alliancesud

Swissaid · Fastenaktion · Helvetas · Caritas · Heks/Eper · Solidar Suisse · Terre des hommes

The New Deal – A New Switzerland for a Just World

Preface

Meeting the multilateral challenge is still possible

By Jayati Ghosh

Of Donald Trump's many geopolitical stunts since his return to the White House, a vote at the United Nations General Assembly (UNGA) on March 4, 2025 was particularly revealing. The US opposed an innocuous resolution establishing an "International Day of Peaceful Coexistence" and reaffirming the UN's 2030 Agenda for Sustainable Development. The Trump administration is not merely unhappy with certain international institutions; it is fundamentally opposed to any multilateral framework that even suggests equality among and within countries.

Paradoxically, however, Trump's actions could also serve as a catalyst for greater international cooperation, impelling other countries to work together more closely. Encouragingly, many political leaders seem to understand this and remain committed to multilateralism. International negotiations on taxation, climate action, and development financing are moving forward, even without US participation. In this sense, the current climate of uncertainty and upheaval could represent a unique opportunity to build a truly international movement for progressive change.

This convincing and urgently needed Alliance Sud publication shows how a renewed multilateralism can counter the current polycrisis. It underlines the responsibility Switzerland bears, as a rich and highly globalised country, to strengthen multilateralism through consistent reforms at home. Indeed, as shown by Alliance Sud, Switzerland has the financial means to make a substantial contribution to a better world, in a way that would also be to its own benefit.

Jayati Ghosh is an Indian Professor of Economics at the University of Massachusetts Amherst and Co-Chair of the Independent Commission for the Reform of International Corporate Taxation (ICRICT), which was co-founded by Alliance Sud.

Table of contents

1. What is at stake

With Trump, a whole new era of denial has dawned worldwide. Climate crisis, global inequality, poverty, and countries left behind are not issues worth mentioning – or if they are, then only as an opportunity for tech oligarchs to colonize Mars. But to believe that the polycrisis will simply vanish is as realistic as imagining lush landscapes on Mars. The world urgently needs a radical overhaul of its production and consumption logic to prevent the climate crisis from spiraling completely out of control. If this necessary transition away from fossil fuels is to be just (see box "Just Transition", p. 4), it must tackle global poverty and enable opportunities for a dignified life for all.

But we are witnessing the worst crisis of multilateralism since World War II. And the assault on, withdrawal from, and suspension of payments to multilateral organisations is being led by the very powers that were key to building the multilateral architecture. Even before now, this order had never been adequate, let alone perfect, but as former UN Secretary-General Dag Hammarskjöld said: "The United Nations was not created to take mankind to paradise, but to save humanity from hell."

None of the pressing global problems can even come close to being solved without multilateralism, without countries working together with respect and on an equal footing. That is why, now more than ever, in the darkest hour of multilateralism, we must talk about multilateralism.

No different world without a different Switzerland

Today, Switzerland only champions multilateralism, peace, and human rights where its own economic interests are not affected. When it comes to global economic reforms that could harm the Swiss financial and trading centre's competitive advantages, Swiss politics stands in the way of solutions.

Switzerland lives in part at the expense of other countries and other people. It does so through *profit shifting*[1] and tax evasion, as a financial centre for the super-rich, as a global hub for commodity trading, and as a home to corporations that violate human rights and pollute the environment. In addition, Switzerland's greenhouse gas footprint is many times greater than what a fair distribution of the global CO_2 budget would allow. Switzerland can only advocate multilateral solutions for a *just transition* if it transforms itself. It could then join forces with the EU and countries of the Global South to stand up for democratic values and multilateralism. And it could speak out against authoritarianism in the West and in the East.

A "global" magazine offering hope

In this text, published as a special issue of its magazine "global" (in German and French), the Alliance Sud team outlines a Green New Deal for the just transition. It shows what multilateral solutions are needed to address the most pressing problems and how Switzerland must change in order to promote such solutions credibly. Some of the proposed solutions are entirely new (e. g., a UN convention on raw materials), some have been discussed for a long time in the multilateral system (e. g., technology transfer), and some are already being negotiated (e. g., a *UN tax convention).* This text is not a comprehensive roadmap, but rather a proposal based on Alliance Sud's working priorities. It is our aim to solve the problems and not allow ourselves to be discouraged by the current grim global situation and Switzerland's equally uninspiring realpolitik.

There is a seemingly irrefutable argument against ambitious reforms, especially in Switzerland: "It's not affordable." But as soon as one breaks free from the tight constraints of austerity policies and debt reduction obsessions, the picture looks very different. Switzerland has the financial resources to fund

[1] Concepts in italics are explained in the glossary.

what is necessary and at the same time create greater social justice and a better life for all: raising the minimum tax rate for companies, introducing a federal tax on large fortunes, abolishing domestic banking secrecy, and ending the tax exemption for kerosene and airline tickets. All these measures proposed by Alliance Sud are obvious and are explained in this text. They would make CHF 19.5 billion available each year for a globally responsible Switzerland. Even a moderate increase in Switzerland's extremely low debt ratio would create further financial leeway. All that is needed is the political will to invest existing resources wisely and fairly in the future.

With this special publication for special times, the Alliance Sud team is contributing to the debate. We have only one condition for anyone who wants to join the discussion: denying the problems is not an option!

The former German Chancellor Helmut Schmidt once said, "Anyone who has visions should go to the doctor." Alliance Sud dares to have visions, is bringing the world out of intensive care and sending Switzerland to the doctor.

Box 1: Just Transition. Save the planet – create justice

What *Just Transition* aims to capture is as old as it is simple. The report of the World Commission on Environment and Development ("Our Common Future", also known as the Brundtland Report), which was adopted by the UN General Assembly in 1987, defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." It specifies that "the basic needs of the world's poorest should be given priority." In short: save the planet and create justice.

The term "just transition" was originally coined by the US labor movement in response to the impact of environmental legislation on dirty industries and their jobs. There is no longer any doubt that the climate crisis poses an existential threat not only to future generations but also to the world's poorest people. Transition therefore now means the shift to a post-fossil fuel economy and society in order to avert the climate crisis. However, this transition must be just, as summarised by the UN Climate Secretariat: "A just transition means transforming the economy and economic systems as fairly and inclusively as possible, creating decent work opportunities, and leaving no one behind." "Leave no one behind", the ambitious guiding principle of the 2030 Agenda, requires that, in addition to overcoming existing poverty, the losers of the transition must also be cared for. This applies to workers in industries that must be phased out, as well as entire countries that are dependent on the export of fossil fuels.

2. Less is more: the energy transition and its raw materials

Natural resource or commodity extraction in the Global South has a dark history and a dire present. Commodities are geopolitical pawns and a source of profit for the world's wealthy but are often a nightmare for the local people. The transition from fossil fuels to renewables and the expansion of climate-friendly technologies are creating strong demand for certain commodities, which thus results in the construction of many new mines. This transition is necessary for climate protection, and Switzerland must also accelerate its energy transition. However, this trend must be used as a chance to learn from past mistakes and to make natural resource extraction more just. Given the limits of the planet, natural resource consumption "rights" must also be more equitably distributed, with the Global North reining in its commodity overconsumption and thereby leaving more room for the growth of a sustainable economy in the Global South.

As an innocuous geopolitical player, Switzerland has the potential to initiate multilateral reforms to establish minimum requirements in the commodities sector. By regulating its own commodities trading centre accordingly, Switzerland can boost its own credibility. Subsidies for, and investments in fossil fuels need further international reform. Not only does Switzerland have the obligation to eliminate its greenhouse gas emissions, but it is also responsible for massive overconsumption.

