitter, Jerry Greenfield, cofounder of Ben & Jerry's Homemade, and Danny Meyer, president of Union Square Hospitality Group, were some of the featured speakers.



04

WEF

Text: Dorothee Enskog

# Financial Reforms and Entrepreneurship on WEF Agenda

While there has been progress in financial reform, it's not clear whether the responses are sufficient to address a future crisis, financial regulators said during a panel discussion held at the World Economic Forum in Davos. A separate panel discussed the reasons behind entrepreneurial success in emerging markets, namely: be the best in your field, a strong reputation and clear long-term strategies in place.

Three leading financial regulators – Philipp Hildebrand, chairman of the Swiss National Bank, Lawrence Summers, professor emeritus of Harvard University and former US Secretary of the Treasury, and Jaime Caruana, general manager of the Bank for International Settlements (BIS), – analyzed the impact of the ongoing financial reforms on the financial system during a panel discussion held at the sidelines of the World Economic Forum (WEF). The panel also discussed the risks lying ahead.

## Clear Rules Needed

The regulatory framework needs to be clear, certain and predictable, Hildebrand said. “The major challenge right now is to find a balance: carefully address pending issues and carry these out at a proper speed. Uncertainty against incomplete regulatory process is actually more damaging to the economy than tough rules. Once the rules are clear, banks will adjust to them even if they're tough,” Hildebrand stressed. There are three main issues left to tackle, according to Hildebrand: liquidity requirements, the shadow banking system and the “too big to fail” debate.

“Endorsed by the G-20 in November, the Basel III rules are now in the implementation phase, making the financial system much safer,” according to Caruana. “One of the first elements in the Basel discussion is to seriously think about the capital levels needed. The idea is that additional capital will substantially help reduce the probability of this type of crisis again.” As the Basel III rules are

minimal requirements, countries can adapt them according to their needs. “We, however, need to increase the consistency here, and have a balanced national and international implementation,” Caruana emphasized.

The Financial Stability Board (FSB) strives to ensure maximal consistency across the marketplace with regard to financial regulations, but individual countries have tended to address specific issues when implementing the Basel III rules, Hildebrand noted. “Switzerland focuses on capital, the UK on compensation and the US on the Volcker rules and proprietary trading. The challenge is to make sure that the FSB delivers some consistency. One of its highest priorities is to come up with a global resolution regime should a global financial institution fail,” Hildebrand stressed. “There are some good national resolution regimes, but there is no way of doing resolution for a globally active financial institution. We are many years away from a global regime, due to vast legal challenges. We would need a mandate from the heads of state to resolve this matter.”

## Macroeconomic Approach Needed

A good place to begin is to analyze the central paradox of the crisis from a macroeconomic point of view, said Summers. “It was >



The World Economic Forum Annual Meeting 2011 convened under the theme “Shared Norms for the New Reality.” Participation was limited to chief executives of leading global businesses, politicians from key countries, heads of international agencies and media representatives.







Lights (with the Swiss flag as theme) illuminating a Davos hotel during an earlier edition of the World Economic Forum.

**Financial Regulations**

“Balancing the New Financial Regulations With Prospects for Economic Growth,” a panel discussion hosted by Eric Varvel, CEO of Credit Suisse’s Investment Bank, not only discussed the ongoing financial reform, but also ideas on how to address risk in the aftermath of the financial crisis. Can governments do the right thing to build a stronger financial system or can the action taken actually make the situation worse going forward? Three leading financial regulators – from Switzerland, the US and the Bank for International Settlements (BIS) in Basel – took part in the debate, which was followed by numerous questions from the audience.



**Entrepreneurship in Emerging Markets**

“Entrepreneurs & Family Groups – Foundations of Emerging Markets Growth,” a panel discussion hosted by Fawzi Kyriakos-Saad, CEO of Credit Suisse’s Europe, Middle East and Africa region, focused on the reasons behind entrepreneurial success in the emerging markets. The five panelists from Argentina, Lebanon, the Czech Republic, the Philippines and Russia, gave their points of view and advice. Three of them represented family conglomerates with a long history, and the two others were entrepreneurs having built up their businesses over the past decade.



Credit Suisse each year sets up a special facility in Davos during the World Economic Forum (WEF) to be able to meet with its global stakeholders. Expert panels, discussing a wide range of themes, are also held each year. The bank has been a member of the WEF for decades and a strategic partner since 2006, underscoring its importance in promoting intercultural, cross-industry dialogue and cooperation. Pictured here are Flavio Cotti (above), chairman of the Board of Trustees of Credit Suisse's client foundations and Almiro Carigiet (below), head of Private Banking Nordbünden at Credit Suisse.

> caused by excessive confidence, excessive borrowing, excessive lending and excessive asset prices. It is now being resolved by more confidence, more borrowing and more lending. It is exactly the wrong response and actually makes it worse."

Financial regulations need to become a macroeconomic rather than a microeconomic exercise. "If regulatory capital levels are set at a level not far off levels that financial institutions would choose on their own, they are not very burdensome. But if there is an aspiration to set capital levels far above the level that financial institutions would choose on their own, there is a 'Magenot line risk': These levels are defended as impregnable, but not difficult to circumvent. This ultimately creates risk," Summers said. "We are currently in a period of excessive risk aversion, where we are unlikely to recreate the crisis in the near term. The measures agreed domestically and internationally seem to be constructive in reducing leverage, increasing capital levels and moving forward on liquidity requirements," he added. "But I still have the concern that when the world becomes optimistic again, we are taking an excessive microeconomic view, focusing too much on the health of the individual institutions and sectors," Summers stressed.

### Emerging Markets Have a Bright Future

"We see extremely strong family businesses and entrepreneurs in the emerging markets.



Their future is bright," said Fawzi Kyriakos-Saad, CEO of Credit Suisse's Europe, Middle East and Africa region. "We have a shortage of capital globally. The growth countries are competing for capital with the developed world. Family conglomerates must be at the top of their game to compete for scarce capital." The panelists, five successful entrepreneurs from the region, gave their views on how best to succeed.

"A family business must focus on the long-term to be successful," said Enrique Pescarmona, the president of Corporacion IMPSA, a 104-year-old family-owned company working within the field of renewable energy. "It also needs to be the best in its field, to be able to compete against the largest global players." His comments were echoed by David Iakobachvili, the Cofounder of the Russian dairy giant Wimm-Bill-Dann Foods, which was recently taken over by PepsiCo. "We compete against foreign firms, so our quality must be better than theirs." "To survive for 175 years, a company must be able to reinvent itself," said Jaime Augusto Zobel de Ayala, chairman and CEO of Ayala Corporation, a Philippine holding company founded in 1834. "In order to succeed in emerging markets, you also need to be ambitious, optimistic, patient and have enough cash when the going gets tough," said Jiri Smejck, chairman of the Supervisory Board of PPF Group, one of the largest international financial and investment groups in Central and Eastern Europe. "My advice is to focus on your core business and not try to diversify when expanding abroad," said Samer Said Houry, executive vice-president of Consolidated Contractors Company, one of the largest Arab international construction companies founded by his father. "Working with the right local partners and a strong reputation are other factors leading to success."

### Philanthropy Also Discussed

Not only business themes featured on Credit Suisse's agenda during the WEF. Philanthropy was also in focus, with presentations of the bank's support of client foundations. "The significant amount of donations made over the past decade, and even more encouraging, the fast-growing number of individual donors is impressive," Flavio Cotti, chairman of the Board of Trustees of Credit Suisse's client foundations, said. "Thanks to these generous donors, the foundations are able to have a real impact benefitting those in need." ■

Antonio Quintella CEO Americas

Interview: Kathleen Baum, David Walker and Dorothée Enskog

# Numerous Business Opportunities Across The Americas

Antonio Quintella, CEO of the Americas region, sees growth potential in Brazil and the other emerging markets, as well as in the US and Canada.

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**bulletin: Since becoming CEO of Credit Suisse Americas in July 2010, what have you been focusing on?**

Antonio Quintella: I would say clients, collaboration and human capital strategy.

**What are your initial thoughts on Credit Suisse's position in the region?**

We are very well positioned in Investment Banking across the region, and have a particular advantage in Latin America where we can leverage that strength to the benefit of Private Banking and Asset Management. We also have outstanding growth opportunities in Canada, as well as in the Private Banking business in the US. Asset Management has been refocused and is ripe for growth. There is a lot of opportunity for us in the region overall.

**You have also overseen Credit Suisse's business in Brazil since 2003. Can you talk about the transformation you have seen in the country, and what it has meant for Credit Suisse?**

The transformation in Brazil has been a process of economic stabilization. We've moved from an environment in which planning and investment horizons were extremely short-term as a result of high macroeconomic and, to some extent, political volatility. Many of the opportunities to serve clients' needs that we take for granted in developed markets didn't really exist.

We saw that transformation coming, and we positioned the bank to capture growth in investment banking, private banking and asset management by focusing on client service in all three areas. There's been massive growth in these businesses in Brazil. We moved early to meet the client demand that arose as a result of economic stabilization. We changed our business focus and posi- >



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## 01 Antonio Quintella

was named CEO of the Americas region in 2010 and joined the Executive Board of Credit Suisse at the same time. He is also CEO of the Brazil region, co-head of the Global Emerging Markets Council, and serves as Chairman of the Americas CEO Management Committee. Quintella joined Credit Suisse from ING Barings in 1997 and has been CEO of the bank's Brazilian operations since 2003. Quintella is an active motocross racer, participating in long-distance, off-road motorcycle events.

