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Import taxes on sugar: Poor countries finance Swiss emergency stockpiles



countries. This border levy is known as the «guarantee fund contribution» and serves to finance the compulsory food stockpiles meant to guarantee the country's supplies in times of war, natural disasters and other crises. The levy forms part of the customs tariffs notified to the WTO. The fees vary: for each 100 kg of rice the charge is CHF 4.25, for coffee CHF 3.75 and for sugar CHF 16. Swiss farmers in contrast do not have to pay this tax.

The levy originated in 1948 when the system of emergency stockpiles was being reorganized in the light of the supply problems experienced during the Second

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Switzerland maintains that it provides total free market access for goods from the poorest countries. At the same time it fails to mention the hidden customs duty on rice, coffee and sugar imports with which it finances its emergency stockpiles.

On 1 April 2007 Switzerland instituted free market access for goods from the poorest countries¹. All duties and quotas were removed as of that date. For two «sensitive» products, namely sugar and broken rice for feedstuffs, they were only eliminated this year.

In so doing, Switzerland joined in with the EU «Everything but Arms» initiative for the benefit of the poorest countries and complied with an important decision taken at the 2005 WTO Hong Kong Minis-

terial Conference. On that occasion, Federal Councillor and then Minister for Economic Affairs Joseph Deiss had made the following call: «The developed world and emerging countries must eliminate their quotas and duties for all products from the least developed countries.»

All of this sounds wonderful on paper. In truth and in fact however, Switzerland does levy a hidden tax on all imports of sugar, rice, coffee, edible oils and edible fats – including imports from the poorest

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On 29 November 2009 in Switzerland a 57-per cent majority approved a new constitutional article prohibiting the construction of minarets. Just over half of those eligible took part in the referendum. The constitutional initiative was launched by Switzerland's largest governing party, the radical right-wing Swiss People's Party. The referendum campaign was hardly about minarets but rather on Islam in general and Muslims in Switzerland. They make up a small minority of some 350,000 in a population of 7.7 million. More than half of Switzerland's Muslims come from the former Yugoslavia (edit.)

Counterproductive use of plebiscites as opinion polls

For some years now, topics have been put to referendum in Switzerland leading to the expression of a general popular sentiment rather than to political decisions. The referendum on the building of minarets is a perfect example of this. The concrete decision – prohibiting the building of minarets – played a purely symbolic role. The main issue was what we think of Mus-

lims. Nothing good, a majority of voters decided, and they are today angrily defending themselves against the minority who are critical of the discrediting of Muslims via plebiscite.

Various minorities have been targeted over recent years – drug addicts, Yugoslavs and Albanians, «welfare scroungers», the «pseudo-disabled», Germans, and now Switzerland's Muslim minority. Other candidates are conceivable, which is why Swiss citizens of Jewish faith, for example, are following with disquiet the growing habit of stigmatising minorities through plebiscites. It has been possible at times, though by no means always, to defuse the «problem» by means of concrete policies. It is to be hoped that this will be the case with the Muslims.

The punishment of unwanted minorities by plebiscite is a source of internal political problems. It is hampering their integration into Switzerland as their country of immigration. It is leading those portrayed as a problem to retreat into their own identity. Amongst Muslims in Switzerland, who are spread across various national groups and are not very devout, the bashings by plebiscite are leading for the first time to the development of pan-Islamic sentiments.

But the decision on minarets is also spawning foreign policy problems. It is no gain for Switzerland that Europe's extremist right-wing parties hold up our country as a model. «Punitive operations» by plebiscite, which leave 1.6 billion Muslims and 56 countries feeling victimised, will inevitably elicit tit-for-tat responses. Only few people in this country seem to be aware that day after day, Switzerland must defend and assert its interests in the framework of international negotiations, which means that we need the understanding and support of other countries. No country in today's world is «sovereign» enough not to give a hoot about the opinions and interests of other countries. That, nonetheless, is the atmosphere being cultivated for years now by those pursuing the policy of stigmatisation.

Peter Niggli,
Director



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World War. Today, the private company *réserveuisse* is responsible for managing the compulsory stocks. It acts on behalf of the Federal Department of Economics, which determines the volume of the stocks and the tax level. The stocks (which belong to the importers) must cover national consumption for a particular period: three months for coffee and four months each for edible fats and edible oils, rice and sugar (75,000 tons). The last time Switzerland had to release emergency stocks was during the 1973 oil crisis.