The extraction of fossil fuels often goes hand in hand with serious environmental pollution and the displacement of indigenous peoples (and other poor people). This is the case in Indonesia, for example, where a Zug-based commodity company is mining coal on the island of Borneo and clearing rainforest to do so. The energy transition will bring an end to coal mining. But commodity extraction will continue. Several new commodities are being extracted so that the world can effectively forego fossil fuels by 2050. These are lithium, nickel, cobalt, copper and rare earths, which are required for the generation and storage of renewable energy.

Indonesia is the world's largest nickel producer. On another island – Sulawesi – the new raw material is creating old problems, as Solidar Suisse has documented. The local population reports environmental destruction, health problems, and labour rights violations. The energy transition is an opportunity to make the raw materials business fairer, but this will not happen without effort.

This renewed race to extract transition raw materials will have major repercussions on countries in the Global South, which often depend on natural resource extraction, and whose people to date have often suffered from the *resource curse* and its associated conflicts. This transition embodies both opportunity and challenge in terms of making the trade in commodities more equitable.

As a commodity trading hub, Switzerland is ideally positioned to ensure that environmental damage is minimised, the new returns from commodities are more fairly distributed between producing countries and foreign commodity trading corporations, and that the needs of the local people are factored in. The resource curse must not be repeated, and the extraction of new commodities must not take place on the backs of the people in the Global South.

A slimming cure is needed

So as not to overshoot the limits of the planet, and to minimise the impact of commodity extraction on people and the environment, overall resource consumption must be curbed. Because the poorer countries will need more resources in future to lift their populations out of poverty, rich consumer societies must reduce their enormous resource consumption in accordance with their share of world population, to a level that requires just one planet. Were everyone in the world to consume as much as Swiss citizens today, we would need 2.8 planets earth.

The transition requires not just the expansion of renewable energies, but also an exit strategy from the extraction and burning of fossil fuels. To generate sufficient foreign exchange, many countries in the Global South depend on commodity exports, often involving the exploitation of fossil energies. The reforms needed to end this dependence go well beyond the commodities sector, as other chapters in this publication show.

Reforms that Switzerland should champion at the international level:

1. Aiming for a UN framework on *natural resource rents*

When a commodity company wants to open and operate a new mine, it must negotiate with the State in which the relevant natural resource is located. The negotiations cover the conditions for granting exclusive mining licences, the resulting taxes, and the distribution of natural resource rents. All too often the producing country is in a weak negotiating position as it is dependent on commodity exports, and the commodity company can instead invest in other producing countries. The upshot is that *mining licences* are often awarded with no input from the affected population, without sufficient environmental specifications and on terms that are financially much too advantageous to the company. Spawned by competition between the poorest countries, this race to the bottom would not need to exist if there were global minimum requirements governing mining licences, specifications on the distribution of *royalties,* and fair tax regulations in place. Switzerland should make common cause with the countries in the Global South and strive internationally for a new UN framework which transparently ensures that natural resource-producing countries are paid fair royalties for the exploitation of their commodities. Finally, the UN Tax Convention (p. 23) must pave the way for a fair taxation model. The countries of the Global South must in turn include the local and indigenous people in the decision-making process and ensure that the earnings are used to their benefit. Moreover, strict social and environmental rules are needed and must be binding on companies so that interventions in ecosystems and the livelihoods of people are held to the very minimum and harm is compensated for. A UN framework would also be beneficial for responsible enterprises, as it would create equal conditions for all. Already, the UN Secretary-General's Panel on Critical Energy Transition Minerals, which are crucial to the energy transition, is recommending that there be a traceability and transparency framework to strengthen due diligence along the entire mineral value chain.

2. Appropriate taxation of jet fuel in international aviation

Fossil fuels are massively subsidised worldwide. According to the International Monetary Fund (IMF), direct and indirect subsidies for fossil fuels reached an all-time high of USD 7 trillion in 2022. These subsidies must be abolished and replaced by social programmes where necessary, so that fossil energy can be successfully phased out.

In 2023, Switzerland subsidised fossil fuels to the tune of USD 2.7 billion, of which roughly 1.5 billion through tax exemptions on jet fuel. The categorical exemption of aviation fuel from value-added and fuel tax is the result of an international agreement from the post-war period. Switzerland must campaign internationally for this tax relief to be eliminated and for jet fuel to be appropriately taxed in the future. Each fossil fuel subsidy reduction releases funds that can instead be invested in support of the just transition.

3. Climate diplomacy – global implementation of the Paris Climate Agreement

Switzerland should be a bridge builder in the implementation of the Paris Climate Agreement and help identify obstacles and find solutions. It should use its full diplomatic heft in all bilateral and multilateral bodies to promote worldwide climate protection that paves the way for meeting the 1.5-degree target. This should also include campaigning for the requisite climate funding measures.

4. Fossil fuels non-proliferation treaty

Inspired by the "non-proliferation treaties" on weapons, the Pacific Island States of Vanuatu and Tuvalu are urging the world community to negotiate a treaty aimed at the non-proliferation of fossil fuels. More specifically, it should prohibit new investments in fossil fuels. The treaty is intended to fill a crucial gap that had not been addressed in the Paris Climate Agreement. Switzerland already supports Vanuatu in its innovative work at the UN. It should endorse the initiative, thereby giving it more momentum.

Needed domestic reforms:

1. Supervision for the Swiss commodities trading hub

Switzerland also has crucial domestic policy levers at its disposal to ensure greater fairness in the commodity sector, as she can regulate the numerous commodity enterprises that are domiciled in the country. Natural resource extraction is undoubtedly a high-risk industry in terms of land grabbing, violation of the right of co-determination, and also the pollution of water, air and agricultural land. No quarter goes by without the documentation of a new human rights violation associated with massive environmental degradation, and relating to Switzerland. Furthermore, the list of judgements against or admissions of guilt by Swiss commodities trading companies on grounds of corruption is growing steadily longer. Switzerland therefore needs a public supervisory authority that takes steps to counter the resource curse, including the conduct of due diligence processes in respect of business partners. This could prevent unauthorised dealings with politically exposed persons who are lining their own pockets at the expense of citizens.

Switzerland is one of the leading trading hubs for coal and crude oil. Switzerland should require commodities trading companies to lay out transition plans that are consistent with the Paris Agreement and the 1.5 degree-target. No new investments in coal, oil and gas should be allowed. The supervisory body would verify implementation.

2. Being economical with commodities

Rich consumer societies must drastically reduce their consumption of commodities and the goods produced from them if their resource use is not to overshoot the limits of the planet in the long term. Unlike the population in the Global South, they consume much more than the share that would correspond to them based on population size. This reduction in consumption by the Global North is the only way for the people in the Global South to offset economic inequality through catch-up growth, without needing a second planet to achieve this.

Efficiency gains are often offset by higher consumption, however, with the result that overall resource consumption still continues to rise. Switzerland should develop a strategy with socially and environmentally sustainable measures in order to reduce its resource consumption to a population-based share of the resource endowment of a single planet. On the one hand, efficiency gains are needed in energy and general resource consumption. Such savings are being continuously facilitated by technological advancements. If those savings are to be effectively achieved, however, Switzerland needs binding minimum standards that become more stringent over time, so that only the most efficient products are put up for sale. This would incentivise firms to develop the most efficient goods possible. Furthermore, producers would have to guarantee the durability and reparability of their products, if their sale is to be permitted in Switzerland. Besides, the circular economy must become a reality.

3. Decarbonising Switzerland

In order to make its fair contribution to achieving the Paris climate goals, it is crucial that Switzerland accelerates its own decarbonisation. In its master plan (in German and French), the Climate Alliance Switzerland shows how Switzerland can achieve net zero emissions within ten years.

