

# Current Concerns

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## Preserve the Bank Secret – Adjust the Criminal Code for Tax Offence – No Need to Save the UBS at all Costs

Talking about solutions, about scaredy-cats and about barking back

me. At the time of the financial crisis everybody needs money. The EU member states and the USA have wasted vast sums of money on "saving packages" for irretrievable banks and companies. Therapy was started before the diagnosis was made. The bolts were shot, the effect was minimal. The result: Many EU states have run into debts to such a degree that national bankruptcies are imminent.

Maybe that was, after all, the intention of the wire-pullers who put pressure on the states to tie up one saving package after the other: If EU states are finally buried under their debt burdens and national bankruptcies will be hanging by the thread maybe then at the latest will they accept the new world order uncomplainingly? But that is thinking too far ahead. Let's not anticipate events!

For the time being there is only one thing wanted: Money, much money, to compensate for the delusional saving package errors. With an undeclared war just below the war threshold they are planning to break open the "Strongroom Switzerland", where no less than one third of the world private money resources is stored.

EU and USA have agreed on concerted action but with allotted parts. The EU are pursuing a direct seizure on bank data, the Americans intend to come into money directly by blackmail and vile arbitrariness. It is high time we wake up from our *Obama* dreams. *Obama* and *Bush* do not even differ in rhetoric.

The second G20 summit is going to take place in April, this time in London right in the ailing Anglo-American financial system's second heart. Before this meeting everybody is trying to safe their "offshore havens." The British control most offshore havens within their Commonwealth: among others Isle of Man, Guernsey, Jersey, Gibraltar, Virgin Islands, Anguilla, Bermudas, Caymen and Marshall Islands. Monaco serves the French, Americans do their money-laundering on their pirate islands in the Caribbean Sea as well as in Florida and Delaware.

That is why the witch hunt against Switzerland and war declarations from Paris and Berlin call the diverting call "Stop thief"! to our minds.

### Do not underestimate Switzerland

For several reasons Switzerland made it easy for the aggressors to attack. At the end of the nineties it had been blackmailed once before. That was in connection with conflicts around the Second World War. That is apt to tempt professional repeat offenders.

Another thing is that Switzerland with its seven Federal Councilors and its multiparty system takes a bit longer to answer attacks. The extract of the *Globi* book is to be seen in this context (see "Globi's experience for the Federal Council", page 4). Switzerland is not an EU member state, either. The EU, however, has long since dreamed of taking it over. That is why it has bought in several nests of collaborator elites, by no means restricted to the media and politics. (See "Bertelsmann-Pamphlet against Switzerland", page 7). In spite of this two-front war Switzerland must prevent being isolated, as banker *Konrad Hummler* warns (See "No diversionary tactic to cover up American mistakes", page 3).

UBS admitted to have violated laws in America rather obscenely and is now fidgeting on the hook of US authorities. Who it was that tempted her to swallow the hook and commit such criminal impetuosity will one

day have to be clarified. What part did *Marcel O.* play? And why did he so blindly sponsor the self-indulgent US section of the otherwise sound UBS? What does he have in common with *Bill Clinton*? Greetings from watchman *Meili*. Cui bono? (See "Banking confidentiality must stand, but it may be developed and adapted", page 4)

There is one advantage on Switzerland's side: Since the unfair conflict with the Jewish World Congress in the late nineties, she has ample experience in media war. This experience has been made on a broad scale - militia-like - and will be used in future.

A contribution of the kind has just been published: "Mon banquier m'a dit... Qui veut détruire les banques suisses", containing articles by some exponents of the Western Swiss *Centre Patronal*. The book must urgently be published in English (See: "My banker told me...", page 6 and 7).

### Offensive forward strategy

An offensive forward strategy could be the following: "Preserve the bank secret as a part of freedom, adjust the code for criminal tax offence and repeal the difference between fiscal evasion and tax fraud which seems so hard to understand abroad." In return Switzerland could offer the withholding tax to all states, as a quid pro quo, of course.

Finally, it was never properly explained why the UBS should be so indispensable for Switzerland. Repeating this dogma over and again seems fishy. There seems to be material concealment. The Swiss small and medium businesses have long since gone to the *Raiffeisenbanks*, *Migros Banks*, *Canton Banks*, anyway. Life in Switzerland would go on just as well without UBS.

### Switzerland's trumps

The forward strategy must have a creative, offensive component. The scaredy-cat poli-

tics must end. The enemy's Achilles' heel has to be found. He must fear or feel the spiked mace.

*Oswald Grübel* made a beginning, when he threatened *Obama* by phone with the the UBS's withdrawal from the United States, meaning another 35,000 expensive people out of jobs. (See "UBS-Grübel: Turning the tables", page 2). *Faith Whittlesey*, former US Ambassador in Switzerland sheds some clear light on Switzerland speaking about a "reliable state of law". She even remarks that Swiss enterprises have given 500,000 Americans work in the USA (See "Former US Ambassador: 'Switzerland is a stable and responsible republic'", page 5). These jobs must not stay there. It would certainly cause a stir, if Ambassador *Borer* or some privateers would explain this to President *Obama* with an advertisement campaign in US leading media.

Furthermore, one would have to check actions for liability against those who triggered the financial crisis. The US banks certified and tacked worthless mortgages as "financial instruments." US rating agencies ennobled the junk by their "triple-A-stamps" and then the worthless scrap was sold to pension funds in Europe and Asia. In Civil Law this would be qualified as fraud on a professional basis. These US banks and complicit state control authorities have triggered off the economic crisis and spread immeasurable harm and human suffering. They must be held accountable and they must pay compensation. (See "Damage suits against perpetrators of the financial crisis", page 2)

Also Switzerland must fetch back its National Bank gold reserves, stored in the USA. The moment is long overdue. Moreover they could dissolve the diplomatic representations in Iran and Kuba which they are looking after for the USA. The SATO-System's signal intelligence installations of SND in the canton

Wallis (Leuk) might all of a sudden require some urgent maintenance work. It is well known that there is sometimes no cure for the technical devil.

Moreover some information on private accounts in Switzerland might leak (not only on that of German Minister of Finance *Peer Steinbrück*, who was seen in Zurich's Bahnhofstrasse.)

And finally Switzerland could be pioneer when it comes to drying up other offshore havens. It could for example establish an independent institution which would help other states to shut down their tax havens (See "Switzerland could initiate an institution against offshore tax havens", page 3). Such an institution could obtain an international law status like CERN or IKRK and would be immune. Soon an awkward silence would spread in London, Paris and New York: They had not meant their tax haven business that seriously, after all.

### Small states better cope with crisis

Those who look ahead can see that time works for us. G20 summit or no G20 summit, the crisis is gorging on unrelenting. Is not G20 in London doomed to fail, anyway? A decentralized direct democratic small state with militia system is able to mobilize more defenses, is better adaptable and can solve social tensions more justly and in a conjointly way than centralized formations like the EU or USA.

Economic national provision has to be run up again. We will be grateful one day for home-produced food.

### Courage and Inspiration

This *Current Concerns* edition makes several voices heard. It is one contribution. Let us sharpen our brain power for foreseeing solutions and offensive, creative "active measures." Good courage!

## Switzerland is an Obstacle on Merkel's Way into EU Finance Dictatorship

by Karl Müller, Germany

"Once the mechanics of the shock doctrine are deeply and collectively understood, whole communities become harder to take by surprise, more difficult to confuse – shock resistant."

Naomi Klein: *The Shock Doctrine. The rise of disaster capitalism*, p. 459

On the occasion of the press conference to the G20 London Summit Preparation Meeting on 22 February in Berlin, the British Prime Minister *Gordon Brown* said something, which let us start and take notice: "As far as the common interests that we're pursuing – look, there is the possibility in the next few months of a global new deal [...]". And getting more concrete, he said that we were all well aware that in areas of worldwide financial flows we would not only have to have national control boards but also worldwide supervisory authorities that would guarantee that all financial institutions which are active on the markets must fully reveal everything they are doing.