**02** The headquarters of Credit Suisse's Americas region are located on Eleven Madison Avenue in New York.

**03** Brazil is among the bank's fastest growing markets, with its buoyant cities, such as Rio de Janeiro pictured here, driving demand for Credit Suisse's financial services.



The Americas region – the US, Canada, Latin America and the Caribbean – is of major importance for Credit Suisse. It has offices in 44 cities and in 14 countries. Credit Suisse has approximately 12,000 employees in the Americas region.

> tioning from a bank that did very well in extremely volatile markets, to a bank that did very well in less volatile markets by focusing on client service.

**Do you see Brazil continuing to grow at the current rate going forward?**

It's possible that Brazil will maintain a high growth rate for a number of years to come. The demographics help; the endowment of natural resources help. The fact that the government is pursuing fairly consistent macroeconomic policies also helps.

There are a lot of needs to be met in Brazil: infrastructure, housing, credit. Companies and investors have a lot of opportunities to deploy capital. So, yes, it is a pretty benign environment, and I wouldn't be surprised if high growth rates persisted for another few years in Brazil.

**What are some of the lessons other emerging markets can learn from Brazil?**

I would say a focus on low inflation, prudent fiscal policies and on promoting a democratic political environment. Those are probably the main drivers of change in Brazil over the last few years. We should add policies

designed to alleviate poverty, which has been an issue historically, and isn't solved yet.

**You are the co-head of the Global Emerging Markets Council at Credit Suisse. Which emerging markets do you think are particularly interesting?**

They're all very interesting, in slightly different ways, and they all offer very exciting opportunities for our clients and for Credit Suisse. Much of our focus is on the bigger markets – China and India – because obviously they present the biggest opportunities for us. But, there are equally attractive opportunities in the Middle East, Russia, elsewhere in Asia or in South Africa, for that matter. They are all very exciting places to do business.

**Can you talk about the importance of entrepreneurs to driving economic growth in the emerging markets, and what this means for Credit Suisse?**

Entrepreneurs are always important: Entrepreneurs have been very important historically in the US, for example. More than entrepreneurs themselves, however, it's an environment that permits entrepreneurs to thrive that's important. If you have an environment that is attractive – that promotes enterprise – there will always be entrepreneurs who want to seize the investment and business opportunities that exist.

What is different in the emerging markets is that businesses tend to be controlled by their founders, or by the families of the founders. As a result, there's significant overlap between the private banking and the investment banking needs of our clients.

**What really differentiates Credit Suisse? After all, many institutions are going after the same high-growth markets and the same wealth creators ...?**

Yes, but not every institution has the same business model, the same strategy or business mix. At Credit Suisse, we have a very clear objective: We want to be a top private bank, investment bank and asset manager in our chosen markets, and for our targeted clients. That clarity in itself is a differentiator attracting clients.

Another thing we are very clear about is our approach, which is to help clients succeed, to thrive and to deliver the right high-quality financial products and services to meet their needs. It could be investment products; it could be financing, strategic advice or estate planning ... any number of different capabilities, but the focus is on helping our clients to succeed.

There is intense competition in the emerging markets, because they are the highest growth markets and have been the highest growth markets for some time. I feel that our business model positions us very well to meet that competition.

**Let's return to the US. We have a substantial Investment Banking business there, but we need to grow Private Banking. How do you see that happening?**

That's correct. Given where we are already, the organic growth of our businesses seems to me the best strategy, although it will take time. The challenge really is about human capital, our employees. In a service business, a client-focused business, it's all about the people you can deploy in your focus areas.

Success in financial services is really determined by the quality of your people. A lot of other firms have capital, a lot of other firms have pretty well-established brands in their segments. What can differentiate Credit Suisse, enable us to achieve higher growth and earn higher returns for our shareholders, is delivering on our human capital strategy.

**There has been a lot of focus on the regulatory environment in the US.**

**How is Credit Suisse positioned for the changes under way?**

Credit Suisse is well positioned. Obviously, regulators are very focused on the financial services industry, and on the big banks. That should not be a surprise to anyone, given what the world went through in 2007 and 2008. The US regulators want to make sure that the banks have sound processes and that they have their risks under control. They want to ensure the financial system doesn't pose undue risks to the economy as a whole.

While regulators are focused on a number of aspects of the banking business, I would say their focus is first and foremost on the control environment. This is something we really must own – take ownership of on an institutional and individual level as employees – to ensure our ability to thrive in the years to come. The heightened regulatory focus poses specific challenges, in terms of greater reporting and other demands, but the regulators' agenda is ultimately our agenda: a sound, effective control environment that is aligned with our strategy.

**Finally, what are your objectives over the coming year?**

My first is that we continue to gain market share in our core businesses. The strategy is right. It's a question of focusing on our clients, day in and day out. ■

## San Francisco

Text: Jack Grone / Dorothée Enskog

# Innovation, America's Future and Alternative Energy

The business of innovation, the impact of alternative energy, the situation in the US real estate market and America's future were among the numerous topics discussed during the 10th Credit Suisse Private Banking USA's West Coast Wealth Management Conference.

growth-related investors. They are not interested in details or technology, but by what kind of opportunities it opens up, how it allows them to do more, more efficiently," said Cully Davis, from Credit Suisse's Equity Capital Markets team.

**N**ew Realities, New Responses," the theme of the West Coast Wealth Management Conference, attracted some 250 investors to Half Moon Bay, California. The wide-ranging speeches and panels held during the day-long conference enabled them to gain a better understanding of the rapidly evolving world that we are living in. "When you think about what is going on, industries that we used to think were absolutely critical are going away. New ones are being created," said Robert Weissenstein, Chief Investment Officer Private Banking Americas, as he welcomed the participants. "People are open to these new technologies in a way that they weren't before. The difference between what's going on now and what happened in the late '90s is that technology is relevant to people."

### The Connected Revolution

The business of innovation has transformed itself over the past decade, leaving behind the gee-whiz factor of the dot com era, to focus on connectivity, accessibility and demonstrable value, said the panelists taking part in a panel about innovation. "Innovation is a big theme for

Innovation is beginning to alter businesses such as food safety and logistics, as a result of demographics, said Paul Ciriello, founder of the venture capital firm Fairhaven Capital Partners. This leads a new type of investor into these sectors. One crosscurrent in the world of innovation is the issue of security. "There's an explosion of devices and connectivity, meaning more vulnerabilities. The security risks that come as a consequence are substantial," Ciriello added. He forecasts the number of connected electronic devices to increase to 50 billion by 2020, from about 6 billion today. "A virus or another type of threat won't be directed against one; it'll be directed against all of us. There was more malware produced in 2009 than in all the prior years combined."

Another fundamental shift taking place, is that countries such as China are becoming centers of innovation in their own right, said Richard Kramlich, co-founder of New Enterprise Associates, another venture capital firm. "The Chinese government has made it clear that innovation is one of the country's top priorities. I consider China to be the Walmart of governments – irrepressible and impressive at the same time. The US >



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**01** Bryce Lee, co-head Global Alternative Energy at Credit Suisse, discussed the importance of alternative energy.

**02** Robert Weissenstein, Chief Investment Officer Private Banking Americas, welcomed the 250 participants.

**03** The 10th West Coast Wealth Management Conference took place in Half Moon Bay, California.

**04** Robert Reich, an economist and author, spoke about America's future.

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> is at great risk of forfeiting our economic leadership," Kramlich emphasized.

### Alternative Energies Astound

In the span of its brief life, the alternative energy sector has forced investors to take notice of its fast growth, according to a panel about these new energy sources. "Alternative energy is still in its infancy. But it has turned out to be a global business very rapidly," said Bryce Lee, cohead Global Alternative Energy at Credit Suisse. "Companies that would not ordinarily go public as early can go public in this space. It's pretty amazing." It can be divided into four main categories: solar and wind power, alternative fuels and a technology-enabled category that includes batteries and smart power grids. Solar power was one of the first areas to attract large inflows of capital, said Satya Kumar, a senior

analyst at Credit Suisse's Energy and Semiconductor Capital Equipment Stocks team. Hundreds of Chinese companies are getting into the solar panel market. There is concern that there will be a period of excess capacity and pricing controls, which in turn weighs on the sector's stocks, he noted. "If you are looking for a nice stable return, the sector is probably not what you want," said Marc Stuart, founder of Allotrope Venture, a company investing in clean technology. But alternative energy holds a long-term economic appeal, Lee stressed. "These companies are ultimately driven by their ability to cut costs to compete with traditional energy sources."