3. More than charity: supporting the just transition in the Global South

Under the current financial and economic system, more financial resources are flowing from the Global South to the North than development funds or remittances to the South. In this regard Switzerland plays a key role as a low-tax jurisdiction and beneficiary of profit shifting. To make a fair contribution that does justice to its disproportionately large climate footprint and to the fact that Switzerland is one of the major beneficiaries of globalisation, the country must increase both its contribution to international climate funding and its public development financing.

Increasing military spending, justified with reference to the war in Ukraine, and growing nationalist and right-wing populist movements have weakened international cooperation in recent years. Various countries, including Switzerland, have already made significant cuts to their development spending in order to invest in military build-up. Since Donald Trump took office, the crisis in international cooperation has further escalated. The US, which accounted for around one-third of total international development funding, has not only withdrawn from the Paris Climate Agreement, but has also more or less completely withdrawn from development cooperation.

In these polarised times, in which countries are increasingly focused on their own interests, Switzerland must take a clear stand and side with democracy, human rights, and multilateralism. As a host country for multilateral humanitarian organisations and one of the richest countries in the world, Switzerland must play a leading role in international cooperation and climate finance. Further, as a country with strong humanitarian and democratic values, it is incumbent on Switzerland to display solidarity towards other countries and communities in need. This form of solidarity has nothing to do with any idealistic notion of selflessness or humanity. Rather, the underlying idea is that of the labour movement of the 19th century, whereby it is only through joint endeavour that conditions can be improved for everyone. Being so closely networked with the world at large, we here in Switzerland are also impacted when people in the Global South have no opportunity to live a life of dignity. Switzerland therefore bears responsibility and must actively champion justice across the world, as well as the rights and concerns of the poorest and the most disadvantaged people. After all, we can only tackle the current major global challenges – climate crisis, wars, inequality – through joint endeavour. This has been made clear not least of all by the corona virus pandemic.

International climate finance for mitigation

A comprehensive transition in the Global South is in Switzerland's interest. This can only happen, however, if timely and sufficient international climate funding is made available for that purpose. Major public and private investments are needed for the energy sector alone, so as to stimulate economic growth through solar and wind energy and intelligent storage solutions rather than through additional coal-generated electricity. Besides, the poorest population groups should be provided with electricity to begin with, for example, through decentralised solar mini-grids in rural areas. But other sectors such as mobility, waste recycling or agriculture also need financial support to enable them to continue to pursue climate-friendly development. Any "costs" arising for the transition will pay for themselves through the savings on climate impact spending, and this in addition will contribute to sustainable development.

The necessary transition away from the extraction of coal, oil and gas in order to limit global warming to 1.5 degrees should be led by rich countries like Norway or the USA. The fact is that for poorer countries that are highly dependent on the exports of these fuels, the challenges are disproportionately greater. One international study has worked out what a fair roadmap for this transition would look like. It also calculated a fair contribution to support poorer countries in making the transition. Switzerland does not itself have to cope with a phase-out of fossil fuel production, and would need to make a bigger contribution in line with its economic capabilities. For Switzerland, this would be an annual international climate finance contribution towards mitigation amounting to USD 3 billion (CHF 2.6 billion), or 1% of overall support needs in the Global South. A just transition fund should also form part of mitigation funding.

Just Transition Fund

The phase-out of fossil fuel extraction and burning poses major but different challenges for the countries in the Global South. Furthermore, there is currently no internationally agreed financing for this. Switzerland should therefore advocate internationally for a "Just Transition Fund" and provide CHF 1 billion in start-up financing. This fund should finance additional measures to ensure that the transition does not come at the expense of the poorest:

1. Financial compensation for poor countries that are especially dependent on the extraction and export of fossil fuels. These countries must be able to generate income and foreign exchange by building up alternative industries.

2. Compensation payments for poor countries that have forests crucial to the global climate, so that they do not clear them, exploit them intensively or lease them out for CO2 offsets, but instead protect them in agreement with their local communities.

3. Social programmes in countries where employment must be restructured away from the fossil fuel industry towards other sectors. These programmes are often needed in middle income countries because, while investments are indeed going into renewable energy sources, it is not possible to fund the social security benefits required for the phase-out of fossil energy provision, as they generate no returns.

International climate funding for adaptation and *loss and damage*

International climate finance also includes financially assisting countries in the Global South in adapting to the changed climatic conditions and also in covering climate-related loss and damage. The costs of climate adaptation and loss and damage should be borne by the countries that caused the climate crisis. This is justified by the historic and current responsibility of the rich countries in the Global North for the emergence of the climate crisis. Adaptation funding is also in the general and in Switzerland's interest, as it can help mitigate humanitarian crises, conflicts and the causes of forced displacement. According to the UN Adaptation Gap Report, each billion invested in adaptation averts USD 14 billion in economic damage. The report states that there is an annual shortfall of about USD 300 billion in funding for adaptation measures in the Global South up to 2030. Studies assessing loss and damage indicate that an additional amount of USD 400 billion in funding will be required. If Switzerland were responsible for 1% of the required USD 700 billion in funding, it would have to contribute USD 7 billion (CHF 6.2 billion) annually. Because the annual international climate finance target of USD 300 billion for mitigation and adaptation – approved at the COP29 in Baku – falls far short of the funding needs, Switzerland should pay its "fair share" not towards this target, but towards the funding needs.

Increase official development assistance

In addition to international climate financing and in order to achieve a just transition, Official Development Assistance *(Aide publique au développement / APD)* (ODA) plays a key role in supporting the countries of the Global South facing acute emergencies or conflicts as well as in managing their public spending. This is especially true of countries whose *domestic resource mobilisation* is not enough – owing to tax evasion, among other things – to fund their development, and which have been isolated from the globalised trade system and are struggling under the burden of their accumulated debt. Official development assistance could help bring about structural changes to overcome poverty and need, for example through programmes in school and vocational education, sustainable agriculture, and support for civil society organisations or for the protection of human rights defenders.

International cooperation endeavours are increasingly being targeted towards collaboration with local NGOs and trade unions. In countries with authoritarian regimes, they help to build a civil society counterweight that can lead to more inclusive political decision-making processes.

Box 2: Voice from Uganda

The Global North has repeatedly failed the Global South: empty promises, inaction, more exploitation, more exclusion from decision-making processes. The countries of the Global North should first prove to the Global South that they have fulfilled their climate finance commitments. Without the honouring of past climate finance promises, the hope for a settlement is rather tenuous. A just transition will not be possible without fair and equitable payments and distribution of climate finance for mitigation, adaptation, as well as loss and damage.

Switzerland should consider supporting grassroots movements and ensuring that they are represented where global decisions are made. This should enable their voices to be heard and their stories to be told. Switzerland should become a leading hub for effective discussions on climate. The Global South must be properly included in these discussions, and they must lead to concrete action.

Evelyn Acham, climate activist

If you take more, you must give more

Switzerland's economic activity takes place largely at the expense of the Global South, and therefore always places poorly in the international ranking of negative impacts on other countries (known as *spillovers*). This is mainly due to its financial sector and its role as a hub for commodity trading. Until this situation is corrected, Switzerland must show particularly strong solidarity and allocate more than the internationally agreed 0.7% of *gross national income (GNI)* to official development assistance.

Switzerland should therefore make 1% of GNI available for official development assistance (not including Switzerland's domestic asylum costs). For 2024, this would have been about CHF 7.9 billion.

It is beyond question that the funds provided must be focused on those countries where poverty and need are greatest and where there is little possibility of mobilising private funds. At least 0.5% of GNI should therefore be invested in *Least Developed Countries (LDCs)*. Wherever possible, projects should be planned and implemented together with local organisations, with a strong focus on the poorest and most disadvantaged segments of society. Further, international cooperation projects in middle-income countries should also focus strongly on the poorest and most vulnerable population groups.