*Gordon Brown* did not say, what exactly he meant. *Wilhelm Hankel*, however, one of

the plaintiffs against the Euro's introduction in Germany, explained in an interview with the "Frankfurter Rundschau" what it meant on EU level: "Politically this would mean the end of democracy in European states. Instead of constitutions and parliaments an economic government would rule in Brussels, equipped with dictatorial authority." ("Frankfurter Rundschau", 11 February)

At the press conference in Berlin on 22 February, the organizer of the meeting, the German Chancellor *Merkel* was asked what was the meeting's most tangible result for her. Her answer: "Compared to the action plan of Washington, we are much clearer today with respect to the persecution of tax havens, of 'white dots', as far as institutions, products, but first of all single places are concerned." Before she had already threatened, "we must develop a mechanism of sanction towards those, who do not co-operate – whether they are tax havens or areas in which non-transparent businesses are made. That must be done in a very definite way. In our view, lists must be set up by 2 April at the latest, perhaps even as early as at the meeting of the finance ministers, which

### Germany's Reasons of State

"Today we can say: The responsibility of Germany for the European agreement, for the transatlantic partnership, for the existence of Israel – they all belong to the core of our country's reasons of state and to the reasons of our party."

Extract of a speech of the German CDU chairman, *Angela Merkel*, on the occasion of the commemorative event "60 years CDU" on 16 June 2005 in Berlin.

(Translation Current Concerns)

clearly expose those who have so far refused to co-operate internationally." And the hatchet man, the French President *Sarkozy* seconded: "We will not accept, if someone or something obstructs the ambition of the summit on 2 April [the G20 summit in London on the worldwide financial crisis]; because this summit will have historical consequences. If

## UBS-Grübel: Turning the Tables

me. The former boss of Credit Suisse, Oswald Grübel, will become the new CEO of a bloodless and exhausted UBS. His appointment announces the beginning of an era of profound reforms. His first step was to threaten the USA.

Marcel Rohner (44) leaves. Oswald Grübel (66) comes, whose parents died during one of the bomb nights of World War II and who as an orphan fled from the former GDR at the age of ten. The former CEO of *Crédit Suisse* (CS), highly praised for his achievements, takes over the management from his former competitor.

UBS shares literally jumped high at the Swiss stock exchange and finally closed down with 11.74 Swiss Francs (+16.2%). This is a signal for the markets' conviction that the newcomer is able to get UBS going again. Without any doubt, the clock has struck for the hour of spring-cleaning.

### Grübel's telephone call with Obama

According to *François Savary*, an economics expert with *Reyl & Cie* in Geneva, "it was high time that Marcel Rohner handed over the management of the bank. He was hogtied because he had been head of the private bank department during a time in which those events happened that caused the reproaches of the American legislation to the UBS. Even if nobody can prove the fact that he was up to date on everything, the suspicious facts are strong enough to make him lose all legitimacy."

And here comes the white knight. 38 years of working with the CS between 2004 and 2007, up into the highest management levels, made him strong. [...] From the beginning, Oswald Grübel confirmed his reputation as a man with nerves of steel. According to a source of the "Tribune de Genève" Oswald Grübel, even before the official confirmation of his appointment, made a phone call with a member of *Barack Obama's* staff, in order to communicate the following message:

"The UBS recognizes all faults, which were made since 2000, and in order to meet all demands could terminate all activities in the United States, in particular those of investment banking, and thus dismiss almost 34,000 staff members into unemployment."

In plain language, this means that the United States threatened to divest the bank license from the American branch of the UBS if the bank does not publish the names of the account owners in Switzerland. Be that as it may!, Grübel signaled. Now it is the UBS, which threatens Uncle Sam to abash him with additional 34,000 unemployed people right in the middle of the economic crisis, if the United States are not willing to put a little "water in the whiskey". Oswald Grübel is thus nobody to be fooled. Did he not just recently confirm in an interview with the Swiss German television that he assumes the Swiss banking secrecy will exist at least 75 more years, even if it becomes necessary to adapt it to new conditions?

Source: *Tribune de Genève*, 27 February 2009  
(Translation *Current Concerns*)

## Damage Suits Against Perpetrators of the Financial Crisis

thk./me. Those who remember the campaign against Switzerland from 1995 to 1998, triggered off by the Jewish World Congress, might have a déjà vu experience today. The harsh attacks on Switzerland have been going on for months now, launched by the USA with the European Union in tow, and it is becoming more intense while we are raising questions about the causes and goals of the aggressors.

It is obvious that the large industrial nations, and above all the USA and England as well as Germany and France to a smaller extent, are in acute financial need after the bank rescue and reflationary programs. The records of large industrial companies and large banks are deep red. Reports on large-scale layoffs, of empty treasuries and horrendous debts going sky high, have been on the agenda for months now.

The USA's and European Union's attacks on the Swiss financial center could now be regarded as an attempt to get what they need – just as they are used doing with the natural resources – without any consideration of anyone else. The bank secrecy and tax legislation of Switzerland are a designed pretext in order to again apply the lever after the failed attack of 1995. This does not concern any objective argument but some hidden agenda. This becomes obvious by the fact that there are 42 tax shelters in the world, which lie primarily in the Anglo-American sphere of influence, which are, however, no topic of discussion.

Obama's demand for a world financial system opens a new perspective as to the goals of the aggressors. According to expert estimation, Swiss banks administer approximately a third of the worldwide private money assets. This is a thorn in the London and New York financial centers' flesh, because they cannot speculate with these funds. The financial center Switzerland is a serious competitor, whom the enviers would like to weaken. The bank secret is only of little advantage to Switzerland; what makes the Swiss banks so successful is their competence. Thus, what

could not be achieved with the 1995 campaign should be retried now.

A global financial system, as required by the USA, cannot tolerate countries operating their financial and economic policy in a sovereign way, as they have a democratic and thus citizen-orientated tax law that can neither be determined by the European Union nor by the USA. Therefore, pressure is brought again on Switzerland in a concerted action. Ignoring its sovereignty, they threaten Switzerland with economic sanctions, if it does not obey.

### Liability suits against the USA and US banks

The main cause for the current worldwide financial crisis is the criminal mortgage business of the US banks and their highly speculative derivative trade, which was invented and employed by US banks. Lousily working supervisory authorities add to that, as was the case with *Madoff* or with corrupt rating agencies. They all have their headquarters in the USA and have won the triple A stamp (AAA), representing the most solid ranking for all the scrap papers. The stork is to believe that there is nothing odd here. The US industry is utterly prostrated. A decrease of the gross national product, by about 6.8% is predicted and the actual decrease will probably be much larger. The US-American stock exchange index Dow Jones has decreased more than 50% in the last few months. Thus net assets were destroyed by the trillions; small savers, who had invested in shares or were given advice by American banks are faced with ruin. Due to the mortgage bubble that has already burst, dozens of other states are affected. In this case Switzerland and the remainder of the world should file damage suits against US banks. It was they who caused the mess. They are liable. They are to make up for the loss in compensation payments. The slapstick comedy against Switzerland puts the cart before the horse and distracts from important international problems.

### "Switzerland is an Obstacle ..."

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we succeed in making this summit a success we will open a new chapter."

As a result of the Berlin summit, the German government spokesman *Steg* informed the public that very day: "All financial markets have to be subordinated to an appropriate supervision or adjustment" and "we want to develop sanction mechanisms, in order to be better protected from the dangers arising from cases of unco-operative jurisdiction, including tax havens."

Without naming the corresponding country in one of the official announcements, it was nevertheless quite clear against whom this summit was directed: against Switzerland. No wonder the "Frankfurter Rundschau" headlined "Harder Punishments for Tax Evaders" on 23 February" and added a picture with a Swiss city and the Swiss flag. It is no coincidence therefore that on 23 February the *Deutschlandfunk*, the pro-government radio program broadcast a book review with the malicious title "Rogue State Switzerland?" This book alleges that the worldwide financial crisis was Switzerland's fault – and not the faults of the big money ladies and gentlemen in New York and London.

Fact is that Switzerland is seen as an obstacle, because large assets are deposited there, which awakens desires. Desires of mainly certain big money institutes outside Switzerland, who are determined to increase their fortunes by national tax collections and redistributions.