### Tough Times for US Real Estate

The US real estate sector faces several more years of pain, said the experts taking part in

a panel on rebuilding the foundation of the sector. Property offers value on a selective basis, but the sector requires nerves of steel, they said. Inquiries from potential home buyers have decelerated sharply since the government's tax incentives expired last April, said Dan Oppenheim, from Credit Suisse's Homebuilders and Building Products Equity Research team. A meaningful decline in residential foreclosures will signal the start of a return to health, he added. On the commercial side, many landlords are experiencing modest cash flow declines and one in 10 properties has a loan which is delinquent, said Lawrence Raiman, partner at Big 5 Asset Management. "Investors focused on the commercial sector can find opportunities, but they should be extremely cautious," he said, underlining that about 400 billion US dollars worth of commercial mortgages are maturing in each of the next several years.

### America's Future

The current task confronting US policymakers is to restore the earnings power of American workers so that wages, and not borrowing, once again become a prime driver of economic growth, the economist and author Robert Reich, who served as Secretary of Labor in Bill Clinton's cabinet, said during this speech. "American consumers were the 'Energizer Bunnies' of the global economy for 30 years," Reich said. "But as median wages stagnated, consumers began using debt such as credit cards and home equity loans to maintain their spending habits, and such 'coping mechanisms' have now been exhausted. Much of America's frustration is directed at China, which is operating a 'state-run capitalism' model rather than a true free-market model," he added.

While China clearly runs its economy and major corporations for its own benefit, it cannot be made responsible for the 15 million people currently unemployed in the US. America is also stoking up trouble in its public and private pension systems, fed by the country's aging baby-boom generation, Reich warned. "There is this fantasy of a 'Med-Med' retirement, which is like a cross between a Club Med and a medical facility. You snorkel in the morning and get extra oxygen in the afternoon." Reich nevertheless remains fundamentally optimistic about the country's future. "Every time we have reached a point of danger, we have rolled up our sleeves and gotten together. And we will do that again." ■

# Passion, Questioning And Frustration Drive Successful Innovation

Passion, questioning and frustration prompt innovation, speakers at the 5th Swiss Innovation Forum said. Jimmy Wales, cofounder of Wikipedia, and Novartis CEO Joseph Jimenez were among those sharing their thoughts.

Innovation is driven by people who believe in something. People who create an inflection point in history, the CEO of the Swiss pharmaceutical company Novartis, Joseph Jimenez, told the audience of the 5th Swiss Innovation Forum. "It changes the paradigm, the way we operate."

Contrarily to the pharmaceutical industry, there was no technical innovation or innovative research behind Wikipedia's rapid rise. The free online encyclopedia, which was launched in 2001, today contains more than 17 million articles. "Wikipedia, however, triggered social innovation. Today, a large and open community of contributors works together for free with the ultimate goal of summing up the total of all human knowledge," Wikipedia cofounder Jimmy Wales said during his presentation.

## Passion Behind Wikipedia's Success

Wikipedia has approximately 100,000 active contributors found across the globe. People often ask Wales what he thinks motivates them to spend so many hours on this project. "I think the idea of a free encyclopedia is very inspiring to many people. It's about sharing their knowledge. It's also a fun project. They are building something together in real time," Wales explained. Nearly 90 percent of its contributors are currently males, probably because some editing functions are not particularly user-friendly. "We are working on simplifying these," Wales underlined. The average age of a Wikipedia contributor is young, only 26 years. The amount of contributors holding a PhD, however, is double the amount found in the average population. Some 400 million people visit a Wikipedia



- 01 Jimmy Wales, cofounder of Wikipedia, explained how the online encyclopedia has triggered social innovation, rather than technical innovation over the past decade.
- 02 "Passion and constant questioning is necessary in order to be innovative," Jean-Claude Biver, the man behind the Omega brand's successful turnaround, said.
- 03 "Frustration over the lack of a tool can also trigger innovation," the founder of the data visualization company Gapminder Foundation, Ola Rosling, said. His company was acquired by Google in 2007.

page every month, making it the fifth most viewed site on the Web.

## Questioning Is Behind Innovation

"It takes passion to be creative and innovative," the CEO of the Swiss watchmaker Hublot, Jean-Claude Biver, said. Biver, the man behind the turnaround of the Omega brand, believes creativity is more powerful than knowledge. "You should ask yourself the following question everyday: How can things be done differently? If we repeat things day in and day out we turn into museums. With some curiosity, we keep young and creative." Biver also unveiled his corporate philosophy, which has turned out to be highly successful. It is based on three pillars: sharing, respecting and forgiving. "A manager must be able to share his knowledge, doubts and errors, while respecting everyone throughout the entire hierarchy—including the cleaning lady." A manager must also be able to forgive errors, as people learn from these. Repeated errors are of course another matter, Biver noted.

## Frustration Is a Further Driver

Frustration over the lack of software enabling the visualization of existing statistics drove the founder of the Gapminder Foundation, Ola Rosling, to develop his visualization tool. "My frustration turned into love for my product," he said. The tool allows users to visualize long-term trends, including thousands of data, in graph or table form within seconds. "The world can only become a better place, if we take the right decisions. Such decisions can only be taken if there is access to understandable data." Credit Suisse sponsored the Swiss Innovation Forum for the first time. ■

# Investment Conference And Rugby Tournament Ahead In Hong Kong

The 14th Asian Investment Conference (AIC) will be hosted by Credit Suisse from March 21 to 25, followed by the Cathay Pacific/Credit Suisse Hong Kong Sevens rugby tournament from March 25 to 27.

**C**redit Suisse's Asian Investment Conference has grown to become the most important event of its kind for investors in the Asia Pacific region, with more than 2,000 participants. The conference will, just as in 2010, span over five days and welcome more than 250 companies from the region, including Australia and Japan. Once again, a key feature of the conference will be the AIC's keynote sessions, where global and regional policymakers, as well as economists offer attendees invaluable insights into tomorrow's investment opportunities and challenges. Panel discussions featuring corporate leaders and other industry experts also provide the conference's participants with unique perspectives on emerging investment themes, new markets and specific sectors.

In keeping with the AIC tradition, the 2011 edition will feature numerous corporate presentations and breakout sessions for investors, as well as presentations from Credit Suisse's own sector specialists and strategists. Senior officials from governments, central banks, multilateral agencies and leading academic institutions from around the world are also brought in by Credit Suisse. To put the scale of the AIC in perspective, last year, some 6,000 one-on-one meetings

for investors took place during the five days of the conference.

## Buoyant Investment Flows

Osama Abbasi, CEO of Credit Suisse's Asia Pacific region and host of the AIC, sees a continuously growing importance of the region in the global economy. "If you look around Asia, you'll see that the area has become a salient driver in the creation of global wealth. As a result, we see huge investment flows in Asia Pacific – not only into the region, but also within the region and out of it. It is an extremely dynamic region with huge growth opportunities. Combining our global footprint with our local presence in all major markets, we have positioned the bank at the nexus of these investment flows – we help to connect Asia to the financial markets of the world," Abbasi said.

The AIC is an important building block to reach this goal of bringing together the region's key corporate players and create a platform of thought leadership through speeches, panel discussions and daily luncheons, held in a relaxed atmosphere. The world's greatest rugby sevens tournament – the Cathay Pacific/Credit Suisse Hong Kong Sevens – will as usual follow the AIC. Credit Suisse has been the title sponsor of the region's best sporting event since 1998. ■

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**01** The Cathay Pacific/Credit Suisse Hong Kong Sevens, the world famous seven-a-side rugby tournament, every year draws approximately 40,000 spectators to the Hong Kong stadium for three days of spectacular rugby.



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**02** Numerous panel discussions are held during the Asian Investment Conference. Topics covered over the years include private equity, carbon trading, solar power, sovereign debt and the Chinese property market. Pictured here are panelists debating investment opportunities and challenges in Vietnam.

**03** The journalist and coauthor of the best seller "Freakonomics," Stephen Dubner, was one of the keynote speakers during last year's conference. He told a full house that economic experiments should be interpreted with a grain of salt as subtle changes in the parameters can lead to radically different outcomes.

**04** The Prime Minister and Finance Minister of Malaysia, Dato' Sri Mohd Najib Tun Razak, another keynote speaker during last year's edition of the AIC, extrapolated on his new economic model, which should enable Malaysia to take its place among high-income countries.

**05** Kamal Nath, India's minister of road transport and highways, acknowledged that infrastructure is the biggest challenge facing his country. He outlined ambitious plans to develop a road transport system that could support India's economic growth during his speech held during last year's edition.

## Art

Text: Dorothée Enskog

# Innovation in Arts At the **Singapore Art Museum**

Three multifaceted exhibitions were sponsored by Credit Suisse at the Singapore Art Museum in 2010. They focused on innovation in art, with the most recent exhibition featuring works by the Thai painter Natee Utarit.

**N**atee Utarit, whose career spans over two decades, is one of the leading figures on the contemporary Thai painting scene. Born in 1970, he graduated from Silpakorn University in Bangkok in 1992 with majors in painting, sculpture and graphic art. Initially influenced by German Expressionism, his works have gone on to question many of the existing conventions in painting. More than 70 paintings were on display at the "Natee Utarit: After Painting" exhibit. These clearly show his mastery of Western painting tradition such as landscape and still life, while simultaneously suggesting a new approach to painting in the context of Thai contemporary art. His vivid paintings challenge the established Western painting traditions, while inserting critical issues of the contemporary Thai society and identity. He uses visual art as a way to reflect on the changing sociopolitical situation in the region.