Inclusive rather than exclusive

Switzerland must work to ensure that the Global South has a seat at the table in discussions about the future of international cooperation. This is why the discussion and decision-making forums on the configuration of international cooperation, including ODA, should be moved from the OECD ("the donors club") to the UN. This would ensure that only *concessionary financial flows* with cross-border implications could be counted as development spending. Donor countries would then no longer be able to artificially inflate their contributions through dubious and creative accounting practices (such as the inclusion of domestic asylum costs). It is just as crucial for Switzerland to use its seat at the World Bank and other development banks to shift the balance of power from the donor countries to recipient countries and advocate for targeted debt relief measures as well as stringent social and environmental requirements for the various funding models (see also pp. 21/22).

Implementing the measures outlined in this document would drastically reduce Switzerland's spillovers on other countries. Assuming that reduced spillovers will lead to greater global equity and therefore less need for international cooperation, there is a discussion to be had regarding the gradual phase-out of official development assistance.

Table 1: Fair annual contribution by Switzerland

	CHF
Climate finance	2.6 bn
Climate finance: Just Transition Fund	1 bn
Climate finance: adaptation and "loss and damage"	6.2 bn
Official development assistance (excluding climate finance and domestic asylum costs)	8 bn
Total (annual)	**17.8 bn**

4. Technology transfer for a just transition

Under the colonial division of labour, the only role left to the countries of the Global South was to supply raw materials, while the processing took place in the industrial centres of the North. Without technology, there can be no industrialisation, which is why technology transfer has been a recurring demand from the countries in the Global South since decolonisation.

Climate change requires the rapid restructuring of energy and production systems worldwide. Technology transfer is thus evolving from a demand to a necessity, as technologies that can facilitate the restructuring must spread as quickly as possible around the world.

The 1992 Framework Convention on Climate Change already laid out the following aim: "to promote, facilitate and finance (...) the transfer of environmentally sound technologies and know-how to (...) developing country Parties (...)", and calls for "the development and enhancement of endogenous capacities and technologies of developing country Parties". However, industrialised countries have limited themselves to recognising its importance and promising that direct investment from the North would lead to the dissemination of technologies. This worked in China, but only because that country simultaneously launched sweeping industrial policy measures in order to force the transfer. It does not work for countries that either receive very little foreign industrial investment or are not strong enough to take industrial policy action. Since then, however, and despite several attempts, no progress has been made, for instance on the matter of relaxing patent protection. Yet this is urgently needed, as 60% of patents on green technologies are held by companies from the EU, the USA, Japan and Switzerland, while there are hardly any patents from middle- and low-income countries, with the exception of China.

The crisis affecting the World Trade Organization (WTO) provides an opportunity to change the rules in such a way that they benefit poorer countries and contribute to the spread of new technologies. Switzerland should work together with countries in the Global South to reform the relevant agreements and rules. To ensure its credibility, Switzerland must also provide financial support for technology transfer. And it should create incentives so that Swiss companies can strike up partnerships for technology transfer where this is not otherwise possible.

Developing countries also need more leeway in shaping their (industrial) policy, and measures are needed to combat green protectionism in the Global North, as this can severely restrict the export opportunities of the South.

Need for international reform:

1. Flexibility in patent protection

New rules are needed in the World Trade Organization (WTO) to allow developing countries access to technologies for green industrialisation. A list of technologies considered global public goods should therefore be drawn up. The WTO patent agreement – *TRIPS* – should then allow for greater flexibility to facilitate the transfer of the technologies identified. The aim is to make them more affordable, which does not necessarily mean that they are free of cost, but cheaper for developing countries.

2. Financing technology transfer

An "Investment Fund for Our Common Future" should be created in the framework of *UNCTAD,* the UN organisation for trade and development. This designation harks back to the title of the seminal 1987 report by the World Commission on Environment and Development (Our Common Future), which placed "sustainable development" on the agenda of the global community. One major obstacle to technology transfer comprises the high licence fees that developing countries must pay to use patents on the latest technologies. This fund would serve to coordinate technology transfer and would ensure, through compensation payments, that newer technologies are also available to the poorest countries that could not otherwise afford them. This could also prevent technology transfer from making commercial research less attractive. Finally, this fund should help developing countries (primarily LDCs) develop the technical capacities (capacity building) required to build climate-friendly infrastructure and promote green industrialisation. The money would be channelled to the governments of developing countries, local start-ups and companies, universities and research institutes.

Needed domestic reforms:

– As part of its research funding, Switzerland should place greater emphasis on research partnerships with scientists from the Global South who make traditional and modern techniques available for climate protection and the promotion of agroecology.

– Finally, Switzerland should ensure that knowledge and technologies developed through publicly funded research at universities are not privatised (e. g., by start-ups founded by researchers) but are made available for transfer to countries in the Global South.

5. Trade rules for a just transition

Trade can be an opportunity for poorer countries in the Global South to achieve a just transition, but unbridled free trade will not be sufficient. Developing countries need more flexible rules to establish independent economic, technological and financial policies that pave the way for green industrialisation, the production of clean energy and the creation of urgently needed jobs. The Group of African Countries at the WTO has already proposed measures to this end. The countries of the Global South must also be allowed more policy space – this is being severely restricted under current trade rules – so that they can also bring forward their own production. Trade rules should enable developing countries to protect emerging green industries through tariffs and subsidies and stimulate them through the award of public contracts. These measures have also been and continue to be deployed by industrialised countries. At the same time, countries of the Global South need preferential access to the markets of industrialised countries for their exports. This is the opposite of what the Trump administration is currently pursuing.

No green protectionism at the expense of developing countries

A "CO_2 border tax adjustment" (Carbon Border Adjustment Mechanism, CBAM) has been in force in the European Union since 2023. It is designed to complement the EU's emissions trading system and, by taxing environmentally harmful imports at the border, prevent the EU's own energy and CO_2-intensive industries (initially iron/steel, cement, fertilisers, aluminium, hydrogen and electricity), which are associated with upper emission limits, from losing market share or being relocated to countries with less stringent requirements. This is expected to create incentives to invest in environmentally more sustainable technologies. In principle, it is important to shield the most energy and carbon-efficient companies from unfair competition, but the EU's approach has been sharply criticised by the countries of the Global South. UNCTAD has calculated that the CBAM could boost the income of industrialised countries by USD 2.5 billion while diminishing that of developing countries by USD 5.9 billion. Measures such as CBAM should therefore be designed so that the entirety of the revenues flow back to the countries concerned and serve to modernise their production and energy infrastructure. Reimbursements to least developed countries (e. g., for aluminium exports from Mozambique) should be higher. This could be regulated in the framework of the "Investment Fund for Our Common Future".

Protecting the planet instead of protecting investments

Fundamental reforms are also needed for investment protection agreements (ISAs). Today's ISAs offer extensive scope for companies to take legal action against States if their profits dwindle as a result of policy measures. Complaints may also be filed with arbitration tribunals against environmental and climate policy measures.

Switzerland's investment protection agreements have also been used in this way, for example, when Glencore sued Colombia based on the ISA between Switzerland and Colombia and demanded compensation. The case concerned the Colombian Constitutional Court's decision to suspend the expansion of the El Cerrejón mine, Latin America's largest open-pit coal mine. The decision was prompted by the diversion of a tributary of the Rio Rancheria, which had serious implications for the environment and the indigenous population. Glencore is demanding USD 489.20 million, and the case is still pending.