Photo cover page: Loading sacks of sugar in Indonesia. (Photo: Keystone)

Protectionist and incoherent

In development policy terms this border levy is unacceptable. It contradicts Switzerland's formal commitments and circumvents the supposedly duty-free and quota-free market access for products from the poorest countries. It is incomprehensible that the emergency stocks of one of the world's wealthiest countries are being funded with mandatory levies on imports from very poor countries like Ethiopia, Cape Verde or Bangladesh.

The levy is also in stark contrast to the development cooperation work of the State Secretariat for Economic Affairs (Seco), which strives to give economic support to poor countries by promoting

their exports to the countries in the North and enhancing their competitiveness. An import tax for the funding of emergency stocks, however, weakens the competitiveness of the poorest of those countries by artificially raising the prices of their products. The market access preferences granted to them are again circumvented in this way.

In the case of sugar, Switzerland also uses the border levy as a protectionist weapon. There is no other explanation for the massive increase from CHF 10 to

¹ Forty-nine Least Developed Countries (LDCs), plus the Democratic Republic of the Congo and Côte d'Ivoire.

CHF 16 per kilo of sugar in June 2007. It came precisely at the juncture when the Swiss Government decided to temporarily remove preferential customs duties on sugar from developing countries owing to a massive increase in imports. In October 2007, the levy represented a 50-per cent duty. This is all the more disadvantageous to the poorest countries considering that sugar is one of their few agricultural products with market potential.

Urgently needed reform

Without putting into question the entire system of compulsory emergency stockpiles, some adjustments should be done. Switzerland should fully respect the principle of free market access for the poorest countries. That would mean immediately eliminating the levies on sugar and other food imports for the purposes of the emergency stocks. It would restore a small comparative advantage to the poorest countries now that their tariff preferences for sugar are all but non-existent. Effective 1 November 2009, Switzerland reduced the sugar customs duty to CHF 2 per 100 kg – it had still been CHF 40 two years ago. This was done because the price of sugar in Switzerland (which is tied to the EU price) had fallen, whilst world market price had increased massively (USD 60 per thousand kilograms) owing to failed harvests in Brazil and India and demand from biofuel producers.

Switzerland should also overhaul its general system of preferences. Imports from all developing countries, not just the poorest, should be exempted from the emergency supplies tax. Lastly, the fundamental question is posed as to whether Switzerland has any need whatsoever for such import-funded sugar stockpiles, all the more so since the country itself produces more than it consumes. A record harvest of 270,000 tonnes is expected this year, which is 45,000 tons more than national consumption. Sugar beet production has doubled in 15 years, and the areas under cultivation have expanded by 50 per cent.



Sugar transporting railway carriage in Switzerland. (Photo: Sugar factories Aarberg and Frauenfeld Corporation)

The removal of the compulsory tax on imports from developing countries could easily be absorbed financially (see box). What is more, there are alternative ways of funding emergency reserves, for example from tax revenue, as is done by countries like Japan or South

Korea. Removing the import levy on agricultural goods from the poorest countries would be an important step towards greater coherence for development in trade and agricultural policy.

Michel Egger

Affordable loss

In 1989 the Federal Cabinet decided to implement preferential duties for sugar imports from developing countries. This had a limited impact: until 2006, such imports comprised a mere 5-10 per cent of overall imports, the bulk of which came from the EU. In 2008, 19.8 per cent of imports came from the South, of which 12 per cent from Brazil, a country that did not benefit from preferential duties owing to its market position.

Of the 240,000 tonnes imported by Switzerland in 2008, only a small portion (303 tonnes) came from very poor developing countries (Cape Verde, Djibouti, Ethiopia and Bangladesh). The poorest countries export more to the EU because it guarantees a price higher than the world market price. The EU is nevertheless set to eliminate these guaranteed prices for very poor countries in September 2012. Duty-free and quota-free access to the Swiss market could then be of greater interest to them. Besides, the EU wants to reduce its exports, a development that could prompt Switzerland to import more sugar from the South.

However, waiving the compulsory supplies tax on imports of food products from developing countries would represent a shortfall for Switzerland of CHF 12.3 million (7.6 million for sugar; 3.7 million for coffee and 1 million for rice). This represents slightly more than CHF 1.50 per inhabitant.