One of the exhibit's highlights, "Tales of Yesterday, Today and Tomorrow" (see picture), is loosely based on the well-known painting "Las Meninas," drawn by the Spanish artist Diego Velázquez in 1656. Utarit has replaced the people represented in "Las Meninas" by various toys, a set of dwarves, a rabbit and a toy soldier in pink, alluding to the Spanish court of the 17th century and to the Thai kingdom of today. The craze for the color pink began in 2007, following the dismissal of the Thai monarch Bhumibol Adulyadej from hospital wearing a pink shirt and blazer. The Thai population followed suit, as a mean to express their support for their king.

Two other high-profile exhibitions featured within the framework of the Credit Suisse



"Tales of Yesterday, Today and Tomorrow," 2009, oil on linen, 240 x 200 cm, Singapore Art Museum collection.

Innovation in Art Series during the course of 2010: A retrospective of one of Indonesia's most prominent contemporary artists, FX Harsono, offered a glimpse of the political, social and cultural changes that have shaped the Indonesian society over the past decades. The other exhibition, "Realism in Art," explored the impact of realism in the development of 20th-century Asian art. Unlike the movement's development in Europe during the 19th century, realism in Asia applied the same concepts to a different context – expressing Asia's struggle with modernity, independence and nationhood. Paintings from 10 Asian countries were selected to show how this art movement touched Asia during the 20th century.

Credit Suisse has been the Singapore Art Museum's presenting sponsor since 2007. ■

## Hong Kong Arts Festival 2011

The Hong Kong Arts Festival 2011 took place between February 17 and March 27. More than 200 music, dance and theater events were held.

The 39th edition of the festival was bigger than in previous years, with renowned artists such as the Italian mezzo-soprano Cecilia Bartoli, the British singer and songwriter Elvis Costello and the New York City Ballet making their debut at the Hong Kong Arts Festival. The city of Leipzig's three main music institutions – the Leipzig Opera, the Leipzig Gewandhaus Orchestra and the St. Thomas Boys Choir – also appeared together in Hong Kong for the first time. But not only well-established artists featured on the festival's program.

### Emerging Artists Series

The Credit Suisse Emerging Artists Series introduced six promising artists to the Asian public.

**The first concert** of the series, a cello recital, featured Nicolas Altstaedt. The career of the German cellist recently received a major push, after he won the coveted Credit Suisse Young Artist Award for 2010. In addition to a considerable prize sum, the award gave the 28-year-old cellist the opportunity to perform together with the Vienna Philharmonic within the framework of the Lucerne Festival last September.

**The second concert** of the series featured Alexei Ogrintchouk, a Russian oboist. The 27-year-old has been performing worldwide since the age of 13 and held first solo oboist positions with the Royal Concertgebouw and the Rotterdam Philharmonic Orchestra.

**The third and final concert** of the Credit Suisse Emerging Artists Series featured the Elias String Quartet. The quartet, which was founded in 1998, has among others been mentored by the Alban Berg Quartet and the French composer Henri Dutilleux. Its four members – Sara Bitlloch, Donald Grant, Martin Saving and Marie Bitlloch – all live in England, but are originally from France, Scotland and Sweden.

All three concerts were held at the recently renovated Hong Kong Jockey Club Amphitheatre – perfectly suited for chamber music – at the Hong Kong Academy for Performing Arts.

### Premier Art Event

The Hong Kong Arts Festival was founded in 1972 with the vision of creating a cultural event attracting both local and international talents to this vibrant and growing city.

The festival now counts among the major international arts festival and is Hong Kong's premier art event. It today features a mix of music, film, dance, theater and popular entertainment over a six-week period. Credit Suisse has been the exclusive sponsor of the Credit Suisse Emerging Artists Series since 2009.

White Turf

Text: Georg Söntgerath and Dorothee Enskog

# White Turf

## St. Moritz 2011: A Total Experience

This February, exhilarating flat racing and trotting, as well as riderless horses pulling daredevil skiers, once again drew crowds of around 32,500 for the world's only skijoring race: White Turf St. Moritz.

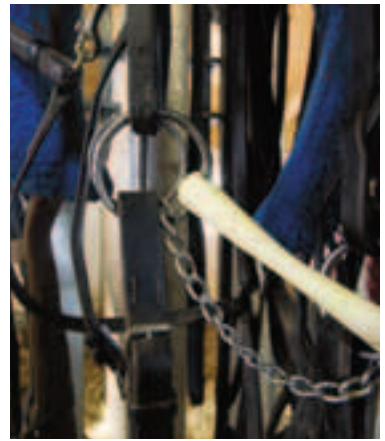
**T**he world-famous horse race has been held on the frozen lake of St. Moritz in southeastern Switzerland for the past 104 years. The backdrop is sublime: On the valley floor, surrounded by the imposing snow-covered mountains of the Upper Engadine, lies Europe's flattest and probably highest-altitude horse track: the frozen lake of St. Moritz transformed into a racetrack of 60,000 square meters (645,800 square feet).

Thousands of horseracing fans watched a whole host of flat racing and trotting events over various distances. The races took place on three consecutive Sundays in February. One of the sporting highlights was the Grand Prix of St. Moritz held on the third and last Sunday. A skijoring race, that always proves to be very popular with the spectators, was also held that day. It is exactly this unusual combination of races that gives White Turf St. Moritz its special charm, and demonstrates the fascination at seeing noble thoroughbreds in action.

### Riderless Skijoring

The origins of the White Turf are linked to skijoring, a winter sport where thoroughbred horses compete with a skier in tow, rather >

The White Turf has been staged on the flattest racetrack in Europe – the frozen lake of St. Moritz – for 104 years.



than having a rider on their back. The term stems from the Norwegian "skikjøring," meaning ski driving. The discipline has been imitated and adapted in many other countries, notably using dogs in North America, reindeers in Scandinavia or even by replacing the animal by a motorized vehicle such as a snowmobile.

The first official skijoring race, held 104 years ago, followed a road from St. Moritz to Champfèr. Unlike today, the participants did not start all together, but at one-minute intervals. It took the winner, Philip Mark, with his Irish chestnut gelding, Blitz, 20 minutes and 22 seconds at full gallop to complete the 10-kilometer (6.2 miles) stretch. This

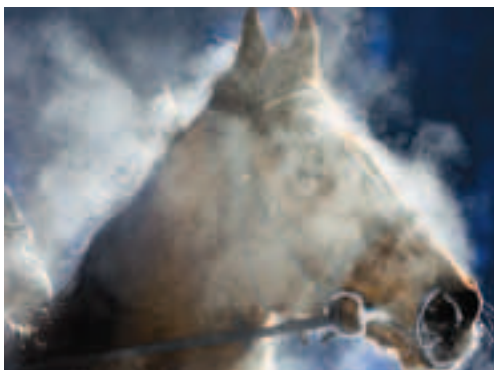
historic race dates back to March 1, 1906. The following year, the race was transferred to the frozen lake of St. Moritz and run like a normal race, with a group of horses competing against each other.

In 1908 the event was already composed of six competitions on which the spectators could place bets at the tote. Five years before the 1928 Winter Olympics were held in St. Moritz, some skijoring enthusiasts tried to make this skijoring an Olympic discipline. These plans were eventually shelved, but a skijoring demonstration race did nevertheless take place during the St. Moritz winter games. Nowadays, riderless thoroughbreds pull daredevil skiers across a nearly three-

kilometer course at speeds of up to 50 kilometers per hour (31 miles per hour). Collisions or failure to finish the race sometimes occur. It's no surprise, therefore, that many of the spectators come here especially for the skijoring event. The winner of this special race is awarded the coveted Credit Suisse Skijoring Trophy.

#### **Truly a World of Adventure**

The overall winner of the traditional races, however, gets to be crowned "King of the Engadine" for a year and also receives considerable prize money. The title goes to the competitor who wins the most points over the three Sundays, with courage, strength, stam-



ina, skiing ability, as well as the requisite dose of good luck being the deciding factors. Franco Moro was crowned King of the Engadine, securing the title for the sixth time.

In addition to high-caliber horseracing, a program of shows and accompanying events help make this exclusive event a very special experience for those attending. Along with the horse track, the 130,000-square-meter site housed grandstands with seating for 2,500 people, various exhibition and refreshment stands, as well as an elegant marquee village on the lake, making it into one of the region's sporting and social highlights. As main sponsor together with BMW (Switzerland) AG, Credit Suisse has been contribut-

ing to the success of White Turf – which offers more prize money than any other horse racing event in Switzerland – for more than 20 years. This long-standing, close partnership with White Turf fits well with the bank's sponsorship philosophy, as well as with its focus on long-term and sustainable commitments.

Credit Suisse supports institutions that achieve the extraordinary in their respective area, and whose values are compatible with those of the bank. High-caliber competitive sports and an attractive social program make this horse racing event a total experience. It's this special mix of professional sports, an attractive show and cultural program, as well

as first-class events – all set against a spectacular backdrop – that makes White Turf St. Moritz such an extraordinary event, attracting thousands of people from all over the world to the Upper Engadine every year.