An international agreement in the framework of *UNCITRAL* (UN Commission on International Trade Law) should prevent such cases from being brought before an arbitration tribunal, as anyone still banking on the fossil fuel industrial complex today knows that they risk ending up with stranded assets. The WTO should also introduce a "peace clause" for trade disputes relating to environmental measures by developing countries. This would give them the certainty that they would not face legal disputes over climate and development-friendly regulation.

Needed domestic reforms:

– With the global trading system in tatters, Switzerland must work with Europe to promote a multilateral order that also benefits weaker and more vulnerable countries.

– In the free trade agreements that it negotiates with developing countries, Switzerland should promote human and labour rights and environmental protection. This would mean also including a robust chapter on sustainable development with possible sanctions. It would conduct prior human rights impact assessments for that purpose. If it turns out that expanding agribusiness or mining harms smallholder families or indigenous people, it should forego concluding the free trade agreement or at least compensate those being harmed.

– Switzerland must revise its investment protection agreements to make them environment- and climate-friendly. Accordingly, it would limit the scope for legal action. Like the EU, it should withdraw from the *Energy Charter Treaty,* which provides investors with considerable scope for legal action, including investors in fossil fuels.

6. Private sector: false friends and pious wishes

The private sector (profit-oriented enterprises in plain language) is often presented as the magical solution to the problems of sustainable development and climate change. This applies both to the general role of enterprises in an economy and to private capital flows from banks and investors for development and climate finance. This approach often omits the role governments must play, as they alone can create the general conditions for a just transition.

Many challenges relating to development and the just transition are profoundly systemic and call for comprehensive policy and structural change that the private sector alone cannot address. Both nationally and internationally, governments have a pivotal role to play in shaping a just transition, by creating legal environments that favour the promotion of renewable energies, protect natural resources, and ensure fair labour practices. Only governments are in a position to enforce transparency and accountability, thereby ensuring that private projects are implemented responsibly so that development efforts benefit society in general, and the poorest in particular.

State, parastatal and communal institutions play a decisive role in providing public goods and services. In Switzerland, for example, the water supply is entirely in public hands, and the public sector plays a key role in education, public transport, energy and infrastructure. These are the very areas with considerable unmet needs in the countries of the Global South. Medium to long-term public investment in areas such as social infrastructure, education and health is crucial for a just transition and poverty reduction. Focusing here primarily on profit-oriented investments fails to recognise that these are often not profitable, or, if so, only when high prices and fees are charged – which makes them unaffordable for the vast majority of the population. The most important contribution companies can make in the areas of education and health is therefore to pay taxes, which means avoiding tax evasion and thus contributing to the financing of public investment. Not only does a one-sided focus on the private sector overlook the importance of state and communal institutions, but it also ignores the role that cooperative and community initiatives can play in the provision of public goods and services.

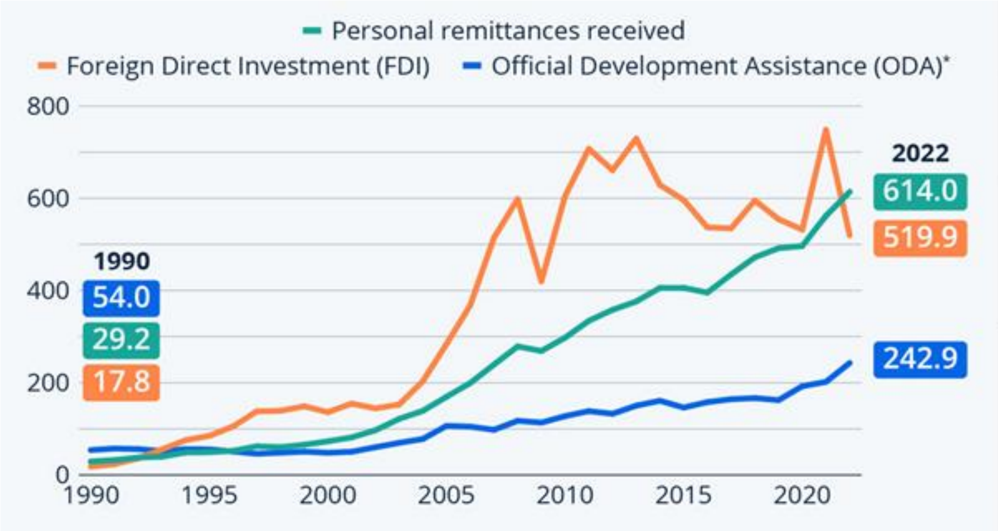
The main aim of private companies, for their part, is to make a profit, and they are often driven by short-term financial goals and market pressure. This can conflict with the social and environmental goals of the just transition. It is often the case in many developing countries that private companies are not accountable to local communities for their actions. The absence of regulations, transparency and monitoring can lead to environmental, labour and human rights violations.

The tighter the budgets, the more government and multilateral "donors" expect to gain from "mobilizing private resources." Besides, when it comes to the role of the private sector, the development debate all too often fails to distinguish clearly between the local private sector and international/multinational enterprises. While the latter often enjoy preferential treatment through various incentives (often also under pressure from international donor institutions), the local private sector, which creates the most jobs, often remains structurally disadvantaged. Similarly, the blinkered view of foreign capital also loses sight of the reforms needed to enable the countries of the Global South, as they must, to generate much more of their own funds.

The role of private financial flows

It is widely recognised in the development debate that the countries of the Global South lack capital, and that the funding needs for the transition to a globally sustainable economy are considerable. This applies all the more to a just transition. The upshot is often the false conclusion that private (foreign) capital equals investment equals new jobs equals poverty alleviation. In 2015, the World Bank adopted the slogan "From billions to trillions" for the "mobilisation" of private capital to finance the 2030 Agenda. For the least developed countries, however, there is little evidence of this. Since 2015, direct investment in LDCs has fallen by USD 6 billion, and its share of foreign direct investment in all developing countries has declined from 5.1% to 3.6%. *Public development finance* remains by far the most important source of external financing. But even for *low- and middle-income countries (LMICs),* remittances from migrants are now the most important source of finance, as the following chart shows:

Figure 1: Foreign Direct Investment, official development assistance and remittances



Source: World Bank

Flow does not equal flow

Private capital flows differ considerably and also have negative impacts. The two principal and most important categories of private capital flows are portfolio investments and foreign direct investments (FDI).

Portfolio investments encompass all investments in securities, i.e., shares, corporate bonds and government bonds. As such, they are the flipside of the debt burden. These foreign investments are short-lived friends. In times of national or international crisis, capital is very swiftly withdrawn. In 2023, almost USD 200 billion flowed out of developing countries to private creditors on the back of rising interest rates and bond and loan repayments. This led former World Bank Chief Economist and US Treasury Secretary Larry Summers to conclude that "billions to trillions" had become "millions in, billions out".

In comparison with portfolio investments, which are more volatile, foreign direct investment, i.e., investment in companies or projects, is considered as cheaper, low-risk capital, though its importance for LDCs is limited. But FDI also leads to substantial foreign currency outflows in the form of corporate profit remittances. Profit transfers put even more pressure on countries' current account balance, especially when investments are concentrated in economic branches that do not generate direct export revenue in hard currency – such as the domestic telecommunications or energy sectors. The net benefit is therefore limited and even becomes negative when foreign companies aggressively avoid taxes.

When it comes to jobs, poverty reduction or a just transition, capital flows are not the only factor to consider. Investments by foreign corporations can exacerbate existing inequalities if good wages are paid primarily to highly qualified employees from the middle class. Also crucial are the chosen sectors in which investments are made. Costs and benefits are entirely different depending on whether, for example, it is a new coal mine or a clean tech start-up.