Michel Egger

Isolda Agazzi

The Doha Round of the WTO Round and round in the desert

For WTO Director Pascal Lamy and Swiss Minister for Trade Doris Leuthard, completing the Doha Round would be the best antidote to the economic crisis. Some NGOs nevertheless warn that completion based on the proposals now on the table would only prejudice developing countries. The problem is that for as long as the Doha Round keeps going round in circles, the World Trade Organisation (WTO) will be unable to address urgent new problems.



The WTO Ministerial Conference keen to go on describing circles in the Doha Round, yet ending it would make sense in developmental terms. In the picture: protest demonstrations on 28 November 2009 in Geneva. (Photo: Keystone)

Eight years ago the «development round» of new trade liberalisations was launched in Doha, now known as the Doha Round. It was to improve the rules governing world trade to the benefit of the countries in the South. Yet for some time now developmental issues have been the least of its concerns. The negotiation caravan has lost its way in the desert and is badly delayed. Instead of concluding at end-2005 as originally foreseen, then 2006, it will do so at best by the end of 2010.

But should the Round be completed at all, or would it be better to break it off? Opinions diverge amongst non-governmental organisations. What they all do agree on is that the proposals on the table are not satisfactory. Yet some believe that the baby should not be thrown out with the bathwater by thoughtlessly scrapping the exercise. «The outcomes achieved in the agricultural dossier are interesting, and should not be put on the line,» says for example Mark Halle, Director of the Geneva-based International Institute for Sustainable Development (IISD). The developed countries have committed, for instance, to remove all export subsidies by 2013 and to reduce their internal trade-distorting subsidies.

A similar line is being taken by ICTSD, the International Centre for Trade and Sustainable Development, also based in Geneva. It nevertheless draws attention to the areas of disagreement in the agricultural dossier. One particularly contentious point is how many goods should benefit from exemptions as «special products». This category includes agricultural goods that are indispensable to the food security, the survival of small farmers and the development of rural areas, and which are therefore not subject to a generalised tariff reduction.

«Save farmers, not Doha»

Spearheaded by India and Indonesia, 46 developing countries demanded that at least 30 per cent of the duties in the agricultural sector should be subject to waivers. They subsequently scaled back that demand to 20 per cent. The present negotiating text speaks of a mere 12 per cent.

ICTSD Programmes Director Christophe Bellman finds this acceptable. «Studies in 20 countries have shown that this share is enough,» he says. He is more sceptical when it comes to the second point of contention, the special protection clause for developing countries. It allows for temporary customs duties on agricultural products if the quantity of imports exceeds a certain threshold or in the event of a massive decline in the import price. «This possibility is still tied to too many conditions and would be ex-

It is generally agreed that the worst thing would be simply to let the Doha Round continue to run.

tremely difficult to implement,» says Bellman.

On the other side are NGOs that expect nothing positive to come out of a completion of the Doha Round for developing countries. «Save small farmers, not Doha,» is the slogan adopted by Focus on the Global South, Third World Network and Our World Is Not for Sale. They fear that limiting special products to 12 per cent of customs duties would spell the ruin of many small farmers and jeopardise food security. They also accuse the industrialised countries of not having reduced their export subsidies in fact. They further point out that the proposals by the USA and the EU would open the way for these countries even to increase their internal subsidies.

Trouble over duties on industrial goods

Regarding duties on non-agricultural products, i.e. industrial goods, critical NGOs are particularly wary of the «Swiss formula». It proposes that the industrialised countries should make deeper cuts in their duties than developing countries. A study by the South Centre, a think tank made up of governments from the South, nevertheless shows that given the differences in tariff structures, the poorer countries would fare the worst in proportional terms. They would have to slash duties by 54-60 per cent, and industrialised countries by a mere 30 per cent. The G11 comprising eleven emerging countries have decided to contest the formula. «The problem of some of these countries,» warns Mark Halle of IISD, «is that on the one hand they are proposing agricultural free trade because they are a highly competitive in that domain, and on the other, they would like to follow a 1950s industrial policy.»

The international development organisation Oxfam criticizes the fact that the right to increase duties in particular areas would be drastically curtailed, or even completely done away with in some specific sectors. This would apply to textiles, footwear, fisheries, gemstones, wood

and energy resources. Officially the talk is of voluntary measures, but in truth and fact the industrialised countries are exerting massive pressure. «That will lead to a de-industrialisation of poor countries,» Oxfam warns.