For Silvio Martin Staub, the new chairman and CEO of White Turf Racing Association (WTRA), one thing is clear: "White Turf is just like the light in the Engadine – it always returns, it always amazes and it always sparkles right to the end."

The full results of the White Turf St. Moritz 2011 races can be found at the following link:

[www.whiteturf.ch](http://www.whiteturf.ch).

Engaging in Arts

Text: Tracy Cooper

# Ageing **Creatively** At the National Gallery

Ageing Creatively is a project aimed at helping people with dementia engage with art through workshops and a visit to the National Gallery in London. This project is funded by Credit Suisse, who supports Alzheimer's Society through its UK Charity of the Year 2010 program.





The National Gallery houses one of the world's largest collections of Western European paintings from the 13th to the 19th centuries.

**O**n a cold Wednesday in November the doors of the National Gallery Education Centre in central London are pushed open by a slightly nervous – but clearly excited – group of people which has never visited the gallery before. The small party is from Hounslow's Alzheimer's Society in the borough of Tower Hamlets and their visit has been inspired by an innovative project called Ageing Creatively; a collaboration between the charity and the National Gallery, funded by Credit Suisse. Jeremy Hughes, chief executive at Alzheimer's Society, believes that connecting with art delivers positive results. "Being creative is very beneficial for people with dementia. It can boost their self-esteem, provide a sense of focus and well-being, and give an opportunity to socialize and keep the mind active. The workshops also offered a unique opportunity to meet a contemporary artist, learn new skills and engage with art in a new way."

This Ageing Creatively project encourages people with dementia to engage with, and respond to, the National Gallery collection by creating their own works of art. This begins with a series of practical workshops and culminates with a visit to one of the world's greatest collections of Western European art, housed in the iconic Trafalgar Square building. The focus of the project was a series of seven paintings called "The Life of Saint Francis of Assisi" by the 15th century Siennese artist, Stefano di Giovanni, known as Sassetta. They were selected for the simplicity and directness with which they tell an engaging and thought-provoking life story, from youth to death.

### Practical Workshops

Participants experimented with a variety of materials and techniques during their two practical workshops eventually producing a series of images inspired by the Sassetta paintings. The concluding session gave them a chance to tour the collection and see first-hand Sassetta's original paintings that inspired their own artworks. As the group arrives, the two artists who ran the workshops – Thomas Gosebruch and Al Johnson – greet them and escort them to room 54 where the Sassetta paintings are hung. However, progress is slow as the group becomes transfixed by the Eustache le Sueur and Le Nain brothers' paintings along the way. Huw Bromage, Alzheimer's Society's social events coordina-

tor tries, in vain, to gently move them along. "They'd look at every single painting for 10 minutes if they could! Right now they're just so interested in the collection and the stories behind it, that it's great they are now getting to experience it."

On meeting the group, it is noticeable that no distinctions are made between the caregiver and the cared for. Huw explains: "We don't want to label the person who has dementia, and it is wrong to say a person with dementia is any less able with artwork than the caregiver. We have actually found with the final pieces produced, that it is those with dementia that have produced the best artwork." That said, Ageing Creatively is just as much about giving the caregiver an enriching experience. As we walk to the Sainsbury Wing, Huw tells me about a lady caregiver who has attended all the sessions by herself, and what a fantastic respite they are from her day-to-day responsibilities.

### Fascinated by the Paintings

First stop on the tour are the Sassetta paintings. The group is fascinated to come face to face with the real works and make comments around their size and the richness of the colors, noting how "They have really come to life" as they nudge each other out of the way to get closer. Al and Thomas highlight points of interest while referring back to things done and said in the workshops. Next up for examination is Paolo Uccello's brilliantly structured and colorful 1438 painting, "The Battle of San Romano" – famous for the way the artist has foreshortened objects, figures and horses, in line with new ideas about perspective. The group listens transfixed as Al tells them the story of the 1432 battle between Florence and Siena that the painting portrays.

From 15th-century Italy we travel to 16th-century Netherlands for the group's final stop, where we compare Gossaert's "Adoration of the Kings" with Pieter Bruegel the Elder's work of the same name. The bright color and highly detailed technique of Gossaert versus the caricatures of Bruegel's version provoke furious debate. "Gossaert is more religious, I feel inspired by it," says group member Joyce. "But the other is more realistic," argues another group member Gwen. Gala is worried about how skinny the dogs in the Gossaert work are – which Al explains is a familiar reaction. "If you are not used to looking at paintings you often notice the prosaic things as a way in – >

01



02



03

01 Ageing Creatively participants show off their art works.

02 The guides Al Johnson & Thomas Gosebruch talk about Gossaert's "Adoration of the Kings" to Ageing Creatively participants.

03 The guides working with Ageing Creatively participants.

04 Making models in a Line of Vision workshop.



04

> some of these works can be quite intimidating with their symbols and metaphors. That is why we always try and engage with relatable things first."

Over lunch comes a chance to speak to some of the group. Pauline – who cares for her husband John – is particularly effusive about Ageing Creatively. "It's been absolutely brilliant. At first I thought, 'Well, it might be good for John – I'll come along anyway, but it's not really for me.' But now I think I have got more out of it than he has. Actually looking at the pictures and being told the stories so I understand them even more. I never thought I was artistic – but now?!" Their artwork is then brought out for Thomas and Al to inspect. Huw tells me "They have absolutely loved working with the clay and plaster. Clay really calms and engages – it's been a really positive experience." Group member June comments excitedly on seeing the relief she modeled, "Oh it's brilliant. I have enjoyed this all immensely because I have done something so beautiful."

**Alzheimer's Society Singled Out in 2010**

Alzheimer's Society was elected by Credit Suisse employees as their UK Charity of the Year 2010. Each year employees vote on a shortlist of charities that they wish to





"Saint Francis before  
Pope Honorius III"  
by Sassetta.

assembled to create a collective interpretation of Velázquez's painting. Crivelli's "The Annunciation, with Saint Emidius" (1486) was a starting point for another group. The budding art students discussed the rich detail and symbolism in this altarpiece and considered the theme of delivering messages. Back in the studio, they worked collaboratively in small groups using tissue paper to create large-scale sculptures inspired by the figures, angels, birds and light in Crivelli's painting.

The results of these projects were exhibited in the National Gallery from April to May 2009. National Gallery Outreach Officer, Emma Rehm – who was also responsible for Ageing Creatively – said, "Many of the children had never been inside an art gallery before, so to create their own works of art and have them displayed at the National Gallery is not only inspirational, but also helped increase their self-esteem and confidence. Through projects like Line of Vision, we can help to promote emotional well-being in our schools and in the community and make a huge difference to these children."

### Successfully Reaching a New Public

Both Ageing Creatively and Line of Vision are part of the National Gallery's Outreach programme. As part of its wider objective to provide access to the collection, the museum is committed to finding imaginative and illuminating ways to nurture interest in its works among a wide and diverse public. The Outreach projects are targeted at key community groups and are designed to engage audiences who may previously have encountered physical, emotional and intellectual barriers to accessing the collection.

As I bid good-bye to the Ageing Creatively group as they prepare for the journey back to Hounslow, Al Johnson takes me aside and mentions: "We had a lady who got very excited during the practical workshops when she saw the Sassetta scene – where Saint Francis is with the Pope. It turned out that she had lived near Cardinal Wolsey's house when she was a child and used to play in the derelict ruins. It was a very lateral thing that the art had helped her to conjure up a memory she would never have accessed otherwise. Even her husband had never heard the story before – and she loved telling us all about it. This whole project has been really lovely actually." ■

fund-raise for over the following 12 months. Alzheimer's Society champions the rights of people living with dementia and the millions of people who care for them. Research shows that 750,000 people in the UK have some form of dementia; more than half have Alzheimer's disease. The charity relies on voluntary donations to continue its vital work supporting those people to live well with dementia today, and fund research to find a cure for tomorrow.

Along with fund-raising, Credit Suisse employees are encouraged to volunteer, and are afforded time off work to do so through the "Give a Day" scheme. For the National Gallery tour we were joined by Michelle How, who works as a fixed income bond salesperson. "I always wanted to work with the elderly, so it was great to spend some quality time with the group and find out a little bit more about their lives. It's so nice to form that human connection and give something back." Volunteers are wholly welcomed by the caregivers. Pauline says, "They are very helpful as it gives me the time to concentrate on what I'm doing."

### Focus on Youth in 2008 and 2009

Ageing Creatively follows the success of the Line of Vision project which saw The Na-

tional Gallery partner with The Place2Be, Credit Suisse's Charity of the Year in 2008 and 2009. The Place2Be is a charity that offers children emotional and therapeutic care by providing a place where they can express their feelings through talking, creative work and play. It provides school-based counseling, plus support for teachers and parents, and can be found in 146 schools across the UK and is available to 47,000 children. Each school has a dedicated Place2Be room, a project manager and several paid clinicians plus volunteer counselors. Line of Vision saw primary school children from four London boroughs visiting the National Gallery to take part in practical art workshops during autumn 2008.