Honesty instead of mere rhetoric

It therefore follows that foreign private capital can help bring about decarbonisation and poverty alleviation, but for now, we are talking about streams, not about rivers. That it will automatically increase is "greenwishing". Because private capital is not flowing as desired, multilateral development banks and national development institutions (including the Swiss Agency for Development and Cooperation (SDC) and the Swiss State Secretariat for Economic Affairs (SECO)) are focusing on using limited public development funds for "de-risking" in order to "mobilize" more private funds. But there is no evidence to suggest that this strategy can do more for a just transition than traditional development cooperation. These funds should therefore be additional, and success accurately measured (see below: "Fund to promote private investment for a just transition").

To put it in the words of Larry Summers, who has long been an advocate of the aforementioned approach: "There is a lot of talk from people who want to be ambitious but have no public resources at their disposal and therefore want to 'catalyse the private sector' – supported by private sector actors who should know better but either want to appear statesmanlike or are after substantial subsidies for their activities. The figures often cited to illustrate the potential for mobilising green capital are about as realistic as if I were to announce that I could run a mile in four minutes." Larry Summers is 70 years old.

International reforms for a just transition:

Despite all the aforementioned qualifying remarks, more private capital will also be needed – especially for financing the energy transition. Furthermore, they are not just needed anywhere and anyhow, but in a targeted and controlled manner that avoids negative impacts. If companies are to contribute more to a just transition, international reforms will be needed. Together with European countries and countries in the Global South, Switzerland should advocate for a UN framework convention on responsible investment that lays out the criteria needed to ensure that private investment in fact contributes to a just transition, to decarbonising the economy, and to effectively alleviating poverty. This convention must include the following elements:

1. Decarbonisation

States signing the convention commit to demanding binding transition plans from their enterprises. This must apply to all companies and include a national-level oversight and sanctioning mechanism.

2. Setting precise and measurable goals

The convention lays down an internationally harmonised classification of sectors and activities (taxonomy) to which investments should go in order to align private investments with the goals of a just transition. It sets transparency and accountability standards for corporate investments in these sectors.

3. Holding companies accountable

In signing the convention, States commit to introduce binding due diligence requirements regarding human rights and environmental standards, to impose sanctions on companies that violate them and to provide victims with avenues for obtaining redress.

4. Fund to promote private investment for a just transition

The convention provides for the creation of a public-private fund under UN auspices to mobilise additional private resources and reduce the risks of investing in transition projects. The public funds for this are to be provided in addition to international cooperation funds and it is ensured that risks are not borne by the public purse while profits are privatised.

These funds are meant to benefit enterprises that:

- invest in education and training to prepare the workforce for green jobs and new technologies;
- help transfer clean and sustainable technologies to developing countries by cooperating with local enterprises;
- promote local research and development in the field of green and sustainable technologies by making the results market-ready and scaling them up;
- involve local communities and civil society organisations in project planning and implementation and also provide them a share of the benefits.

Finally, the beneficiary companies must publish regular reports on progress towards achieving the just transition goals, and these must include key performance indicators.

Needed domestic reforms:

Switzerland must expeditiously implement the provisions of the convention by:

– requiring binding transition plans based on the UN taxonomy;

– introducing binding due diligence requirements, supervision, accountability and rules on redress, as foreseen under the Responsible Business Initiative;

– participating in the Fund to promote private investment for a just transition and providing it with funding additional to development and climate finance.

7. The broad landscape of development finance

Development finance involves much more than just money for international cooperation and climate financing. This was demonstrated by the UN's Financing for Development process, which has so far resulted in four major conferences: Monterrey (2002), Doha (2008), Addis Ababa (2015) and Seville (2025). It is about reforming the International Monetary Fund and the World Bank, the issue of debt and debt relief, trade issues, and a new tax system. These factors have a much greater impact on the resources available to countries in the Global South for a just transition than the (urgently needed) increase in payments from the Global North. In the words of UN Secretary-General António Guterres: "The global financial architecture does not need a simple evolution; it needs a radical transformation. (...) A new commitment to place the dramatic needs of developing countries at the centre of every decision and mechanism of the global financial system."

Reforming the international financial institutions

The two key institutions of the global financial architecture, the IMF and the World Bank, were designed during the Second World War. With the exception of Latin America, the countries of the Global South were all still colonies of the imperial powers. This is reflected in the unequal decision-making structures: traditionally, the EU has always provided the president of the IMF, while the chair of the World Bank was always from the US. Both the US and the EU countries taken together effectively have a right of veto on important decisions. At the World Bank, too, voting rights do not correspond to economic weight.

Even though both institutions have evolved over time, expanded their engagement with civil society, and placed greater emphasis on issues such as climate and sustainability, they continue to contribute to the perpetuation of unjust global economic relations and to further fuel climate change. The new US administration has also announced that it intends to realign the two institutions more closely with their original mandates, meaning that it will no longer support efforts in the areas of climate finance, gender equality, or reducing inequality.

Although the World Bank has significantly increased its share of global climate finance in recent years, it continues to promote investment in fossil fuels through the back door, for example via advisory services or loans to financial intermediaries. At the same time, its strong focus on private investment, which has been reinforced under the current World Bank President Ajay Banga, contributes to rising inequality and the privatisation of important public services such as education and health care.

The IMF, which has already contributed to growing poverty and political unrest in various countries in the past as a result of the austerity policies it has imposed, continues to tie its loans to tough conditions. These come at the expense of the poorest, for example when consumption taxes are increased or subsidies and social security contributions are cut. Even development banks sometimes link loans to problematic conditions.

Needed reforms:

– Switzerland should advocate for a fundamental reform of international financial institutions, starting with a redistribution of *IMF quotas* and voting rights. It should push for voting rights to reflect the current economic importance of countries.

- Switzerland should also advocate that IMF loans are only tied to conditions that facilitate a just transition. Negative impacts on the population, sustainability, and climate protection must be assessed. Where necessary, conditions that harm the poor should be dropped.

- Switzerland should clearly oppose the backlash from the US and advocate a ban on investments in fossil fuels across all instruments. It should also call for qualitative and quantitative improvements to the World Bank's multilateral climate financing.

Defusing the debt bomb

According to UNCTAD, 68 developing countries have serious debt problems. Some 61% of the debt of all developing countries is owed to private creditors. The interest that developing countries must pay is much higher than that paid by the US and the EU. In 48 countries of the Global South, home to 3.3 billion people, interest payments are higher than spending on education or health.

Without defusing the debt bomb, there can be no just transition. A UN framework convention, as proposed by civil society, could achieve this.

Needed reforms:

- Switzerland should collaborate with countries in the Global South to promote a framework convention on debt and implement the necessary national legislation.

- Switzerland should make available to the least developed countries, through multilateral funds, the *special drawing rights* that it has received and will continue to receive in connection with IMF allocations.

- Switzerland should oblige major private lenders (banks, asset managers, *hedge funds*, commodity companies) to countries in the Global South based in Switzerland to grant comprehensive debt relief in the event of a developing country becoming over-indebted. The financial risk associated with the corresponding loans must not be transferred from the creditors to the Swiss treasury.

8. The UN tax convention and its national implementation

Unlike other conventions proposed in this text, negotiations on the UN tax convention are already underway. Switzerland should work to ensure its success by making concessions to the Global South. A fair global tax system within the framework of the UN must be accompanied by corresponding tax policy reforms at the domestic level. Progressive tax reforms at the national level, in turn, require corresponding global rules to ensure that they effectively lead to higher domestic tax revenues. So far Switzerland has relied on low taxes for multinational corporations and *offshore banking* for the wealthy. If Switzerland abandons this business model, there is a risk that other countries will copy its approach and fill in the gap. That is why new multilateral rules are needed to prevent such practices at the international level.