One must disconnect from the idea that neo-liberalism alone – in form of ever more deregulation or privatization – serves the funding and power interests of big money while simultaneously thinning any national action. If it serves their ends, they will switch to another instrument. This instant seems to have come. It marks the change from the *Bush* to the *Obama* politics.

The owners of big money do not have any principal preferences for a certain economic or social order. They are only concerned with their profits. They profited from US capitalism, from communism in the Soviet Union and from fascism and National Socialism in

Europe. That will not be any different today. Just consult the book by *C. Edward Griffin*: "The Creature from Jekyll Island: A Second Look at the Federal Reserve" (ISBN 978-0912986395).

They also profited from a US President *Franklin D. Roosevelt*, who "played into their hands with his new deal [!] and other laws starting from 1933." This can be read in *Antony C. Sutton's* book "Wall Street and FDR".

What they see as an obstacle are sovereign peoples and states, in which the citizens determine the political course of their country as well as economic and social life.

So nobody may be surprised, if an ever more centralistic, more dirigiste, more coercive machinery of power develops that curtails more and more civil rights and liberties. It snatches and abuses national structures in order to make the people believe that it cares for their interests, while in reality it only serves the interests of a few. Thus, what we see is the blatant opposite of a free constitutional and democratic welfare state based on the rule of law.

In Europe, this role within the EU is to be allotted to *Angela Merkel*. In the USA, this role will be taken over by the new President *Obama*. His suggestions to the "solution of the financial crisis" sound exactly like those of the European Union.

In fact, we as the citizens of these countries are not at their mercy. Every German citizen for example, who now decidedly protests against the low blow attack on his neighboring country Switzerland and the attempts to scapegoat it, does a good thing for the freedom of all.

Germans may also ask themselves, who is responsible for the fact that Germany has a clearly higher ratio of public spending to GNP, more tax burdens for the citizens, a three times higher unemployment rate, less good social security benefits and also less content citizens than Switzerland. Perhaps this has also got something to do with a German policy, which does not treat the country's people like citizens in a republic, but like subjects at the leading string. In addition, it also does everything in order to divert from its own serious defaults of the past few years.

## "Containing America"

by the Federal Councilor *Pirmin Bischof*, CVP (Christian People's Party),  
Member of the Economy Commission of the Federal Council of Switzerland

"UBS was a rewarding victim for the American administration and financial control. It is the largest asset management bank of the world. And what takes place at the moment, is – perhaps characterized in a slightly exaggerated way – an economic war, in which the three large remaining financial locations London, New York and Zurich/Geneva are fighting a kind of battle. The other two take advantage of a larger country as their backing. It is obvious that one proceeds against the biggest competitor and looks for good arguments. I do not exclude that the same happened to other banks and by the way, not only to Swiss banks. And if we are honest we must admit that Singapore has a much stricter bank secrecy than Switzerland and that it proceeds much more inconsiderately; even with tax fraud no legal assistance is offered. However, nobody comments on that, but with the financial centre Switzerland, a great fuss was made in the USA concerning the distinction between tax evasion and tax fraud. However, with a hidden motive: The goal is to weaken the financial centre Switzerland as much as possible. With this we must not play along [...]

The interest taxation system is a good measure. It is correct in substance. The countries – we talk about the European Union now – receive interests on the investments, which are realizing profits in Switzerland, and Switzerland even collects these interests for them. [...]

I am also willing to discuss an expansion. I am well aware that there are gaps – dividends are not included and legal entities are not included – and this is where we should check on the interest taxation agreement with the European Union. But I would like

to point out that we still live in a state under the rule of law, and I expect that from the European Union in particular, too. We have agreed upon a convention, the interest convention is valid until 2013, and we may not allow anyone to violate existing agreements. [...]

The information exchange system, which Switzerland rightfully rejects, prevails today in a part of the European Union. It is, however, not valid between Switzerland and the USA. We also have a valid agreement with the USA, which is based on the withholding tax. [...]

The USA put pressure on us to change it. We must stand up to that. I lived in the USA for a while and I learned that you should never give way to the pressure. We must contain the Americans and clearly show them their limits, then we can begin to reasonably negotiate. We should not yield right away due to our very Swiss need for harmony. The Americans do not expect that by the way. We must act reasonably and calmly, with a clear head and safe hand, and I am convinced we can achieve a good agreement with both economic major powers. [...]

I do not believe that cash consignment is actually the crucial point. The Americans must be convinced that Switzerland accepts their constitutional state, the American constitutional state, as he is, and that we are not a stronghold for tax fraud. Neither we, nor our politicians and our banks should be that. And the data, which were now delivered, are obviously tax fraud data."

Source: *Swiss radio DRS 1*, "Tagesgespräch",  
27 February 2009  
(Translation *Current Concerns*)

# The Big London and Washington Hypocrisy

## The USA have electronic access to Swiss internal bank trade!

by Jean-Claude Paye\*, sociologist, Belgium

The important part of the UBS affair is not about what has been told – the American administration's actions against tax evading citizens – but what has not been told, namely the reorganization of the international financial system through the dominating power of e.g. big banks or corporations.

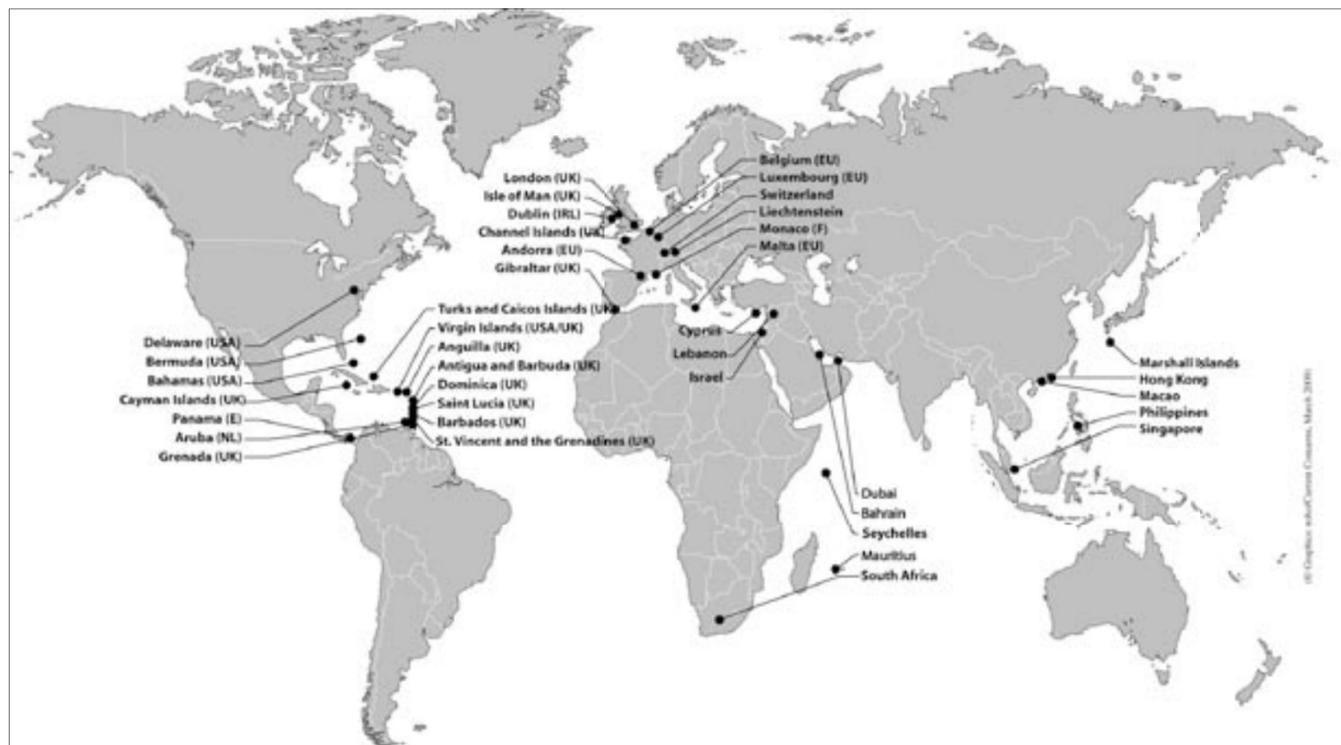
Ignoring Swiss federal legislation the Swiss bank UBS on 18 February assured to provide the American legislation with the names of approximately 250 customers who it had helped to evade the American revenue board. UBS also consented to pay a 780 million dollar penalty. However, the US administration could have obtained the list any way; this would never have happened if they had respected the Swiss procedural law or past conventions agreed upon and signed by Switzerland and the US government.