One group focused on Rubens's "A View of Het Steen in the Early Morning" (1636) and discussed how the artist had created space using color and light. They also considered how Rubens might have transferred his drawings onto the wood panels used to make this painting. Youngsters also looked at Velázquez's "La Tela Real" (1632–7), focusing on the figures. They drew and painted their studies from the picture directly onto canvas, and also modeled bur-lap and card, to recreate other sections of the picture. The separate elements were

Prix Credit Suisse Jeunes Solistes .....

Text: Andreas Schiendorfer

# Mi Zhou – A Cellist Creates Harmony

Ten years after the Argentinian Sol Gabetta, another cellist, Mi Zhou of China, is captivating classical music lovers. She's currently honing her skills at the Musik-Akademie Basel under Thomas Demenga.



Members of the jury (from left) Stephan Schmidt, Hervé Klopfenstein, Michael Eidenbenz, Michael Haefliger, Christoph Brenner with the winner Mi Zhou.

**C**onservatorio della Svizzera Italiana in Lugano, located in Switzerland's Italian-speaking canton Ticino: The competition for the Prix Credit Suisse Jeunes Solistes, which is open to the public, runs all day. It's a delight for the audience but demanding for the jury endeavoring to get an objective picture of the finalists, ranging from a German viola player to a German and a Russian violinist, a Hungarian clarinet virtuoso and a Chinese cellist. "As music professors, we're used to programs like this," says host and jury chairman Christoph Brenner, "and at this level of accomplishment it's really fun." The other jury members all agree on the high quality of the performances. Michael Haefliger, artistic and executive director of the Lucerne Festival, goes as far as describing this group of finalists as the best ever. But there is apparently a touch of regret: There are no Swiss

among them. "In 2007, we had a Swiss prizewinner, Aniela Frey, but the home contingent didn't quite make it through the semi-final stage in Lausanne this time," explains Michael Eidenbenz from the Zurich University of the Arts. "A lot of the best Swiss musicians are simply not here because they go abroad to complete their training. They're encouraged to do so

for their personal development." On the other hand, an exceptional number of talented musicians from all over the world come to study at the seven Swiss conservatories. "Since the most recent reforms, the musical education offered in Switzerland has been among the best in the world," confirms Michael Haefliger. And this time what they always say really was true: Everyone deserved to win. Melinda Maul, for example, enchanted listeners with her clarinet, seldom honored as a solo instrument, and violinist Stefan Tarara played Beethoven's "Kreutzer Sonata" magnificently and movingly. In the end, it was a close but nevertheless unanimous decision, according to Christoph Brenner, that the prize should go to the Chinese cellist Mi Zhou. Her performance was sensitive and differentiated, her interpretation confident, and her demeanor modest. The beginning of a big career? Mi Zhou: "The performance in Lucerne will always be a highlight of my career. But my goal is to someday play the cello in a Swiss orchestra." ■

## Prix Credit Suisse Jeunes Solistes

The Prix Credit Suisse Jeunes Solistes for musicians in Switzerland up to age 26 is awarded every two years by the Lucerne Festival, the Conference of Swiss Institutions for Higher Education in Music and the Credit Suisse Foundation. The prize is 25,000 Swiss francs (25,700 US dollars) and a chance to perform in the Debut series at the Lucerne Festival. Previous prizewinners: Andriy Dragan, piano (2009), Aniela Frey, flute (2007), Tecchler Trio (2005), Pawel Mazurkiewicz, piano (2003), Sol Gabetta, cello (2001).

[www.lucernefestival.ch](http://www.lucernefestival.ch)



On Thursday, August 18, 2011, three days after her birthday, Mi Zhou will make her debut at the Lucerne Festival. She'll be accompanied on the piano by Paola Oetiker de Piante Vicin, and will be playing works by Stravinsky, Cassadó, Fauré and Demenga at her concert in the Lukaskirche.

# After Natural Disasters It Is Long-Term Relief That Is Crucial

Haiti is falling apart, Pakistan is foundering. Last year's images have left an indelible impression on our memory. Nevertheless, the attention of the world gradually shifts to new events. In contrast, Switzerland's Red Cross and Red Crescent organizations not only provide emergency aid in regions affected by natural disaster, but also stay on to help with reconstruction.



The International Committee of the Red Cross (ICRC) was founded in 1863 on the initiative of Henry Dunant. It is active primarily in war zones. In regions affected by natural disasters, it is predominantly the 186 national Red Cross and Red Crescent organizations, affiliated to the International Federation of Red Cross and Red Crescent Societies founded in 1919, that provide assistance. In 2010, Credit Suisse offered its support as a partner both to the ICRC and to a variety of national Red Cross organizations, for example in the USA, Australia, Hong Kong and Switzerland.

A young man uses a kind of soapbox to maneuver along the dusty paths between lines of tents in the emergency camp for flood victims. He's using the soapbox because he doesn't have a wheelchair. A year ago he was bitten by a snake. Normally, an injury of this kind can be treated in Pakistan, but fate had something else in store for this particular victim. The essential serum was unavailable in the village at that time and the 15-year-old has been incurably paralyzed ever since. When the monsoon rains overwhelmed his home in the summer of 2010, it looked like the end for this young disabled man. But now there's a glimmer of hope for him, thanks to the reception camp that has been set up by the Swiss Red Cross (SRC) and Pakistan's Red Crescent near the city of Hyderabad.

The encounter with this Pakistani teenager made a lasting impression on Karl Schuler, communications officer of the SRC. "In our emergency camps our first priority is to provide sanctuary for the weakest, the disabled, homeless families with young children, and old people," explains Schuler. "The distress of the people and the damage

caused by the floods in Pakistan are unimaginable, even greater, according to the UN, than the havoc wreaked by the tsunami six years ago in South Asia. But it is this young man who shows me that our emergency aid for needy individuals really is meaningful and necessary."

## Devastating Impact

In the southern province of Sindh entire swathes of land are still under water. "In the other regions a grey-brown strip of mud several kilometers wide on either side of the Indus and its tributaries gives some indication of how massive the floods were," recalls Karl Schuler. An area the size of Great Britain was devastated. The mud choked the arable land of the small farmers and destroyed the cotton harvest. For the first time Pakistan, which is normally one of the world's main exporters of cotton, was forced to import it. Reconstructing the country will take decades and cost many billions of dollars. And until this work is complete the lives of 12 million people are in jeopardy.

In Haiti too the situation after the earthquake of January 12, 2010, is far from good. Approximately 1.3 million people are homeless and even a year after the catastrophe >



- > most of them are still dependent on aid organizations for their drinking water and other essentials. Hygiene conditions in the country are very poor, so bad in fact that there was a cholera outbreak last October in the north of the island. By the end of 2010 around 150,000 people had contracted the disease and at least 3,500 have died so far. At the beginning of December the SRC, together with Médecins du Monde, opened a cholera clinic under canvas in Grand-Goâve. A four-person team from Switzerland is now at work there. "As well as providing emergency aid our other main priority is to train local doctors and nurses, because this highly infectious disease was previously unknown here," the SRC employee explains.

#### Clear Allocation of Roles Facilitate Aid

It's hard to draw comparisons between various disasters and aid missions, because the challenges on the ground are different every time. But the aim always remains the same: to provide help as quickly as possible where it's needed. It is vital to be prepared for the next mission, even though the affected country has not yet officially appealed for aid and the resources required for an emergency relief program may not be available in the necessary quantities. And one of the most important aspects is to ensure the coordination of the activities of a wide variety of charities from all over the world.

As far as the 186 national Red Cross and Red Crescent organizations are concerned, they have an agreement about which organization is responsible for providing aid in which area and dispatching an appropriately trained and equipped emergency response unit (ERU). The first step is for the



Since the devastating earthquake of January 12, 2010, a number of national Red Cross and Red Crescent organizations have been deployed in Haiti to provide short-term aid and assist in reconstruction activities. The numerous donations that were received by the national organizations from all over the world in the immediate aftermath of the earthquake are being used, among other things, for construction of sanitary facilities, provision of accommodation, as well as for IT and telecommunications purposes. Additional clinics have also been opened following the outbreak of cholera in October 2010.



**Last year, Pakistan suffered calamitous floods that swept through the country after heavy monsoons, affecting roughly a quarter of the country. The livelihoods of an estimated 12 million people have been jeopardized since the floods. One million of them are still living in emergency camps. In order to improve the living conditions for people in a rapid and sustainable way, the national Red Cross organizations are working together with the Pakistan Red Crescent to build accommodation units, restore drinking water and sanitary facilities, and offer emergency medical relief.**



national organization of the country in need to contact the federation in Geneva, which then mobilizes the required ERUs. The Swiss Red Cross, for example concentrates on logistics – as do five other countries – and also supports the German Red Cross in the area of basic health care. Meanwhile the British Red Cross is involved not only in logistics but also in providing sanitation facilities, while the American Red Cross specialize in information technology and communications, as well as clean-up operations and the construction of living quarters.

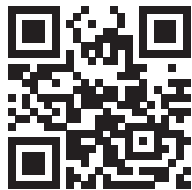
### Enabling Rapid Action

The natural disasters in 2010 have shown once again that the aid organizations have to be prepared to go into action on a massive scale at extremely short notice. “Since natural disasters cannot be anticipated, we always have emergency relief supplies and adequate funding for an emergency deployment,” explains Hannes Heinimann, head of the SRC’s disaster relief unit, “but these resources are limited. When we make a public appeal for aid, we always do so with reference to a specific event, which means that we can’t really build up any reserves. That’s why we’re all grateful for any funds that we can access quickly before the actual campaigns get under way.”