The American NGO Carnegie Endowment for International Peace looked into the question of who would benefit from completion of the Doha Round as things now stand. It would be chiefly countries in the North and some emerging countries like Brazil, South Africa and China, and to some extent India as well. The impact of completion on African countries would be neutral to slightly negative, depending on their degree of world market integration. In Kenya for example, the agricultural sector and food industry would benefit, but mining and other industries would lose out. The outcome would be a certain de-industrialisation with many concomitant social costs.

There is broad agreement that the worst thing would be simply to let the Doha Round continue to run. That would undermine the multilateral trade system and make it impossible to tackle more

urgent and topical problems. Yet this is necessary, for much has changed since the start of the Doha Round.

New challenges

One urgent topic for example comprises the trade-related aspects of climate change such as the transfer of green technologies to the South (which raises the question of patents), or the regulation of trade in environmentally damaging fossil fuels (often highly subsidised). The WTO should also thoroughly rethink its approach to agricultural goods: the food crisis shows that these are not just goods like any other. Furthermore, the relationship between the multilateral trading system and bilateral and regional agreements (some 400 at present) should be further discussed and regulated. Lastly, some internal reforms are called for: the WTO must become more efficient, transparent and democratic and must better safeguard the interests of developing countries. Failing this it will be impossible to cope with the new challenges that need to be tackled.

Break off the exercise!

Alliance Sud takes the view that the best way to end the fiasco of the Doha Round would be to stop the negotiations and adopt the improvements already agreed upon in favour of the developing countries. That would not be tantamount to burying the WTO. It will continue to play a crucial role in the multilateral regulation of world trade, in particular through its dispute settlement system from which the countries in the South are benefiting increasingly.

Contrary to what WTO Chief Pascal Lamy and the Swiss Trade Minister maintain, breaking off the Doha Round would not damage the credibility of the WTO. On the contrary, is an organisation not more credible for admitting that it has become deadlocked than for insisting on completing, by hook or by crook, negotiations that have long been overtaken by events?

Putting an end to the Doha Round would open the way for the urgently needed reform of the WTO, its structure and its functioning. It would release energies that could be devoted to the trade-related aspects of the truly pressing problems facing our planet, namely food security and global warming. In this case the WTO is part of both the problem and the solution. It could demonstrate that the multilateral trading system takes the core problems of humanity seriously and is able to help find solutions.

Michel Egger

Verena Winkler

EU development policy to be readjusted The primacy of self-interest

In its 2009 Foreign Policy Report the Swiss Government makes the case for greater subordination of development cooperation to Switzerland's own interests. It is not alone in that regard. The trend towards instrumentalisation is also emerging in other European countries and in the EU, as Verena Winkler of Eurostep writes.

«We must provide development cooperation in order to help and protect ourselves.» This reasoning is being heard with growing frequency in Europe. In practical terms, this could mean the subordination of development to other policies, a move away from the global principle of solidarity, and towards the primacy of self-interest.

Economic interests as the guiding principle

As an example of this, the coalition contract of Germany's new CDU/FDP Government reads: «Foreign policy and development cooperation must better complement and mesh with each other. Development policy decisions must appropriately take account of the interests of the German economy, in particular, of small business.» This represents a clear shift of focus away from the earlier guiding themes of poverty reduction, securing peace, and the fair conduct of globalisation, which the SPD-CDU Coalition had championed, at least in rhetoric. The appointment of the former FDP General Secretary Horst Niebel as development minister is very much in line with this. Before the election, Niebel had advocated the dissolution of the development ministry...

Non-governmental organisations in France, Austria, Sweden and other EU coun-

tries report a growing trend towards the instrumentalisation of development cooperation. This is taking various forms. When the present Finnish Government took office in 2007, its first statement was that development cooperation should serve to open up new investment markets for Finnish companies. The consequence was a resetting of priorities whereby education and health have now been replaced with forest management, water and energy as the primary focuses. These are the traditional economic sectors in which Finnish companies are internationally very strong.

The signs point towards a conflict of interests between foreign and security policies and development cooperation at the expense of the latter. – Mixing diplomacy and development policy should be avoided at all costs – including at the institutional level.

Where should development policy go?

At present, countries like Belgium and the United Kingdom are commendable exceptions. Their development cooperation continues to be largely oriented towards poverty reduction and sustainable development.