In order to cover up this procedure, the *Finma*, the Swiss authority for the monitoring of banks, applied a law, intended for situations, in which a bank is threatened by bankruptcy. This action was intended to evade the normal course of law and – without having to wait – to hand over the customers' names. The problem was the following: Either the bank data were handed over or else the bank risked a lawsuit by the American Department of Justice. One has to consider that in the past hardly any enterprise survived a lawsuit with or against the US Department of Justice.

The American legislation, however, has despite this delivery, broached the subject again. It now insists that the UBS identifies and delivers approximately 52,000 American customers to the Treasury, who possess an "illegal secret account or accounts." The queried accounts constitute a huge sum of 14.8 billion dollars. The demands were deposited with a lawsuit by the US administration at the Miami Civil Court.

On 20 February, the Swiss Federal Administrative Court announced its decision on the prohibition of the delivery of bank data re-

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ports about UBS customers to the American revenue offices. But the data of 250 UBS customers had already been passed on.

Washington economist *George Clarke* thinks, "this customer master list had certainly been known to the American treasury before." We can assume that the Americans had made the Swiss hand over a list of names that was already in their possession. The goal is not so much the enforcement of fiscal persecution but the attempt to force UBS and Swiss authorities to violate their own laws. Therefore, it is nothing but a poor act of show of force which places the US administration in the position to enforce a decision which injures the legal framework of power and authority.

The UBS' positive answer as well as its legitimization by the Swiss federal boards of control places the US administration in a position, which permits it to put forward ever

new claims beyond legality. Thus, the American sovereignty defines itself not only by the ability to demand special arrangements but to enforce a permanent state of emergency.

This approach reminds us of the way, which the US government achieved the transfer of PNR-data<sup>1</sup> from flight passengers as well as financial information about European Union citizens and European authorities. At first, by a pure act of power, they got hold of private personal information while at the same time violating European laws. This procedure was legitimized later by contracts with the European Union.

The fact that via the *Swift* server standing on American ground the US administration has access to the entire information connected with international financial transactions suggests that they already possessed a majority of data from UBS concerning 52,000

evaders of the American Treasury. Remember likewise that the US authorities have a special access to the monitoring systems today which control information exchange between banks within Switzerland due to *Remotegate*<sup>2</sup>.

The coding system used by the bank could not resist investigation by the NSA (National Security Agency), the American intelligence agency specializing in this field. Coded language which is used by trustees of the UBS, could not deceive an investigator for a long time: e.g. "orange" stands for Euros, "green" for a dollar, "swan" for one million and a "nut" for 250,000.

The American authorities with their latest demands to be provided with the information substantially violate Swiss legal procedures. Thus, the state is forced into giving

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## No Diversionary Tactic to Cover up American Mistakes!

*Konrad Hummler, President of the Swiss Private Bankers Association, assesses the attacks by the US and EU on the Swiss financial centre as a diversionary tactic.*

After "Switzerland's surrender" to American authorities they are up and about again: *Konrad Hummler* calls them 'puritans' and 'moralists' with regard to tax issues. In a report published in the "Handelsblatt" on 24 February 2009 as well as in a communiqué of the St. Gall private bank Wegelin, the director started an actual attack against the attitude of the United States and the European Union (EU) with regard to the bank secrecy. He holds the view that the US and the EU want to make Switzerland a "scapegoat" in order to divert attention from their own mistakes.

For the President of the Swiss Private Bankers Association there is no doubt: The political struggle waged against the Swiss banking secrecy is first and foremost a "diversionary tactic." In this context he mentions the British Trusts on the Channel Islands or in the Caribbean. Moreover, the US should first of all look into their own financial centres such as Delaware and Florida. He is also surprised about the American authorities, who appear so aggressive normally but have been acting rather cautiously in case of the Madoff scandal.

According to the St. Gall banker, Switzerland has impeccable reasons to throw the ball back to its defamer. Switzerland must be willing to discuss everything with its American and European partners – really everything he

adds ironically. And then he mentions the cocaine money in the US, the *Berlusconi* money and the terms of payment on Germany's black market.

### The US reversal of the burden of proof

With regard to the additional 52,000 names claimed by the US tax authority, *Konrad Hummler* accuses the US of "reversal of the burden of proof". To the Americans everybody is a suspect, he criticises in an interview with the *Bund* from 21 February. It is a "very questionable procedure" he says, as it is not possible for a bank to be sure if all their foreign customers pay taxes in their home countries or not.

What would happen if UBS delivered the names of all their customers to the American tax authorities? "The price for tax evasion will increase. Money will flow to more complex structures and to some dubious islands," he said. The banker estimates that provided Switzerland abandoned its bank secrecy, the financial centre would lose approximately half of its foreign customers' assets, which amount to about 1400 billion Swiss francs.

by *Yves Hulmann, Zurich*

Source: *Le Temps*, 26 February 2009

## Switzerland Could Initiate an Institution Against Offshore Tax Havens

The states need money – a lot of money to fight the current financial and economic crisis. And they want to take it where they can get it, from the rich, those rich concealing it from the treasury. Insofar the current debate has made one thing clear above all others: The global honeymoon season for the rich is over.

In this way the Swiss bank confidentiality is put under pressure. It protects the private sphere from the state and is therefore liberal in essence, but of course it also facilitates tax evasion. This is immoral and above all it causes great harm, especially to poor countries because, due to tax evasion these states have less revenues in their treasuries.

The Federal Council, it would seem, has lived too long under the illusion that this would be accepted forever. They were unprepared, now they have to develop a strategy from the defensive how they will lead Switzerland and its banking centre out of the crisis.

Switzerland will have to move, even if this will be connected with great economic disadvantages. If the country holds on to the status quo, it runs the risk of ending up on a black list of offshore havens. Switzerland would be put in the pillory internationally. Therefore, and because the UBS has brought Switzerland into trouble, the defense wall around the Swiss bank secrecy has been crumbling so easily in the last few days. Even in right wing circles who profited themselves as vehement defenders a few weeks ago. And how often in the past, when put under pressure from outside, has Switzerland reacted in a defensive, passive and difficult, that is in a typical Swiss way?

However, why not take the offensive now? If now the Federal Council decided to move instead of being moved, completely new perspectives would open up. On the international stage of politics Switzerland could proclaim that the country is fighting offshore tax havens. We can play our part in changing things. We have the expert knowledge how to proceed. However, we have one condition: Together with Switzerland all other countries alluring tax money have to amend their laws, e.g. Cayman Islands, Channel Islands, Singapore or Liechtenstein. This procedure would not only help the poor countries, but it would also lessen Switzerland's economic damage, less money would drain off from Switzerland to these offshore havens. Thus Switzerland could free itself from the economic pressure. Therefore, when pursuing this strategy it would not be surprising if suddenly the country would take part in the upcoming negotiations about the new global finance architecture.

Source: "Echo der Zeit", Oliver Washington, *Swiss radio DRS*, 27 February 2009

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*me. Switzerland's proposal to assist other countries in draining offshore havens/tax shelters might take the pressure off quickly. Great Britain, the USA, France with Monaco have offshore havens/tax shelters which they do not want to abandon. They only want to clear out the bank vault Switzerland. Such an assistance on the part of Switzerland, they will not like the sound of that at all.*

## “Banking Confidentiality Must Stand, But it May be Developed And Adapted”

### Facts regarding the US-attack

Barack Obama himself has given order to “storm the fortress Switzerland once and for all.” With this highest blessing, the Americans have – within merely a few weeks and with the help of the collected intelligence – boiled the UBS and the Swiss Confederation soft. The Americans do not care a straw about international agreements. They use the present general weakness of the banks, caused by the international financial and stock market crisis, to make an example of the world’s largest asset management bank. This has set the scene to give the other “unruly” banks a bashing, one after the other ...