Credit Suisse’s Disaster Relief Fund is one possible source of this kind of rapid finance. “In the case of Haiti our Disaster Relief Fund Committee made a million dollars available within just a few hours. Half of it went to the SRC and the other half to the American Red Cross,” explains Fritz Gutbrodt, director of the Credit Suisse Foundation. “Often we also organize collections among our employees. We then double the collected sum using funds from our foundation and make the money available to the Red Cross or Red Crescent organizations.” In 2010, around seven million dollars were collected in this way for victims of the disasters in Pakistan and Haiti.

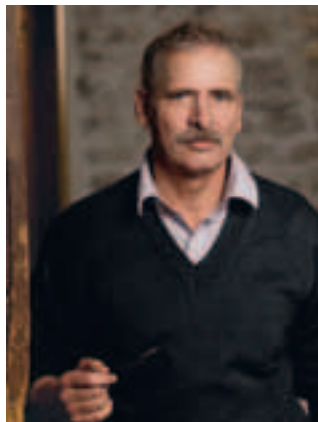
### Also Supporting the Time After the Crisis

During a visit to Haiti, Eric Eckholdt, head of the Credit Suisse Americas Foundation, was delighted to have the opportunity to observe the efficiency of the national Red Cross >



#### Disaster Relief Fund

Watch a video report on the work of the Red Cross in Haiti and Pakistan. It features an interview with Karl Schuler, communications officer of the Swiss Red Cross (SRC), about the challenges on the ground.



> organizations at first hand. "I'm really impressed by the disciplined and coordinated way the various organizations work together. Despite high temperatures and up to 20-hour working days, the commitment and energy of the aid workers is tremendous." As well as logistic coordination of the emergency aid provided by all the Red Cross and Red Crescent organizations, the SRC concentrates on long-term projects. "In September 2010, people were able to move into the first of our 600 earthquake-proof homes in the mountain village of Palmist à Vin," explains Hannes Heinemann. But there's still plenty to do. In the capital city Port-au-Prince there has been little visible progress. Even the streets in the city center have still not been completely cleared of rubble, not least because the government has not provided enough construction machinery.

In Pakistan the national Red Crescent organization asked the SRC for help in constructing and running emergency camps. Together with the Swiss Agency for Development and Cooperation, the Swiss brought 1,000 tents to a camp in the south near Hyderabad. 30,000 families were helped over the worst thanks to the provision of food

packages. In the course of a month they received two 30-kilo (66-pound) packages containing wheat, rice, sugar, oil, lentils, salt, powdered milk and tea – foodstuffs that had been bought in Pakistan itself.

"In the case of emergency aid there is always a danger that one loses sight of the families after a month," explains Schuler. "The Red Cross and Red Crescent organizations are consciously working against this tendency." That's why the SRC is concentrating its efforts on providing long-term help in the southern province of Sindh and in the mountainous Swat valley, high in the north of Pakistan. In Sindh it is helping people to return to their villages, while in the mountains, where the Pashtun people live, it is investing in a mobile health system and in building houses.

In 2010 the Red Cross was confronted by grave natural disasters. Even this renowned organization was pushed to the limit. "Of course there is a discrepancy between boundless needs on the one hand and limited resources on the other. But again and again our focused approach produces successful outcomes and uplifting encounters with those in need," Schuler emphasizes. ■

## Masthead

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A photograph of Roger Federer walking down a blue staircase at a charity gala. He is wearing a dark jacket and a red headband, and is waving to the crowd. The staircase is illuminated with blue lights, and a large, bright light source is visible in the background, creating a dramatic effect. The crowd is dense and cheering, with many people taking photos. A camera operator is visible in the foreground, filming Federer as he descends the stairs.

# A Lavish Gala Evening for a Good Cause

Just before Christmas, Roger Federer spent three days working for his foundation, as well as for that of his great rival, Rafael Nadal. A total of 2.5 million Swiss francs (2.6 million US dollars) was raised at his home charity gala in Zurich, Switzerland. A second gala evening was then held for Nadal's foundation after a return match the following day in the Spanish capital Madrid.

**Day one, Zurich**



A podium discussion on philanthropy: Roger Federer with Credit Suisse analyst Oliver Adler.



The Roger Federer Foundation was founded in 2003, so that others can benefit from his success.



More funds were raised for the foundation at the large charity gala evening in Zurich, Switzerland.



Roger Federer and TV presenter Jann Billeter drawing the major prizes for the tombola.

**Day two, Zurich**



Roger Federer (ATP No. 2) meets rival and friend Rafael Nadal (ATP No. 1) on the airport tarmac.



Zurich sightseeing tour: Roger and Rafa outside the headquarters of Credit Suisse on Paradeplatz.



Seeing the tennis stars up close: 56 talented young players got to train with Roger and Rafa.



Roger Federer and Rafael Nadal: For once the match result was of secondary importance.



10,500 spectators in a sold-out Hallenstadion in Zurich made for an impressive backdrop.



Announcing the total proceeds: Hans-Ulrich Meister, CEO of Credit Suisse Switzerland.



2,524,899 Swiss francs were raised for the Roger Federer Foundation by the "Match for Africa."

**Day three, Madrid**



A final interview for Spanish television, shortly before entering the Caja Mágica in Madrid.



It's just six days before Christmas, and Roger Federer lands at Zurich airport late in the evening. Three fully-packed days working on behalf of his own charitable foundation – and that of Rafael Nadal – await the Swiss tennis star. Both foundations support charity projects for impoverished children in the world's poorest countries. A short call from Roger was all it took to get Nadal to take part in the charity exhibition match in Zurich. And because the latter found the idea so appealing, he immediately sought to arrange an equivalent for his own foundation the very next day in Madrid.

The following morning, Roger's schedule first sees him attend a number of different meetings and interviews. In the afternoon, a podium discussion on the issue of philanthropy has been arranged by Credit Suisse with invited guests, at which Roger appears as a special guest and talks about his foundation. Those present are impressed by Roger, and not just because of his renowned linguistic expertise – he also displays astonishing in-depth specialist knowledge of his subject.

At this point, the conversion of the ground floor area of a Zurich hotel is in full swing. Some 300 guests are expected at this gala evening for the Roger Federer Foundation. And just before 8 p.m. it kicks off: The host, Hans-Ulrich Meister, CEO of Credit Suisse Switzerland, welcomes probably the greatest Swiss sportsman of all time onto the stage. The man in question looks more than at home in a dinner jacket.

Early the next morning, Roger's schedule includes a session with the television team from CNN. At 10 a.m. Roger drives to the airport to pick up the tennis world's current No.1. Rafael Nadal is visibly delighted to receive such a warm reception on the cold tarmac. The pair then go for a short walk in central Zurich, which leaves them just enough time for lunch at a local Italian before it's time to make their way to the Hallenstadion. Here they find 56 excited and now somewhat impatient children who have been given the opportunity to have a short training session with the two tennis giants. And then follows the long-awaited "Match for Africa," in a stadium now packed to the rafters. The whole event is a stunning spectacle as well as a genuine tribute to the Swiss tennis star, who makes the most of home advantage to take the match in three sets. But the real winner of this evening is the Roger Federer Foundation. In addition to just under two million Swiss francs generated through entry fees, marketing revenues and sponsorship, the TV audience also donates more than half a million Swiss francs. Roger is visibly moved as Hans-Ulrich Meister, on behalf of presenting partner Credit Suisse, officially announces the figure. A historic evening of tennis in Switzerland draws to a close.

The next morning, Roger and Rafael share the same jet as they fly to Madrid. Here too, there was an afternoon training session with children on the agenda, a visit to the sponsors' VIP area, before the match and a full session with the media. And Roger seems to be enjoying being only the second-most important person at an event for once, because this evening belongs quite clearly to the Spanish No. 1. The boxes of the sold-out Caja Mágica are packed with Spanish celebrities, including Queen Sofia. The evening raises around one million Swiss francs for the RafaNadal Foundation. When queried about the outcome of the match before entering the arena, Roger says with a smile: "I just hope it goes to three sets." And indeed it does, except this time the deciding third set goes to Rafael. But that is unlikely to keep Roger awake long – as he contentedly pushes back his seat on a flight to Dubai that very same night. **Daniel Huber**

## Shooting an Advert With Star Photographer Mario Testino

For the images of its new advertising campaign, Credit Suisse turned to renowned fashion and royalty photographer Mario Testino. The shoot itself took place in a relaxed atmosphere in a villa in Dubai. The photographer's brief was to complement the slogan "Credit Suisse: Helping Roger Federer Relax Since 1981."



**Mutual respect and admiration: Roger Federer and Mario Testino.**



### The "Making of" Video of the Photoshoot

Look over the shoulder of star photographer Mario Testino as he shoots an advert with Roger Federer in Dubai.