Table 2: The elements of the UN Tax Convention and of domestic implementation

UN Tax Convention	Domestic reforms
Fair corporate taxation: Fair allocation of taxing rights (according to effective value creation), tax transparency and a higher minimum tax rate	– Domestic tax harmonisation of profit and capital tax for enterprises. The domestic uniform profit tax rate is set at 19% (effective). – Public country-by-country reporting by multinational corporations.
Effective global taxation of high net worth individuals	– Domestic minimum tax of 2.7% on the richest 0.1%. – Domestic inheritance tax: Inheritances of over CHF 2 million are taxed at a rate of 10%, while those of over CHF 50 million are taxed at 50%.
Combating *illicit financial flows*	– Abolishing domestic banking secrecy. – Comprehensive due diligence requirements for financial intermediaries (banks) and advisors. – Strengthening the oversight and prosecution authorities with competence for the financial centre and taxes.
Fiscal measures help overcome environmental challenges	– Higher taxes on trading profits from fossil fuels. – Financial transaction tax earmarked for ecological purposes. – Flight ticket tax.
Tax transparency	– Public register of beneficial owners of Swiss companies and of beneficial owners of foreign companies residing in Switzerland. – Automatic exchange of information with all countries. Switzerland promotes the sharing of knowledge between tax authorities and, where necessary, assists other tax authorities in setting up the relevant technical infrastructure.

9. There is enough for everyone

Switzerland currently finances itself to a great extent from economic activities taking place abroad. With companies posting profits in Switzerland that were generated abroad, or wealthy private individuals from abroad bringing their money to Switzerland, the country generates tax revenue that actually belongs to other countries. In 2018 Switzerland did in fact introduce what is called automatic exchange of information on financial accounts (AEOI) with over a hundred countries and lifted banking secrecy vis-a-vis these countries at least partially. Yet many of the poorer countries in particular do not benefit from this, as they have no such agreement. Besides, banking secrecy in Switzerland is not affected by the AEOI. This situation can also be exploited to circumvent the AEOI, for example, by acquiring a (fictional) domicile in Switzerland.

If Switzerland is to live less at the expense of others in the future, it must phase out its low-tax and offshore banking strategy. As this will make it less attractive to foreign tax evaders, tax revenues will fall. It must simultaneously restructure its economic business model such that it can offset falling tax revenues through better taxation of domestic sources. The following financial measures show that such a transformation can be financed and is therefore also feasible.

Switzerland benefits greatly from profit shifting by multinational corporations from other countries. According to calculations by French economist Gabriel Zucman, the federal government, cantons and communes generate some CHF 9 billion in tax revenue annually from the taxation of corporate profits that have been shifted to Switzerland from abroad, owing to its low-tax environment. The revenue is based on over CHF 110 billion in corporate profits attracted by the country's low-tax environment. Due to the extreme lack of transparency surrounding financial flows within corporations, it is impossible to determine how much profit companies transfer to Switzerland from countries in the Global South. However, the actual figure is likely to be high, given that in commodity trading, a substantial amount of profit is transferred to Switzerland from commodity-producing countries.

Abolition of cantonal tax competition

A merciless tax competition has been raging between the Swiss cantons for decades. Both cooperate profit tax rates and income and wealth tax rates for individuals have fallen substantially in recent decades. Cantons and communes are competing for companies and "good" taxpayers, thereby driving each other to adopt ever lower tax rates. The bottom line is that everyone loses: more and more income, assets, and profits are being taxed less and less throughout Switzerland. Federalism in Switzerland is a sacred cow; it is considered one of the country's great blessings. Fiscal federalism, however, benefits mainly the wealthy and corporations. This needs to be reversed by means of a general, Switzerland-wide harmonisation of taxes: profit, income and wealth taxes must be harmonised and the divisive snatching of tax revenues stopped.

A minimum tax against profit shifting

To make Switzerland less attractive for profit shifting from abroad, the federal government must set a nationwide (i. e., federal, cantonal, and municipal) effective minimum tax rate of 19% for corporate income tax, with direct federal tax for companies at 15%. This is in line with the current global average of corporate profit tax rates in all countries and will make Switzerland an unattractive destination for companies wishing to avoid taxes in countries with higher profit tax rates. The minimum tax rate consists of the effective corporate profit tax rates of the confederation, cantons and communes. Further, the proposed rate roughly corresponds to the current average in the municipalities of the canton of Zurich. This canton currently has the second-highest profit tax rate in Switzerland after Bern, yet it is one of the country's economic powerhouses. All revenue from profit taxation should flow into the ordinary budgets of the federal government, cantons, and municipalities. Public subsidies for large corporations will be prohibited. Under the OECD minimum tax, these subsidies currently serve no purpose other than to return tax revenues to the corporations.

Of course, this would also generate considerable additional revenue. By increasing the direct federal tax for companies from the current 8.5% to 15% and based on 2024 revenues, the federal government's profit tax revenues would rise from the current CHF 15.5 billion to CHF 27.35 billion, representing an annual increase of approximately CHF 12 billion. In this scenario, however, the lost revenue from profit shifting at the federal level would have to be deducted again. This can only be estimated, but the 40% calculated by Gabriel Zucman for profit shifting seems realistic here as well. The bottom line is therefore additional revenue of CHF 7.2 billion.

Removing domestic banking secrecy

Lausanne economist Marius Brülhart estimates that CHF 400 billion in assets are hidden from the tax authorities in Switzerland. That would be approximately 60% of our country's gross domestic product. Various other economic studies support this assessment. They also conclude that the 0.1% wealthiest people in Switzerland possibly do not declare 25% of their assets. In order to enable effective taxation of large fortunes and prevent tax evasion as far as possible, domestic banking secrecy must be abolished. This would mean that banks would report assets and profits to the tax authorities in the same way that salaries are currently reported on salary statements. This would ensure that all types of income are treated equally. According to economist Brülhart, this measure alone would generate additional revenue of at least CHF 2.5 billion for the federal government and the cantons.

Increasing and harmonising the wealth tax

Even more additional revenue could be generated at the federal level by introducing a moderate wealth tax for the rich. According to the relevant scientific literature, a tax rate of 2.7% for the richest 0.1% would be ideal – it strikes the perfect balance between the risk of these assets leaving the country (the higher the tax, the greater the risk) and the efficient utilisation of a tax resource (which, according to the literature, is not the case today with an average cantonal wealth tax rate of 0.4%). Based on the latest available figures on the total assets of the 0.1% richest individuals, the federal government can expect additional revenue of over CHF 10 billion per year. The introduction of a federal wealth tax, combined with the abolition of domestic banking secrecy, could therefore already compensate for the tax revenue losses that Switzerland would incur if it abandoned its low-tax business model for multinational corporations. Under the current tax regime, the abolition of domestic banking secrecy would generate an estimated CHF 2.25 billion in new tax revenue from the previously untaxed 25% of assets. The federal government reports wealth tax revenue of CHF 9 billion for cantons and municipalities for 2024. With a quarter more, the aforementioned sum would be achieved.

The following table shows how much additional tax revenue could be generated using selected measures. It includes only measures that can currently be estimated. Other new progressive fiscal measures such as an inheritance tax, the abolition of tax-free dividends, an airline ticket levy, a specific additional tax on profits from the trade in fossil fuels or a financial transaction tax could bring billions more into Switzerland's public coffers each year.

Table 3: Selected measures to finance the transition

Measure	Additional federal revenue (gross in CHF per year)
Minimum 19% corporate taxation	7.2 billion
2.3% federal tax on very high net worth individuals and removal of domestic banking secrecy	10 billion (+2.25 billion goes to cantons and municipalities = 12.25 billion)
Removal of tax exemption for kero-sene	1.5 billion
Flight ticket tax	800 million
Total	**19.5 billion** (+2.25 billion to cantons and municipalities)

Release the brake on progress

Clearly, such a financial and economic overhaul cannot happen overnight, and there may be a temporary shortfall in revenue. This is where our best friend comes in: the debt brake. It helps when we release it.