At the EU level, there is a visible trend towards instrumentalisation in discussions of development policy within the new institutional structure. EU foreign policy structures are to be reformed under the Lisbon reform treaty that took effect on 1 December. At the core is a common European External Action Service intended to unify the various tracks of EU foreign policy and which is to be staffed equally with diplomatic personnel from Member States as well as officers from the Council Secretariat and from the EU Commission. Security and foreign policy are to be brought together

in the External Action Service and placed under the leadership of the new EU Foreign Minister Catherine Ashton.

Whilst trade policy remains in the hands of the EU Commission, it is not clear what will become of development policy. Will it remain within the remit of the Commission or the EU Commissioner for Development (which would be a good



Trend towards instrumentalisation of development aid: EU Commission plans considerable watering down of development policy coherence requirements. (Photo: European Communities)

thing, as that would reinforce it as a separate policy area), or will it be merged into the new diplomatic service? Advocates of this idea argue that the merging of security, foreign and development policy under a single roof could strengthen development policy coherence. A look at the current priorities of EU Member States raises doubts about this, however. The signs point more clearly towards a conflict of interests between foreign and security policies (which represent EU interests in the world) and development cooperation (which should be guided by the needs and interests of developing countries) at the expense of the latter. Mixing diplomacy and development policy should therefore be avoided at all costs – including at the institutional level.

¹ Policy Coherence for Development – Establishing the policy framework for a Whole-of-the-Union Approach. COM(2009) 458 final. http://ec.europa.eu/development/icenter/repository/COM_2009_458_part1_en.pdf.

Weakening of coherence

A trend towards the instrumentalisation of development aid can also be recognized in the «Whole-of-the-Union» approach recently tabled by the EU Commission.¹ At the initiative of Italy, the EU has developed an ODA-plus concept under that approach, which no longer includes just official funding for development cooperation but all financial flows from Europe towards the South with development potential. Also included therefore are private investments, remittances by migrants and technology transfer. The move could water down the criteria used to define ODA and undermine the focus on poverty reduction and sustainable development.

The weakening of the concept of coherence proposed under the «Whole-of-the-Union» approach is oriented along similar lines. The EU Commission proposes that the number of policy areas and topics to be measured against the policy coher-

ence for development yardstick should be reduced from 12 to five. Climate policy, food security, migration, technology transfer/patents and security are still present. Developmentally just as important areas such as trade, energy, agriculture and bilateral fisheries agreements, however, have been left out.

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On the issue of coherence see also the article on page 11 (country report of the OECD Development Assistance Committee on Switzerland's development cooperation).

Rosmarie Bär

Climate Conference in Copenhagen The great failure

The UN climate conference in Copenhagen was a flop – that is the conclusion reached by Rosmarie Bär. She took part in the negotiation marathon in representation of Alliance Sud and as a member of the Swiss delegation.

The hub of the Copenhagen conference centre was an enormous globe. Whenever I walked by during the two weeks of negotiations, climate diplomats were having their staged photo ops there. Weighed down like Atlas, they were carrying the world on their shoulders for the media back home: «Look, here I am, saving the world.»

And now this fiasco at the end of the conference. Copenhagen is a failed summit. That simply cannot be white-washed. Copenhagen is not just a missed opportunity. It is a collective failure by the world's top political «dignitaries».

The more than 120 Heads of State and Government made their appearances with powerful eloquence, grand gestures and theatrical demeanour. Not one speech failed to contain the sentences: «Climate change is the greatest challenge of the 21st century.» «The time for talking is over, we must act now.» «What is at stake is nothing less than the future of our children.» «We dare not fail.»

Bitter outcome

After three days and nights of the frenzied gridlock, the 30 mightiest players on the world stage presented the «rest» of the negotiating States with a document called the «Copenhagen Accord». For the purposes of effective climate protection, it can only be described

as worthless. Even more ludicrous was that they took note of, then criticised the inadequacy of the very policy declaration they had presented: «It is not sufficient to meet the threat of climate change,» said the US negotiator. How true.

Despite dramatic appeals from developing countries and island States threatened with disaster, the world community has ended up with empty hands.

The outcome is bitter. Despite the urgent warnings from the scientific community that time is running out, despite dramatic appeals from developing countries and island States threatened with disaster, the world community has ended up with empty hands.

Copenhagen failed to deliver on what the 193 countries had already promised and agreed two years ago in Bali: to build further on the Kyoto Protocol, which runs until 2012. If there was still common will and mutual trust back then, what predominated this time around was selfishness and distrust.