You can find reportage as well as the video online at: [www.credit-suisse.com/bulletin](http://www.credit-suisse.com/bulletin)





# Thinking Ahead

**Nouriel Roubini, one of the world's most prominent global nomads, on the global economy, himself and on why greed should be controlled by fear.**





Interview: Dan Scott

**bulletin: People call you a prophet. How do you feel about that?**

Nouriel Roubini: I don't really think I'm a prophet. Some people even call me Dr Doom. I think it's sensible to be realistic about the challenges that are facing the global economy. It's not a question to be too optimistic or pessimistic. I try to always be balanced in my assessments – as much as possible – with an objective assessment of the risks, of the volatilities, of the upsides, thinking about scenarios and assigning probabilities. That's the only way to approach an uncertain future.

**This sitting on the fence is exactly what many don't like.**

Yes. They sometimes say economists are two-handed; on the one hand, on the other hand. You have to think about scenarios and probabilities. But then you also have to think about what your own conviction and main view is, and express it thoughtfully and intelligently. But of course, if data changes, you also have to revise your views and not just stick with them for the sake of it.

**We all work with the same data. How is it that we end up with such different judgements?**

I now have a team of about 40 economists and strategists that work together to understand what's happening in different coun-

tries, regions and markets around the world. No individual can be smart enough to have a monopoly on wisdom and truth. You have to be modest about it. I bring more than 25 years of knowledge of economic theory, empirical analysis of history, of understanding of economic policies, of markets. So yes, the data are the same. But being an independent analyst, not having any conflict of interest that may arise from having to manage money, implies that your success is based on your reputation. You're not always going to be right, but what also matters is the reasoning. Things may turn out one way or another. We have to understand what the scenario can be and what the asset price implications are. Data will suggest which scenario is the more likely.

**The trade talks in Doha failed. Do we care?**

It does matter, because a progressive trade liberalization at a multilateral level is important to have the benefit of trade integration. The fact that the talks have stalled is a negative, partially because of the risk of a reversal of the existing trade liberalization. Things can instead take place at the bilateral level. But my opinion, which is shared by many economists, is that bilateral trade agreements often can lead to trade diversions. Therefore, the best approach to trade liberalization is a multilateral rather than a regional or a bilateral process. So, it's not the end of the world if the talks stall for a

**“They sometimes say economists are two-handed; on the one hand, on the other hand.”**

few years. But restoring and ending them successfully would be useful and important.

**What do you wish someone had told you about becoming an economist?**

I wish people had told me it's referred to as a dismal science. In some sense it isn't. Understanding economics can mean that you are able to carry out the right policies that can change the world for the better. It isn't just an intellectual discipline or a science. It's also the art of what is possible. I discovered so much more about being an economist then, when I first got into it.

**Whether the market believes in a double dip or back to growth for the global economy, what can we expect for the US dollar?**

In both scenarios the dollar could strengthen, even in a weak scenario. The only caveat being is that on a fundamental basis the dollar should be weakening because the US has a large current account deficit. To reduce it, the dollar has to depreciate. The trouble is: depreciate against whom? Not against the euro or the yen, because those economies are weak. It should be weakening against the Chinese and other Asian currencies that are undervalued and running current account surpluses. But as long as the Chinese authorities don't want to change their exchange regime, nobody else is going to let their currency appreciate. So on a

fundamental basis, the dollar should be gradually depreciating against emerging market currencies. But the process is blocked due to policy decisions being made by China and other countries to prevent that adjustment.

**Tell us three facts about Nouriel Roubini the person, not the economist.**

I would say my interests go well beyond just economics. I'm interested in history, in politics and culture, in the arts. I collect contemporary art, a lot of visual and performing arts. To understand the world you have to also go beyond your own discipline and have a broader Renaissance view of reality. Then, despite this nickname of Dr Doom, I'm quite an optimist. I believe in hard work, in success, in enjoying life, as much as working hard. I'm not that bleak a gloom and doom type of person that people try and make me. Lastly, I think that my intellectual curiosity and curiosity about the world set me apart. I spend two thirds of my time traveling around the world. Understanding other parts of the world is critical. Whether it's Asia, Latin America, Europe or Africa, you have to go visit countries and meet the people. From the moment you arrive in a country and ask the chauffeur at the airport how the economy is doing and all the way to meeting central bank governors, media, academics and so on. >

You have to have a spectrum of knowledge and have that intellectual passion and curiosity about the world. No national culture is dominant. I find that every country, every culture, every religion has attributes that are relevant.

**Would letting Greece restructure its debt have been the better solution?**

In my view, Greece will sooner rather than later restructure its debt. It's not a question of whether, but rather when and how. Even if Greece does everything right, they will end up with a public debt in the best-case scenario of 148 percent of GDP. That's not a level that is sustainable. It doesn't have to be a disorderly default like in the case of Russia, Argentina or Ecuador. It can be an orderly sovereign debt restructuring like in the case of Uruguay, Pakistan or Ukraine.

**When a market prices in inflation, at the same time as deflation, isn't that a paradox?**

There is significant uncertainty about which one of the various outlooks for the global economies is going to materialize. I'm not saying it's a flat distribution. In my view, certain scenarios are more likely than others. You can tell a story of muddling through with low growth or about a recovery after a period of difficult times. You can think of a scenario in which we end up in a double dip which is deflationary, but in which large budget deficits then get monetized in a way that they cause inflation. I think those views on a bipolar outcome of inflation reflect the underlying uncertainty about the economic outlook on the one hand, and on the policy response to that economic and financial outlook on the other hand. Depending on the policy response, we end up in either an inflationary or a deflationary spiral.

**What are the challenges posed to us by the rapid economic growth in emerging markets?**

There are many puzzles and conundrums in the global economy that we cannot understand unless we realize the role of the integration of the emerging markets. For example, there has been a fall in the real wages relative to the return to capital of unskilled workers in the advanced economies. That's not surprising if you take basic trade theory. Add 2.2 billion Chindians to the global economy and, of course, the relative wage of unskilled workers in the advanced economies will tend to fall with implications, for example, on income and equality.

**Banks and corporates sit on huge piles of cash. Wouldn't it seem logical that both start spending their way out of recession?**

For what concerns banks, I would say that they are sitting on a huge amount of excess reserves, but are not lending it. If it was only an issue of credit supply, then once the process of recapitalization finished, they could have started lending again. I think that what prevents them from lending is that credit demand is weak and many stronger corporates don't want to borrow. Many households that are weak don't want to borrow, because they are heavily indebted and there is still concern on the side of banks about the creditworthiness of borrowers. Banks traditionally used to have this role of monitoring the quality of the lending, but lost this skill over the 20 years of securitization where they were not doing their homework. There are fixed costs on underwriting and lending, and right now the originate and distribute model of securitization is broken, so banks are sitting on cash and not doing much with it.

On the corporate sector, I think there is macroeconomic uncertainty. What's going to happen to the economy? What's going to

happen on a regulatory level? While high-grade corporates may be sitting on a lot of cash, the high yields are in stress, and small and medium enterprises are still in a credit crunch. So there this subset of the corporate sector: the high-grade corporate sector that is lean and mean, and flush with cash, while many other sectors are actually challenged. Why are they sitting on all this cash and not increasing capex or increasing labor demand? It all has to do with the macroeconomic uncertainties; that final demand is still weak and that there still is excess capacity. I think a lot of that cash may go to work in financial transactions, merger and acquisition activity, debt and share buybacks, replenishing pension plans, rather than real spending on capex and labor demand.

**You appear as yourself in Oliver Stone's sequel to the movie "Wall Street." If your warning in early 2007 about the dangers of complex finance would have been taken seriously, what would be the story of the movie?**

The movie is about the financial crisis that occurred. I don't know if it would have made any difference in 2007. At that point, it was already too late. The excesses of credit growth, debt and leverage that occurred went on for a while longer. So the end of this story would have been a painful one, regardless of what I was saying. Maybe the next story is one in which, if we have better supervision and regulation in the financial system, we may be able to avoid the next financial crisis. The lesson of the movie is that the bankers and traders of today are no more greedy than the Gordon Gekkos of the 1980s who said greed is good.

In financial markets some greed and some profit motive is legitimate. But greed has to be tempered by the fact that you know you are going to have losses, and fear has to control it. There shouldn't be an expectation of bailouts. As long as we have this expectation and a one-sided compensation model, where in good times you make high profits and bonuses, while in bad times the worst that can happen to you is that you don't get a bonus, then there will be bias in risk-taking and leverage that perpetuates those financial boom and bust activities. In capitalism some greed is good, but it has to be tempered by fear, with the right compensation and without the expectation of bailouts. Those are the lessons that have to be learned by any Gordon Gekko of the world. Today, yesterday and tomorrow. <

**Dr Nouriel Roubini is a professor of economics at New York University's Stern School of Business, founder of the economic consultancy RGE Monitor and frequent contributor to CNBC, Bloomberg Television, Financial Times, Wall Street Journal and other major publications. His 2006 prediction of a looming crash of the global economy, beginning with the US housing market, has focused attention on his unique methodology, an innovative open-sourced technique practiced by RGE's economists to understand the complexities of the modern global economy. Roubini himself is perhaps better disposed than anyone else to grasp a complex global economy not only given his academic track record, but also his ability to speak Persian, Italian, Hebrew and English, and the time spent living on airplanes.**

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