The federal government has one of the strictest debt brakes in the world and, at the same time, an extremely low net debt ratio by international standards (17.2% in 2024). Hence, the debt brake is actually a brake on our future. Alliance Sud has developed various scenarios showing how much additional financial leeway the federal government would gain if it correspondingly increased its debt ratio and then stabilised its national debt at the new, higher level. By simply returning to the debt level of 24.9% that was in place when the debt brake was introduced in 2005, the federal government would gain additional scope for investment of CHF 146.6 billion by 2035. That would amount to around CHF 14.6 billion per year. Stabilising the debt ratio at this level was the declared goal of the Federal Council, Parliament, and the electorate at the time. Back then, there was no talk of an automatic reduction, which is what the current mechanism is leading to. Should the federal government increase its debt ratio to the EU-permitted level of 60% by 2035 – with which only 15 of the 27 EU member states comply – the scope for investment would grow to CHF 580 billion.

However, the federal government must still use the additional financial leeway carefully. A blank check is not an option. The federal government should limit itself to three main uses for the newly available funds:

– First, the federal government can temporarily offset the corporate tax revenue losses resulting from the elimination of profit shifting by multinational corporations. As soon as these new proposed taxes take effect and (over)compensate for the tax losses resulting from the restructuring, the federal government must discontinue this financial assistance.

– Second, the federal government can invest in the development of a green economy. Switzerland will have to invest in sustainable businesses, the care sector, and green (export) industries in order to maintain its tax base and jobs. Massive investment is needed in the care sector to increase the attractiveness of relevant professions in nursing and childcare, as well as in the green industry to make it more competitive with the fossil fuel economy and to boost relevant production in Switzerland. Once the respective companies become profitable, these debt-financed investments will generate new corporate tax revenues that can compensate for the higher costs of servicing the federal government's debt.

– Third, there will still be financial leeway for extraordinary expenditure, for example in the event of natural disasters, war or other extraordinary events similar to the coronavirus pandemic, without resulting in austerity measures in the federal government's regular budget, as is currently the case.

Mission accomplished, problems solved

How often have we heard this in recent months: "Switzerland does not have a revenue problem, it has a spending problem." We couldn't agree more, as Alliance Sud's calculations show. With the fiscal policy reforms outlined above, Switzerland will generate more than enough revenue for a transition that is also globally just. The CHF 17.8 billion needed for climate and development financing can thus be easily covered. At the same time, Switzerland can move on and ditch the business model that comes at the expense of countries in the Global South – Switzerland's negative spillovers would be a thing of the past. Besides, Switzerland's serious spending problem could also be solved. The problem is basically that Switzerland invests far too little in its ability to thrive in the future. What is fair, right, and sustainable will ultimately benefit everyone in Switzerland.

Glossary of terms

Words marked in the main text in italics are explained below:

Aide publique au développement (APD) / Official Development Assistance (ODA): Measure of public development financing (see below).

Concessionary financial flows: Funding provided on preferential terms, i. e., grants or preferential loans.

Domestic Resource Mobilisation: Processes (including tax revenues) that enable a country to rely more on its own resources to finance its development projects and programmes, rather than relying on external aid or loans.

Energy Charter Treaty: Effective since 1998, the Energy Charter protects energy investments and enables an investor to take legal action against a signatory State should its policies or regulations change to the investor's disadvantage.

Gross National Income (GNI): GNI encompasses all domestic income, irrespective of whether that income is generated locally or flows in from abroad. This is chiefly what distinguishes it from the more commonly used Gross Domestic Product (GDP).

Hedge Funds: These are unregulated investment funds that deploy a variety of strategies and are primarily open to very wealthy individuals and multiply returns through borrowing.

Illicit financial flows: Cross-border movements of money that are illegal or illegitimate in terms of origin (e. g. corruption, smuggling), transfer (e. g. tax avoidance and money laundering) or purpose (e. g. terrorism financing). Certain tax tricks are legal, but undermine basic principles such as taxation in line with economic performance.

IMF quota: A member is allocated a quota based on GDP, currency reserves and foreign trade. It is used to determine voting rights in IMF bodies and the allocation of newly created *special drawing rights*.

Just Transition: This means promoting social and global justice in the transition to a post-fossil and resource-efficient (global) economy and compensating for negative impacts on regions and people.

LDCs: Least Developed Countries, the group currently comprises 45 countries, categorised according to income, human development and vulnerability to economic and environmental shocks.

LMICs: Low- and Middle-Income Countries; i. e. countries with a gross national income of less than USD 14,005 per capita (2023); the group currently comprises 136 countries.

Loss and damage: Climate-related losses and damage. While ‘damage’ can be repaired or compensated for, ‘losses’ are irretrievable and are also strongly associated with the endangerment of human lives.

Mining licenses: Permission granted by a government body (e. g. mining ministry) to extract raw materials in a particular area and under specific conditions. These often come after exploration licenses, which regulate the search for raw materials.

Natural resource rents: This refers to the difference between the value of raw materials in the ground and the extraction costs. It is shared between the private extraction company and the State and thus determines how a raw materials-producing country benefits from its natural wealth.

Offshore private banking: Wealth management outside clients' country of origin. Switzerland is the global leader, with a fifth of all cross-border assets (around 2,400 billion dollars) being managed here.

Profit shifting: Multinational corporations can use accounting tricks to shift their profits from one country to another. This allows them to pay their taxes not where they actually make their profits, but where they are taxed the lowest.

Public development finance: Funds that (a) are provided by state or local governments; (b) support the social and economic development of recipient countries, and (c) are concessionary.

Resource curse: Negative impacts on commodity-dependent countries such as lower economic growth, political instability, corruption and conflicts. The behaviour of foreign corporations is in part responsible for the resource curse.

Royalties: Fees charged on the quantity produced or the price of extracted raw materials. Unlike taxes, royalties are related to the raw materials, whereas taxes are incurred at company level.

Special Drawing Rights: Reserve balances at the IMF that can be exchanged by countries for hard currencies, if need be. By issuing new rights (e. g. during the COVID-19 crisis), the IMF can help to manage the liquidity of the financial system.

Spillovers: Negative impacts of activities in one country on other countries, e. g. environmental pollution abroad caused by the production of goods and services consumed in Switzerland.

TRIPS: This WTO Agreement came into force in 1995 and requires WTO Member States to protect patents on new medicines, among other things.

UNCITRAL: UN Commission on International Trade Law, the body mandated to promote the harmonisation of international trade law.

UNCTAD: The UN organisation for trade and development represents the concerns of developing countries in economic and trade matters. In 2024 it was renamed "UN Trade and Development" (previously UN *Conference* on Trade and Development).

UN Tax Convention: In this framework, UN Member States will negotiate, by 2027, rules binding under international law governing the international taxation of companies and private individuals. In consequence, the UN is expected to replace the OECD as the leading multilateral organisation in the realm of international tax policy.

Impressum

Editor:
Alliance Sud, The Swiss centre of excellence for international cooperation and development policy
Monbijoustrasse 31, P. O. Box, CH-3001 Berne
www.alliancesud.ch

Co-Authors:
Isolda Agazzi, Delia Berner, Laura Ebneter, Dominik Gross, Kristina Lanz, Laurent Matile, Andreas Missbach

Editorial work:
Marco Fähndrich, Kathrin Spichiger

Translation:
Richard Dunkley, Jochen Wolf

Layout:
Kathrin Spichiger