The industrialised countries, the USA first and foremost, lacked any serious readiness to reduce their emissions quickly and drastically. They were unwilling to assume their historic responsibility for climate warming. China does

not want to «hamper» its fast-growing economy by means of a climate protection agreement.

The rift between industrialised, emerging and developing countries could not be bridged. Hardly anything was heard in Copenhagen about solidarity and justice.

The upshot is that there is no binding agreement that would effectively slow down climate change. Missing were de-

cisive reduction targets by industrialised countries, the funds to provide help to developing countries, as well as the commitment by emerging countries to allow their announced endeavours to be monitored.

Threatened stalemate

It is pure cynicism to call in the document for the temperature not to be allowed to rise by more than two degrees, whilst at the same time being unwilling to consent to the required short and long-term CO₂ reduction targets. What this means in plain language is that the climate catastrophe is being knowingly and willingly accepted, because «business as usual» will lead inexorably to a temperature rise of three to four degrees. The laws of physics are not negotiable.



Awareness of the problem on the part of critical and concerned world public opinion is obviously greater than the readiness of politicians to take action.

Now the global climate policy is threatened with stalemate. Time is getting shorter. Those hampering progress will not be the first to bear the consequences. Once again, the victims are the poor and defenceless people in the developing countries that are already being hard hit by climate change today.

The representative of one Pacific island hit the nail on the head when he said: «Copenhagen is a betrayal of the poor, a betrayal of the particularly vulnerable

countries, a betrayal of our small island States and of all this planet's children and grandchildren.»

Awareness of the problem on the part of critical and concerned world public opinion is obviously greater than the readiness of politicians to take action. This is why it is so important for civil society and non-governmental organisations, which had strongly advocated a «bottom up» global climate policy in Copenhagen, to keep up the pressure on their govern-

ments back home. In any event, we will not discharge the Swiss Federal Council from its responsibility. Switzerland must now pursue a climate policy that represents a genuine contribution to global climate protection. Only in this way will the community of nations still stand a chance of finding the «Nodudgang» (emergency exit), which was written, to no avail, above the main entrance to the Copenhagen conference centre.

Mark Herkenrath

Reform discussions at the International Monetary Fund **Swiss seat wobbles**

Developing countries are keen to redistribute the cards at the International Monetary Fund. This spells trouble for Switzerland. The strategies with which it wants to secure its influence are at odds with the interests of the South.

Many developing countries have again become dependent on International Monetary Fund (IMF) credit since the onset of the global financial and economic crisis. But the countries of the South are clearly under-represented within the principal IMF bodies that decide policy conditions. This explains why the Fund continues to tie its loans to tough savings measures in many cases. Although three quarters of the world's population live in developing countries, their share of voting rights at the IMF represent a mere 34 per cent. Of the 24 Executive Directors, they account for a mere 11.

In the current debate about the increase in member contributions (country quotas) the countries in the South are thus calling for an increase in their voting rights. Furthermore, in future they would like to see important decisions being taken not just by a voting majority but also a Member State majority.

Switzerland could lose out

The industrialised countries are opposed to this. Just as little unity has been achieved so far on the reform of the current majority rules as on the review of quota distribution and voting rights. To date the industrialised countries have agreed to a 5-per cent quota reallocation to the strongest under-represented countries. That would only negligibly expand the voting weight of the South.

Switzerland could be amongst the losers in any reallocation of voting rights. It is one of the 10 countries that are distinctly

over-represented in the IMF. Besides, uncertainty also surrounds Switzerland's seat on the Executive Board in the light of the USA proposal to scale back the Board to the 20 seats foreseen in the statutes and for common representation of EU countries in the so-called voting constituencies. Poland, hitherto a member of Switzerland's voting constituency, could well switch to an EU group as a result.

The Federal Council has declared the preservation of Switzerland's influence in the IMF and World Bank to be a foreign policy priority. Particularly because Switzerland is not a member of the G20, it should be able to represent its foreign policy interests at least in the two Bretton Woods institutions.

At the IMF autumn meeting in Istanbul, both Finance Minister Merz and National Bank Chief Roth spoke out for an expansion of bilateral payments into the Fund's reserve assets, the so-called New Arrangements to Borrow (NAB). The financial situation of the IMF could be improved in this way without need for a comprehensive quota reform. The Swiss strategy is in conflict with the interests of developing countries, however. The latter made it clear in Istanbul that the scaling up of NAB should not be a sub-

stitute for quota revisions and the redistribution of voting rights that have been called for.