Obviously, the burden of proof is so overwhelming that the UBS and Bern in servile obedience ate the humble pie. By handing over the documents even before all legal steps were finished, they ranked the Swiss Confederation among some compliant banana republics. It was made overwhelmingly clear these days that Switzerland is being treated like a pariah by the international community. Switzerland was admitted neither to the G8 meeting in Rome nor to the meeting of the finance ministers in Berlin, although – as was confirmed by insiders in Bern – it had virtually begged for entrance. The Americans even had the cheek to issue an ultimatum to Switzerland and the UBS. To the minute, mind you! Just as in a bad crime movie. And so they yielded – in a cloak-and-dagger operation. Only two minutes after the disastrous Finma decree in Bern, the documents had arrived in America. And they knew why: Those in charge knew well that an “interlocutory injunction” would be the next step. Among the abominations committed so far, this is the greatest, committed by the Finma in Bern and the well-versed lawyers of the UBS. Swiss laws were eluded elegantly and facts were accomplished ... Swiss consultants had visited their US customers 3800 times per year. Just imagine this! This means that every day, in-

cluding the weekends, ten Swiss emissaries were active in the US “in illegal mission” (as VR President *Kurer* has confessed on TV). This was more than just a few employees; this is a firm within the firm! It is logical that insiders speak of a “factory”...

An agreement has been achieved with the US Department of Justice, excluding penal actions within 18 months of “probation”. But UBS has to do more than sell its soul in this period. It has to terminate all these business dealings in the USA and has to pass on information about the owners of these bank accounts. This is a big pill to swallow and clearly against Swiss law. If a bank clerk passes on data regarding customers, he is liable to prosecution – without exception! How Switzerland and the Swiss banks perform this tight-rope walk will be interesting to watch. “It means squaring the circle”, observers in Bern say ambiguously [...]

But now the Americans are demanding the transfer of data regarding 52,000 customers. In short, they demand the complete UBS US-client database. These accounts have been installed over years and decades to hide them from the curiosity of US authorities. The rude US methods will wake up the UBS. The US authorities will select some successful customers and take them to court. [...]

The Swiss banking confidentiality has become the focus on the finance markets. The governments have made it the main topic of their recent G8 group and finance ministers meetings. “Bashing the banking confidentiality is always a big hit.” The position of the English Prime Minister *Gordon Brown* is incomprehensible. Precisely on his territory, the biggest European “tax havens” are located – Channel Islands. And there are Cayman Islands in the Caribbean. Does his left hand know what his right hand is doing? ...

On the grounds that its financial center was too small and too unregulated, Switzerland

will also be excluded from the upcoming G20 summit in April. But for the experts it is obvious: They want to ditch Switzerland when a new global finance architecture is drafted and the cards are once more shuffled in the international finance business. For Switzerland, this is a very serious situation. Politics and the Swiss Bundesrat (Federal Council) are expected to intervene vigorously in order to have some say in this business...

According to the latest statistics, Switzerland is holding a share of 30% of the international cross-border assets management world-wide, ranking undisputedly and clearly number one in the world! In the present turbulent times, this stirs up the envy of all the other players. About 1,100 Billion Swiss Francs, which is half the assets held by foreign customers in Switzerland (“off-shore money”), come from private investors. This underlines the importance of Switzerland and the Swiss banking confidentiality. The people did not come here for the Swiss mountains...

It is undisputed that Switzerland cannot abandon the banking confidentiality. It is the essence of all business. It does not have much to do with tax evasion or tax fraud (the fraction is small), but with discretion. Discretion in its classical form has only been offered by Switzerland where it was proven in many decades of international activity.

Surprisingly, also Switzerland – being under permanent pressure from abroad since the 1970s – has amended its banking confidentiality several times. Hence, the solution must be: “The banking confidentiality must stand, but it may be developed and adapted.” ...

Experts see the largest negotiation range in the extension of the so-called taxation of interest. This would make it less attractive for foreigners to use the banking confidentiality for the purpose of tax evasion. [...]

Since 2005, according to an agreement with the EU, a fraction of the interest on EU citizens’ capital deposited in Switzerland is retained. In the beginning, this was 15%; since last summer it was 20%; from July 2011 on it will be 35%. Three quarters of the money raised goes to the capital owner’s country of residence, the rest goes mainly to the Swiss federal state. This way, in 2007 Switzerland has transferred to the EU the nice sum of 490 million Swiss Francs, but Europe expects much more ...

Source: *Vertraulicher Schweizer Brief*, Nr. 1206, 26 February 2009.

#### Federal Councilor Merz: Retrieving combativeness or yielding

me. Recently Federal Councilor *Merz* has often been looking sourly into the cameras and kept an awkward silence.

He is putting a depressive veil upon the country that is contagious, although there is no reason for that. But his silent face stifles the spirit of resistance.

If he does not know how to go on or if he needs another recreation break he shall swap tasks and functions with Councilor *Couchepin*. Then the *Wallisan* “juicy root” may snarl in direction of Brussels and America. What is needed right now is a charismatic sovereign to lead the country. Someone who is not able to do so should – at least temporarily – leave the showcase to others.

#### Schnitzelbangg zum «Schweige-Merz»

«Dr Merz het no finf Bypass wider d Amtsgschäft übernoh,

doch s dunggt is, er wurd immer no nit viel Gscheits uuselooh,

drum schigged doch dä Merz nomol is Spittel ohni zmurre,

däm fählt ai Bypass naimeuure, zwische Hirni und dr Schnurre»

«d Striggede»

Schnitzelbangg: small satirical poem written on the occasion of carnival in Basel (Switzerland), 2009

## Globi’s Experience for the Swiss Federal Council

Huskies that are in a hustle often start to bite and tussle especially when tied in harnesses while Globi seems to be near madness.

Snarling, snapping or else growling nothing helps but leashes tying and a sharp command of “Sit”! the huskies take this as some wit.

Use the whip and let it smack teach the naughty and rude pack to take you as their alpha leader to what you say they then pay heed.

But Globi, unexperienced with whips very often though it slips at his head and in his eye Globi nearly starts to cry.

Anger makes him wild and eager plants himself before the leader snarls at him inflamed with rage submissively the dogs obey.

Alpha Globi takes the lead towards the hill the dogs do speed “Musher” – Appak calls him loud Globi looks so glad and proud.

(Translation Current Concerns)

\* *Globi* is at the age of almost 70 the longest-lived Swiss comic figure. *Globi* embodies a character full of resourcefulness, positive thinking, generosity and curiosity. Though sometimes mischievous, he is never cruel.



Similarities between the huskies and the Swiss Federal Council members are not accidental. (From: *Globi und der Polarforscher*, Globiverlag Zürich 2008, ISBN: 978-3-85703-357-5)

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## Calmy-Rey: “We Must Not Apply Double Standards”

by Benjamin Adler, Brussels

In Brussels, the choice of words is a religion, semantic is an art. *Micheline Calmy-Rey* knows the music and dominates her score. During her visit in a national context tensed by the UBS affair, the Swiss Federal Councillor presented herself in a relaxed and smiling attitude in order to calm down the situation. “The relationship is excellent despite the dispute concerning tax matters, which are not apt to harm Switzerland”, said the head of the Department for Foreign Affairs, who was talking to *Benita Ferrero-Waldner*, the (EU) Commissioner for Exterior Relations.

No, there is no open conflict between the Swiss Confederation and the EU, though the latter is strongly hoping that the agreement between UBS and the USA will become precedence for the exchange of bank data with the EU. Even better: This prickly subject was not even the primary topic between the two ladies. However, it was not entirely avoided, either. “Things cannot be measured with two different yardsticks. We, the Europeans, must be treated in the same way as the USA, on this the message the commissioner

“Judicial assistance is also given to countries of the EU in cases which the Swiss law considers as fraud.”



Amazed and perplex the EU Commissioner's gaze after comments aptly placed by her Swiss colleague. (picture keystone)

was clear”, affirmed an official of the Commission, specialized on the Swiss dossier.

