



## **FOCUS ON THE RACE: Blue Bridge and HEC MONTREAL in the "Course Croisière EDHEC"**



The grand departure is getting closer and HEC Montreal's team is training intensively for the competition.

A weekend in Boston on the 19<sup>th</sup> and 20<sup>th</sup> of March has allowed the team to strengthen its skills and cohesiveness as a group prior to the race. The event will be held at Lorient in Brittany from Saturday, April 9<sup>th</sup> 2011 to Saturday, April 16<sup>th</sup> 2011.

Be sure to follow their progress on the blog of the newspaper "Les Affaires".

<http://www.lesaffaires.com/bloques/hec-montreal-la-course-en-tete>

Also come to discover their video of promotion:

<http://vimeo.com/21597499>

### FEATURE ARTICLE

## US, rebound or decline?

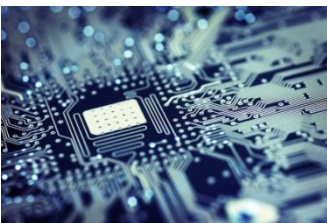
by Rolf Spielmann

Global powers rise and global powers collapse. We all know of the great empires of the past, the British and the Mongols each at one time controlling about 33 million square kilometers, the great Chinese empires, the Romans, the Ottomans, all of them distant memories. (...) **Read more p.2**

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## Technology, lifeline of the U.S. economy

by Alain Roch



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## A G-Zero World



American version of capitalism may not be in full disrepute, but

clearly it is no longer dominant. Likewise the good old boys club called G-7 (expanded to G-8 to prevent Russia from sliding back into communism) is not longer a reality (...)

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FEATURE ARTICLE



# US, rebound or decline?

Global powers rise and global powers collapse. We all know of the great empires of the past, the British and the Mongols each at one time controlling about 33 million square kilometers, the great Chinese empires, the Romans, the Ottomans, all of them distant memories.

And although the US is not referred to as an empire, it falls into the category of the biggest powers of all times, for while it does not occupy untold millions of square kilometers, it directly and indirectly controls much of what happens in this world. Its military might is unmatched and so is its economic reach. English is the universal language of commerce. While every great trading nation has adopted the metric system, America stubbornly measures in inches and feet, for it does not need to follow the main stream.

And yet as we type these lines we wonder if the foundations of this power are still strong. After the collapse of communism, it was hardly imaginable that we could ever ask such a question, for the American system had won, and seemingly there was no looking back. Yet 22 years after the fall of the Berlin Wall there is an eerie feeling that America is on a decline and that this decline might be terminal. There is a new power emerging, it is called China. It is already the second largest economy and whilst for years to come its armed forces cannot compete with the US's might, their build up is fast and furious, for China has the means and the determination to become THE world power.

Shaky finances have ruined many nations. Throughout history, debasing the currency has been a favorite way to postpone the inevitable, but the very word debasing explains the weakness upon which such an approach is

based. And when we look at the way America neglects its finances, we cannot help but wonder how much longer it will take before the house of cards collapses.

Charging Canadians \$5.50 to cross the border will unlikely make a dent to the huge US budget deficit and whilst the theory of extending tax breaks to stimulate the economy has its merits, the deficits continue to grow nevertheless. Using unrealistically rosy forecasts to "reduce" future deficits is a poor way to control ones finances. The latest budget proposal is laughable, particularly since nobody believes that it will ever be passed. For the optimistic American, the day of reckoning will never come. But optimism only goes so far.

China in the meantime is fast accumulating wealth in the form of American (and European) debt. During my life time I have seen the US move from being the largest creditor nation to being the largest debtor nation. And the trend has not stopped, indeed it has accelerated. By holding so much of US debt, China increasingly gains leverage over the US and whilst this has not had any dire consequences so far, it would be unrealistic to assume that the Chinese do not have a long-term design in mind. Follow the money, look at what China buys, and where it buys and how much it buys. Look how China has started to protect its supply lanes, unfortunately far too little is written about this. China has huge problems, but it has a plan, it has the means and it has time.

America has huge problems, but it appears to live off the glory of the past. Never count America out, its ingenuity and entrepreneurship are legendary. But also hope that America will learn to understand that it has stumbled badly and that only a determined effort will let it regain its equilibrium.



**Rolf Spielmann, CFA  
Senior Vice President  
BLUE BRIDGE**



**ECONOMY**

# Technology, lifeline of the U.S. economy

American economic power may be on its way of giving up its leadership to more dynamic emerging powers, such as Brazil, Russia, India and, above all, China. However, to assume that the U.S. economy is in irreversible decline and that a radically "post-American" world is emerging seems premature, given the extent of the country's resources and its capacity for resilience.

The U.S. economy has gone through great transformations during the course of history, moving in particular toward the service sector, and it retains the greatest community of researchers in the world, giving it an undeniable scientific and technological advantage.

In the last 50 years, the strength of the U.S. economy has relied on its ability to innovate and to create new industries such as computing or biotechnology. Above all, the American Recovery and Reinvestment Act, which received final U.S. Congressional approval on February 13, 2009, puts new technologies at the heart of the economy of the future. And this is just the start: President Obama has stated clearly that he intends to devote 3% of U.S. gross domestic product to research and development. In relative terms, this is bigger than the investment program implemented by President Kennedy to put one man on the moon.

As stated by U.S. Energy Secretary Steven Chu, a Nobel laureate in physics: "Funding from the recovery plan for projects such as modernizing our electricity grid, improving the energy efficiency of our homes and businesses, and producing new alternative-energy vehicles and renewable energy facilities is creating jobs while laying the foundations for America's new industrial revolution."