Ostrich-like policy

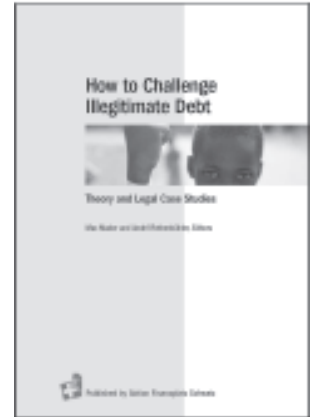
Furthermore, Federal Councillor Merz advocates the expansion rather than the scaling back of the Executive Board. His proposal stands very slim political chances of success. For now, the Swiss Administration seems to be anticipating that there will be no reform of the Executive Board. Yet that could be illusory. Because maintaining the current 24 seats requires 85 per cent of total votes at each election, the USA could even use its blocking minority unilaterally to impose a reduction in the size of the Board. It would therefore behove Switzerland proactively to forge new alliances for a future voting group.

Prospective candidates would also include emerging and developing countries. To win them over, Switzerland would need to represent a decidedly different policy in the IMF. It would have to advocate more strongly for the country majority that has long been demanded by the South in important voting exercises and for the elimination of stringent credit conditionality.

Although three quarters of the world's population live in developing countries, their share of voting rights at the IMF represents a mere 34 per cent.

Publication on odious debts Illegitimate and illegal

A study by Aktion Finanzplatz Schweiz (AFP) shows that odious debts are not just illegitimate, but also illegal.



Illegitimate or odious debts are debts arising from loans that have come about undemocratically, with the complicity of the creditors. They have not served the interests of the population but have instead been used for repression, the personal enrichment of strongmen or for entirely useless projects. Cancelling these debts would considerably alleviate the debt burden of many countries in the South with a history of dictatorship.

Aktion Finanzplatz Schweiz–Dritte Welt (AFP), an independent network monitoring the Swiss financial system, commissioned a range of experts to conduct legal case studies into supposedly illegitimate

or odious debts in nine countries. The finding is that most of the debts studied are not just illegitimate or odious, but also illegal. They were incurred in violation of agreements and international treaties and norms.

In addition to the case studies, the 128-page, A4 publication provides a detailed theoretical introduction to the concept of illegitimate or odious debts and suggests some legal instruments. To date, there is no generally accepted procedure for assessing and cancelling such debts. In mid-November the UN Conference on Trade and Development (UNCTAD) launched a three-year consultative pro-

cess on «odious debt and responsible lending». The aim is to draw up internationally accepted guidelines to prevent odious debts in the future. The AFP publication is intended as an input into that debate.

Pepo Hofstetter

André Rothenbühler and Max Mader (Editors): How to Challenge Illegitimate Debts, Theory and Legal Case Studies.

Download: <http://www.aktionfinanzplatz.ch/pdf/Buch-d.pdf>

Contact: afp@aktionfinanzplatz.ch

OECD country report Coherence: Switzerland worst-in-class

High quality, but insufficient resources, and shortcomings in policy coherence for development – such are the findings of the OECD concerning Switzerland's official development assistance.

The country report by the OECD Development Assistance Committee (DAC) has much praise for Switzerland's development cooperation work. It is deemed to be practice-oriented and innovative and well targeted towards poverty reduction.

Yet because it is dispersed over so many topics, Switzerland could lose sight of that focus. The DAC refers specifically to the fact that economic aid provided by

the State Secretariat for the Economy (Seco) is being concentrated on advanced developing countries. Switzerland should carefully monitor the consequences of this new orientation and expressly set poverty reduction as the overarching objective of development aid, the DAC recommends.

The OECD is dissatisfied with the amount of Swiss aid. The DAC urges Switzerland to meet the 0.5 per cent target by 2015, as decided by the Parliament. It is known that the Federal Cabinet is extremely reluctant in that regard. It will therefore be just as unenthusiastic about the OECD's recommendation to set a time frame for the 0.7% target thereafter.

In the view of the DAC, Switzerland's development policy coherence leaves something to be desired in terms of efforts to orient policies in the areas of agriculture, finance or migration towards developmental objectives so as not to undermine the aid being provided.

According to the OECD Development Committee, Switzerland belongs in this respect to the worst-in-class amongst donor countries. The Federal Administration has neither the understanding nor the binding mechanisms required to move forward.

Michèle Laubscher



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