### “The (Swiss) Bank Secrecy does not protect fraud”

A member of the General Direction for Exterior Relations continues: “The G20 of London (on 2 April) will partly be dedicated to the fight against the tax havens, but the EU has not yet decided about the position to adopt vis-à-

vis Switzerland, i.e. if it will possibly demand even more than the USA do. It is too early, and it is not such an urgent matter, either.” “The decision of the FINMA (Swiss Authority for the Control of the Financial Markets) is not a breach of the bank secret, because the latter does not protect fraud”, notes *Micheline Calmy-Rey*, ready to put things clear. By the way, the Commission is happy to officially confirm that Switzerland does not protect any

fraud. “Judicial assistance is also given to countries of the EU for cases which the Swiss law considers as fraud”, specifies a Swiss official in Brussels.

### Dialogue continues

In addition to the bank secret, the taxation laws of the cantons continue to divide Bern and Brussels. “We have made propositions which should respond to certain expectations of the Union. The dialogue continues”, says *Micheline Calmy-Rey*. *Benita Ferrero-Waldner* answers: “We have taken notice of these propositions. But they are not sufficient.”

However, between the Swiss and the Europeans, the litigious topics have not spoiled yesterday's main dish: The take-up of informal talks for the concept of a skeleton agreement. *Micheline Calmy-Rey* prefers to talk about a “proceedings agreement”. Experts of both camps will be scanning the terrain with regard to a possible mandate of negotiation, this time a formal

one. “The objective is to simplify, coordinate and to provide a complete overview”, comments the head of Swiss diplomacy, who gives first priority to the implementation of the consolidation of bilateral agreements. “It is out of the question to force Switzerland to adopt automatically the ‘Aquis Communautaire’”, argues *Mrs Calmy-Rey*, delighted that the EU respects the sovereignty of Berne likewise. • Source: *Tribune de Genève*, 27. February 2009

### “The USA Have Electronic Access ...”

continued from page 3

up its sovereignty in favor of the US authorities. On Sunday, 22 February, the Swiss Federal Council emphasized the sovereignty of countries, when it protested against the US threatening with one-sided measures and cancelled its participation in a hearing about fiscal issues and the UBS affairs in the American Senate.

This new American exercise of power is part of reorganizing the international financial system, which – by fighting tax fraud – differentiates between “tax havens” with the Swiss, and “offshore”-centers, like for example the financial centers in the Caribbean. Completely controlled by the US authorities, the latter could continue with all their activities to disadvantage their negatively designated competitors. The United States and their satellites in the Caribbean control a market of “grey money”, which is nearly just as large as Switzerland's, since they are second in the administration of “transnational fortunes”, right after the financial center Switzerland. As a consequence of the US offensive, Switzerland which still holds a third of the world's savings market administrated outside the countries of origin – could very soon yield the floor to its main competitor. •

(Translation *Current Concerns*)

<sup>1</sup> In the travel industry, a Passenger Name Record (PNR) is a record in the database of a Computer Reservation System (CRS) that contains the itinerary for a passenger, or a group of passengers traveling together. The concept of a PNR was first introduced by airlines that needed to exchange reservation information in case passengers required flights of multiple airlines to reach their destination (“interlining”). [...] The record locators of the copied PNRs are communicated back to the CRS that owns the Master PNR, so all records remain tied together. (Source: [http://en.wikipedia.org/wiki/Passenger\\_Name\\_Record](http://en.wikipedia.org/wiki/Passenger_Name_Record))

<sup>2</sup> remoteGATE enables financial institutions to access the payment traffic in Switzerland and in the euro area without additional interfaces. Online, around the clock, worldwide. (Source: [http://www.telekurs.com/tkicch\\_home/tkicch\\_financialinstitutions/tkicch\\_financialinstitutions\\_multisic\\_one-level-down/tkicch\\_financialinstitutions\\_remotegate.htm](http://www.telekurs.com/tkicch_home/tkicch_financialinstitutions/tkicch_financialinstitutions_multisic_one-level-down/tkicch_financialinstitutions_remotegate.htm))

## Former US Ambassador: “Switzerland is a Stable and Responsible Republic”

by Faith Whittlesey,

US Ambassador to Switzerland 1981-83 and 1985-88, chairman emeritus of the American Swiss Foundation

The *Obama* administration will face on Monday what many may regard as a first test for the new “partnership” it is seeking to promote in foreign policy. When *Eveline Widmer-Schlumpf*, the Swiss Federal Councillor in charge of police and justice, meets *Eric Holder*, US attorney-general, the final item for discussion – according to her ministry's press release – will be US demands for data on American holders of accounts at UBS, the Swiss bank.

This issue, a tiny coda to stories about troubled banks in the US, has been the lead story in Swiss news papers and on Swiss television for days – with no sign of cessation. Both UBS's leadership and *Finma*, the Swiss bank and insurance regulator that sanctioned a release of some customer data to the US justice department, have been pilloried – from across the Swiss political spectrum – for compromising banking secrecy and sovereignty.

The most intense anger has, however, been directed at the US government, which – via the justice department and the Internal Revenue Service – rode roughshod over two bilateral agreements to which it is a signatory. That is, the US ignored formal, negotiated understandings with a long-time friend, a constitutional federal republic where rule of law is enshrined, and a nation that was prepared to work with US authorities to repatriate Guantánamo inmates, in line with its role as a high contracting party and depository of the human rights convention.

It has been a harsh wake-up call for the Swiss who, like many Europeans, were swept up in the excitement of Barack *Obama*'s victory and hopeful that the new administration's words about multilateral co-operation were more than campaign bromides.

The Swiss Confederation's first experience with the new administration is of a superpower exerting raw Goliath power, ignoring its

own diplomatic undertakings and taking advantage of Switzerland's size and the stereotypical misunderstanding of Swiss bank secrecy laws. US authorities are seen in this instance as being once again arrogant and bullying. The apparent hope of UBS and *Finma* was that a settlement of a criminal complaint about abetting tax fraud would mollify US authorities. UBS agreed to a \$780m (Euro 615m, £546m) settlement and to supply information on approximately 250 customers suspected of tax fraud.

UBS and Swiss officials were stunned when the IRS, within days, filed a civil complaint that included a demand for information on 52,000 American UBS customers. A Swiss financial oversight court has ordered UBS not to fulfil this demand. Thus the bank is in the awkward position that its officers would have to violate Swiss banking law to fulfil the US demand.

Switzerland is a stable, responsible republic and a reliable partner in combating drug trafficking, terrorism and other threats. Although small in population, Switzerland plays a significant role in the financial world. Its investment in the US also provides approximately 500,000 jobs for Americans. As a result of this action, Swiss confidence in the US might well diminish, with new jobs going to other countries, possibly in eastern Europe or Asia.

Characteristically (and consistently), the Swiss honour their agreements. Switzerland negotiated a legal assistance treaty with the US that provides mechanisms for sharing information about bank accounts when there is reasonable suspicion of criminal activity or tax fraud. Swiss officials are adroit in responding to inquiries that fall within the letter and spirit of this agreement. Fishing expeditions that appear to be driven by the exigencies of the financial crisis and rely on a public



perception of Switzerland as a haven for dirty money will inflame Swiss opinion.

One of the largest Swiss political parties is agitating for retaliation that would include discontinuing Swiss representation of US interests in countries such as Cuba and Iran, where the US does not have embassies. Perhaps 1 million jobs in Switzerland depend on the financial sector. Harsh unilateral US policy could lead to additional hardship among the Swiss during a worldwide crisis that is widely perceived as largely the US's fault. This could result in more virulent anti-Americanism.

We must hope when the attorney-general and the minister sit down together, the *Obama* administration will have resolved to treat an old, reliable friend with the care and thoughtfulness it is showing to regimes that have not been as friendly and reliable. • Source: *Financial Times* US edition March 2, 2009

## “There is No Reason to Abandon our System”

Fulvio Pelli to the demands of the high-tax-countries towards Switzerland

*Fulvio Pelli:* You must not say “we”. I didn’t do anything, neither did you. A bank, a correct bank, has broken its duty with respect to the Swiss laws and the American laws, grossly so, and has placed itself in a situation which has led to the problems. There are hundreds of other banks in the country which have not acted in this way. [...]