This revolution cannot take place without funding the research being conducted at American universities. Could this system be under threat from the recession that has hit hard at U.S. business? It would appear not. Contrary to a widely held notion, it is not business that finances most research at American universities: 85% of MIT's research budget comes from government and only 13% from industry.

Government puts enormous amounts into basic research through agencies such as the National Institutes of Health and the National Science Foundation. University researchers use this money to

make discoveries. These are put to use by new companies, financed by venture capital investors, overseen by lawyers specializing in intellectual property and finally sold on the stock exchange or to industrial buyers by merchant bankers.

This sequence is the engine that has driven U.S. leadership in technological innovation, from Genentech to Google. Government plays a central role, not just in startups but also downstream.

The American innovation system does have weaknesses, however, going back to long before the financial crisis. Declining levels of education, as a result of which, more foreign students than Americans are enrolled in science programs at U.S. universities, is often singled out. This occurs even though the Bush administration cut the number of foreign- student visas to 120,000 per year. A real own goal, considering a report from the University of California at Berkeley showing that, from 1995 to 2005, one-quarter of all U.S. start-ups were by foreign students.

The problem is far from unsolvable. For example, there are no fewer than a million highly qualified individuals on waiting lists for permanent resident visas. Moreover, catching up by Asian countries has been greatly exaggerated, including the notion that China now produces eight times as many engineers as the United States. Researchers at Duke University have shown that what is called an engineering degree in China often amounts only to qualification as a technician. A large U.S. company that set up an R&D laboratory in China noted that its recruitment is limited to four universities because the others are simply not at the same level.

To paraphrase Bill Gates, I will conclude by saying that "never before in history has innovation promised so many things to so many people in such a short time."

**Alain E. Roch, MBA**  
**President**  
**BLUE BRIDGE**



## BOOK REVIEW



## A G-Zero World

*By Ian Bremmer and Nouriel Roubini  
Foreign Affairs, March/April 2011*

The American version of capitalism may not be in full disrepute, but clearly it is no longer dominant. Likewise the good old boys club called G-7 (expanded to G-8 to prevent Russia from sliding back into communism) is no longer a reality. But what replaced it? Is it G-2, i.e. the US and China, or G-3, the US, Europe and Japan? There was some hope that G-20 would be the answer, but this group turned out to be too quarrelsome, united during crisis, quickly falling apart once the catastrophe had been avoided.

In their article the authors suggest that we are now living in a G-Zero world, meaning that the US leadership is no longer effective and that it is a free for all. Hence their conclusion that this leaderless era is more likely to produce protracted conflict than anything resembling a new Bretton Wood.

The decline of US leadership apart, the diverging interests are the results of some countries, notably China and other large developing economies, having recovered faster from the downturn than did the world's wealthiest nations. Sharp international policy disagreements have developed, conflicts over trade liberalization are growing, asset and financial protectionism are on the rise, and all this at a time when we are starting to feel the vacuum left by America's declining influence.

They write that from 1945 until 1990, the global balance of power was defined primarily by relative

differences in military capability. It was not market-moving innovation or cultural dynamism that bolstered the Soviet bloc's prominence within a bipolar international system. It was raw military power. Today it is the centrality of China and other emerging powers to the future of the global economy, not the numbers of their citizens under arms or the weapons at their disposal, that make their choices crucial for the United States' future.

The world has become leaderless, and as the Euro zone crisis vividly demonstrates, there is no collective economic security in a globalized economy. Hence G-Zero best describes the situation now and for the foreseeable future. The Washington consensus cannot be replaced with the Beijing consensus, for while the US favors international cooperation, the Chinese state capitalism is strictly designed to meet China's unique needs.

In this leaderless world, protectionism is alive and well, despite every country's assurances that globalization is the stated goal. We don't know what will replace the central leadership lost, and in that sense we are all losers. Risks of currency wars are rapidly increasing. Hold on to your seats, G-Zero and Zero-G are very much alike, a free float in a world without borders or support.



## MARKET WATCH

## Selection of Financial &amp; Economic Indicators

Index	DJ Ind	DJ Transp.	Nasdaq	S&P500	S&P/TSX	MSCI World
March 31	12319,73	5299,89	2781,07	1325,83	14116,10	1334,93
Monthly var.	0,76%	4,23%	-0,04%	-0,10%	-0,14%	-1,24%
Year-to-date	6,41%	3,78%	4,83%	5,42%	5,01%	4,29%
Year-over-year	13,48%	21,15%	15,98%	13,37%	17,27%	11,19%

Index	FTSE	DAX.	CAC40	SMI	NIKKEI	EURO50
March 31	5908,76	7041,31	3989,18	6357,88	9755,10	2910,91
Monthly var.	-1,42%	-3,18%	-2,95%	-3,82%	-8,18%	-3,39%
Year-to-date	0,15%	1,84%	4,85%	-1,21%	-4,63%	4,23%
Year-over-year	4,03%	14,43%	0,38%	-7,50%	-12,04%	-0,69%

Commodities	GOLD	COPPER	CRUDE	WHEAT	LUMBER	CRB
March 31	1434,60	428,40	106,59	763,25	303,80	359,43
Monthly var.	1,88%	-4,67%	9,89%	-6,58%	-1,30%	1,94%
Year-to-date	1,05%	-3,48%	16,62%	-3,90%	-5,06%	8,00%
Year-over-year	28,78%	20,69%	27,58%	69,42%	5,78%	31,50%

Currencies	\$CA	¥	€	£	\$AU
March 31	0,9705	83,2000	1,4160	1,6030	1,0335
Monthly var.	0,05%	-1,77%	2,61%	-1,41%	1,47%
Year-to-date	2,56%	-2,46%	5,91%	2,76%	0,93%
Year-over-year	4,48%	11,02%	4,81%	5,60%	12,83%

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