This discrimination [between tax evasion and tax fraud] is a Swiss construct made for the Swiss in Switzerland. Like the Swiss bank secrecy. This is no problem of the European Union. If the European authorities require any legal or administrative assistance, they do not differentiate between tax evasion and tax fraud. And my experience as attorney tells me that the law is almost always on their side. In 99 per cent of the cases they get the information. The European Union does not want an improvement of this procedure. What the European Union – under pressure of Germany, France and all the other high-tax-countries – want is a system of direct information. [...]

The true problem is: How are we going to solve our problems with the banking information abroad in future? And we must solve them on the basis of our own principles. Our principle is: There is a private sphere in Switzerland also concerning our pecuniary circumstances, and there is no reason to abandon this system in order to solve the problems of a German minister of finance.

*Dieter Kohler, DRS (German Radio Switzerland):* “That is to say, if it is of no external importance, it could be eliminated on the exterior and Germany could be informed: Tax fraud or tax evasion – this distinction will no longer be kept up for you.”

There is a problem here, because in Switzerland all human beings are equal before the law. And if we decide that for foreigners in Switzerland it would mean a decision for the Swiss in Switzerland as well. That would mean that the revenue boards of the Canton of Ticino or the Canton of Zurich could demand information from banks without any

problem. And I doubt very much that this is in the Swiss interest.

This distinction [between tax evasion and tax fraud] has nothing to do with law, but with procedure.

False information is being spread. In Switzerland as well, it is illegal not to pay taxes, to evade taxes and also to defraud the revenue board. All this is forbidden. There are immense fines for those who commit these offenses.

The distinction between tax evasion and tax fraud only has meaning in the context of a law suit. If a law suit is taken up against a person, the revenue board has certain rights to obtain bank vouchers in the case of a grave breach of tax law, and other rights in less serious cases. And only here, the distinction plays its role. •

Source: Fulvio Pelli, President of the Swiss Free Democratic Party in “Samstagsrundschau” on Swiss radio DRS, 28 February 2009.

## Army should soon be ready for mobilization

Economic war may escalate

*me.* One must not underestimate the scenarios of a general intensification of the present economic war. In case more banks collapse, mass unemployment becomes imminent, and states go bankrupt, escaping into a war may become a state’s conceivable option – as history taught us.

*Hitler* needed 6 years to become ready for his war, today things are moving much faster. We have to seriously reflect the possibility of military aggression or air raids against Switzerland performed by France and Germany. Federal Councillor *Maurer* must do his utmost to render the army remnants left to him by his predecessor able to be mobilized. At least a few battleaxes should be available if necessary. From this it follows:

Security policy must not be of secondary importance any longer. Security policy, namely one orientated towards the defense of Switzerland must be of the greatest concern to our wisest thinkers. •



### Voice of the Industry

“He who facilitates fraud  
he who tolerates fraud  
he who knew about fraud  
has to take responsibility for it  
has to be replaced or  
even has to be punished.”

*Johann Schneider Ammann, Entrepreneur, Member of the Federal Council, President of several industry associations, Schweizer Radio DRS 1, 28.2.2009, 8.00 am*

### The New Voice of UBS

“UBS has to ensure that  
we do not break law in  
other countries in any case.  
I take this for granted, but  
it has to be understood  
by each of our employees  
that we are not allowed to  
do this.”

*Oswald Grübel, new CEO UBS (former CEO Credit Suisse) Schweizer Radio DRS 1, 28.2.2009, 8.10 am*



## “My Banker Told Me...”

Who wants to destroy Swiss banking?

*cc.* The recently published, fascinating and very instructive book “*Mon banquier m’a dit... Qui veut détruire la banque Suisse?*” was the product of conversations that David Laufer had with eminent specialists of the banking and economic world (see inset, p. 7). The book examines the perspectives of the Swiss financial center in the context of the world financial crisis. It should soon be translated into English.

We are publishing an extract from the first chapter, which consists of six questions put forth by David Laufer and six answers given by the economics professor Luis Suarez-Villa. The two questions and answers reproduced below are from pages 32 to 29.

*David Laufer:* The golden years that have abruptly ended have also given rise to what some would characterize as “casino capitalism”, with its cohort of golden parachutes and other scandals. By now, the sub-prime crisis has affected almost everybody. This crisis is in the process of redefining the parameters of the entire banking sector. Owing to their activities, Swiss private bankers, with the noteworthy exceptions of UBS and Crédit Suisse, are proud to announce that they are not suffering at all from this downturn because they never invested a penny in sub-prime-mortgage-backed securities, all in keeping with a certain loyalty to typically Swiss values of prudence and long-term vision. Do you agree with this image?

*Luis Suarez-Villa:* The global financial crisis, the loss of wealth and jobs, the galloping inflation and the growing poverty throughout the world stemming from it all, will probably provoke an angry reaction. Is it surprising that private equity conferences are interrupted by angry demonstrators?<sup>13</sup> Is it surprising that thousands of workers, from Cairo to Dhakka, or in Port-au-Prince, are violently rebelling, in despair over the increase in the price of basic food and fuel? Is it surpris-

ing that banks’ investors and employees are angry when they see the “golden parachutes” of the bank directors who are responsible for enormous losses suffered as a result of very serious errors in judgment? We have only just begun to see what will perhaps be a long adjustment process within the financial system, with the risk of substantial shrinking of the world’s financial resources.

This 25-year wave of deregulation that began in the 1980s in the United States under the Reagan administration and spread to the rest of the world is maybe coming to an end. It is more and more obvious that the financial system cannot continue as it has until now, with the banks as sole judges of the design of extremely complex financial instruments that they themselves do not understand but which they nonetheless promoted and sold throughout the world to investors. Since Switzerland did not participate very actively in financial deregulation, it will be spared some of the damages and adjustments to come, but practically no country is safe in the highly interconnected world in which we live.

The image of Swiss mega-businesses is fairly tarnished right now, not only because of the losses that they have incurred but also because of the golden parachutes that the departing managers have benefited from<sup>14</sup> all while abusing their clients’ privacy, as in the case of UBS. The Swiss mega-banks are without doubt the most affected, but also the other Swiss banks will be affected as the crisis evolves. The current banking system is highly interconnected, and a crisis of this magnitude will spare no bank, even if there have been no investments in sub-prime mortgages nor any other implication in securitized debt or in any other instruments.

For example, in the money market, the banks lend each other money frequently, and the lack of trust in their respective balance sheets is putting a strong break on this. The balance sheets of several, in particular those of the United States mega-banks, seem most-

ly devised in the realm of fantasy.<sup>15</sup> Most of the debt derivatives and other investment instruments in their portfolios cannot be assessed since their market disappeared several months ago. What, then, are the banks doing to attribute a value to these instruments? They have valued them by inventing a mark-to-model schema<sup>16</sup> or an ad hoc assessment to create a value for these non-liquid instruments. Accordingly, a value is established artificially by a mathematical model that functions according to criteria that the bank itself has programmed into the model. Thus it is that the banks themselves invent a value for their holdings on their books, as they see fit, and there is no regulatory oversight of these practices. Moreover, each mark-to-model schema is different depending upon the bank, which means that there is no uniform standard, no stable benchmark throughout the whole banking system for the values thus conjured up. This is totally artificial, yet it would seem to be impossible to prevent this process given the way things are going today.

The central banks, such as the Federal Reserve, do not want to get involved in setting standards for assessing the value of these non-liquid instruments or even regulate the mark-to-model schemas. Why? Because the Federal Reserve itself, with its gigantic army of talented analysts, does not understand these instruments. They are so complex and new that it is practically impossible to understand them completely even now. How could the Federal Reserve regulate what it does not understand? By the same token, the Federal Reserve is afraid of triggering a panic that would result in the collapse of the United States financial system and possibly the system of the rest of the world if it intervened in the banks or if it even gave the impression that the banks’ balance sheets had problems. Can you imagine what would happen if a director of the United States Federal Reserve, inadvertently gave the impression that the balance sheets

of a large number of banks were not worth the paper they are printed on?

At the same time, the banks are crossing their fingers and thinking that luck will be with them, with the result that the problem of all these complex, non-liquid instruments will just disappear. To avoid a panic, the mega-banks are gradually recurring to amortization or a slow reduction of the value of their non-liquid instruments, a bit each quarter, usually packets of billions of dollars. The instruments that they are keeping on their balance sheets are then artificially valued by mark-to-model methods, until they are amortized or suitably reduced. The bank managers are hoping for a miracle, hoping that demand for these instruments will pick up again. However, the current financial crisis seems to be deepening rather than lessening, contrary to the banks’ hopes. The bankruptcies, both personal and commercial, are increasing, while the loss of jobs, the collapse of the real estate market, shrinking consumer activity, defaults on debt payment and galloping inflation are only aggravating the problem.

*David Laufer:* Banking secrecy is a corner stone of the Swiss banks’ power. The debate has been raging for years: should we yield to pressure, particularly from the United States, to abolish it, or should we ask that the countries at the source of this pressure first clean up their own fiscal policies? The scandal of the Jewish funds during the 1990’s permanently marked those touched by it, and there is no indication that the matter is about to be forgotten. Would you have any advice to offer to the Swiss bankers?

The competition among banks will probably increase, and the Swiss banks must prepare to face a vast panoply of serious challenges in their international competition. The only characteristic that distinguishes a Swiss bank from most of the others is probably in the value that

continued on page 7

## Bertelsmann Pamphlet against Switzerland

A commissioned work produced in the «rogue state Germany»?

ev. On January 30, 2009 the book "Rogue State Switzerland? How the biggest state of banks in the world corrupts and destabilises other countries" by two Swiss journalists named *Viktor Parma* and *Werner Vontobel* was published by *Bertelsmann* – a frontal attack against Switzerland written and constructed with fire and brimstone.

### Campaign timing

To a considerable degree, the timing of the initiator's intentions of this elaborate scheme is suspicious. Obviously the book was written in a great hurry: between the summit meeting in Washington, on November 15, 2008 to which *George W. Bush* invited the representatives of the 20 biggest industrial and emerging markets and the summit held by *Angela Merkel* in Berlin on February 22, 2009 – both preparation summits for the World Finance Summit to be held in April by the G20 states in London. Accordingly the book was circulated before and after February 22 in the media.

The inaccuracies it contains and frequent lack of references, which also a German radio reviewer complained about, can obviously not only be attributed to time pressure,

but appears to be method. Well-known issues are merged with unattributed allegations and (barely confirmed) details suggested by various persons. In choice of words and portrayal, the Swiss are presented as a deceitful people who only think of their own advantage, while on the other hand, the pressure from foreign countries is presented in very accommodating and understanding terms.

### Switzerland is to blame for the weather

No real knowledge is presented to the reader about the Swiss tax system and the historical background, and most of all, there is no actual analysis of the present financial and economical crisis. Above all it leaves a special impression: From the French Revolution through the decline of the Weimar Republic, the Second World War, the hunger in the world and today's worldwide crises – all can be attributed to one scapegoat: the Swiss tax system and Swiss banking secrecy and the Swiss banks.

Nobody doubts that certain practices of certain Swiss banks should and could be critically examined. But this conglomeration of historical absurdities aims at achieving something else. The question is: Cui bono?

To do such a favour to the advocates of a central EU tax system and a transparent citizen whose accounts and payments should be available to the tax authorities at any time, can barely be regarded as a serious contribution to a more just and more democratic order. Instead of looking into the true background of the financial crisis, the reader is being diverted from the true protagonists and causes, and an atmosphere is being created to prepare the ground for centralistic measures.

### Like in the 90s

As in the mid-90s campaign against Switzerland, certain books and reports were commissioned at particular times and were published at an appropriate time before certain decisions were taken, in order to influence them. A well-timed book published before the EU summit, before the end of the US ultimatum to UBS and before the upcoming decisions in April pursuing cheap propaganda, has "PR campaign" written all over it.

Incidentally the term "rogue state" is a well-known concept of a certain world power that has created a pretext this way to break and trample under foot all rights and international law.

### Sins of the USA

ev. Instead of reducing the huge US defence budget and using the funds thus released for public health care and investing in infrastructure and education, *Obama* has increased the 2010 Pentagon's base budget alone by more than 4%. Is this to finance further wars in violation of international law to control and exploit the world?

700,000 Iraqis have been killed, 1.5 million previously as a result of the sanctions, in Afghanistan (and also in Pakistan) the civilian population is being bombarded every day, the torture centres are still in use, the secret service is planning its murder assignments all around the world, while after 500 years, the USA have still not been able to find a reconciliation with the Native Americans of their continent.

### "My Banker Told Me ..."

continued from page 6

the Swiss attach to the respect of privacy. The Swiss financial sector, so important for this country, has been largely built on the respect of privacy. This has been so to such an extent that if this fundamental value, privacy, is compromised or destroyed by the banks or the Swiss authorities, the Swiss financial system will not be viable in the world we are faced with in the twenty-first century. Many banks across the world can provide careful attention, even meticulous attention, to the needs of their clients, but only the Swiss banks and Swiss law have in the past guaranteed the level of respect for privacy that many clients are looking for. On the other hand, the Swiss mega-banks risk not being able to cover the loss of clients that they will suffer in Switzerland when they accept to reveal their clients' data to foreign authorities. UBS would seem to have acted in such a way by furnishing data on its clients to the United States authorities in 2003. The profits resulting from their entry into the gigantic United States market were apparently supposed to more than counterbalance any loss of clients and volume of business in its Swiss operations. But has this strategy paid? If the gigantic losses recently revealed by UBS in its operations on the United States market are taken into account, plus the further enormous legal fees entailed by the litigation it must face in the United States arising

from its practices, its violation of client confidentiality and other problems, perhaps no. The future will tell. What seems sure is that that, as UBS becomes a mega-bank like any other and forgets its Swiss values and roots, it becomes less competitive in the world. The deswissification risks turning out not to pay in the long run.

<sup>13</sup> For ten years, the biggest equity funds of the world had met annually in Frankfurt without attracting attention. But in February 2007, with the crisis coming to the fore in the United States, the surprised participants were greeted by crowds of demonstrators furious over "this plague of thieves." At the same times, the KKR and Texas Pacific Funds announced one of the biggest operations in the history of private equity with the buyout of the Texas energy broker TXU for \$44 billion.

<sup>14</sup> At the time of this printing, a vast national campaign in Switzerland was demanding that the managers and former managers of UBS give back the 2007 bonuses and give up those for 2008.

<sup>15</sup> Three months after this conversation, on 23 September 2008, the FBI announced that it was opening an investigation into possible accounting fraud in 26 financial institutions. Among those apparently targeted by the investigation are the more recent major victims of the crisis, to wit the mortgage banks *Fannie Mae* and *Freddie Mac*, *Lehman Brothers* and *AIG insurance*.

<sup>16</sup> Alluding to the mark-to-model method, in a February 2009 intermediary report, the Bank of France's Forum of Financial Stability, according to the French financial daily *Les Echos*, called for "more accuracy in setting up assessment methodology."

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### My banker told me...

#### Who wants to destroy the Swiss banking center?

Conversations about the future of the banking centre Switzerland in the context of the worldwide financial crisis. Moderation *David Kaufer*.

Panelists:

- *Alan Berset*, Councilor of State, Fribourg, SP (Socialist Party)
- *Georges Blum*, former CEO of the Swiss Banking Association, SBG (Schweizerische Bankgesellschaft)
- *Michel Dérobert*, General Secretary of the Association of Private Bankers
- *Matthias-Leonhard Lang*, Director of a Crédit Suisse bank branch (Switzerland Ltd)
- *Christophe Reymond*, Director of the Centre Patronal Vaudois
- *Luis Suarez-Villa*, Professor of Economics at the University of California

This book is available only in French.

# Food Sovereignty – in Defiance of Neo-Liberalism

by Reinhard Koradi, Switzerland

There are various reasons why it is important to think about our system of food supply. On a medium to long-term basis global warming, the irreversible depletion of natural resources, the destruction of rural family businesses and the infuriating disparity in food distribution will lead to dramatic shortages, even in our latitudes. No less a threat are the spectres of a breakdown of our food supply caused by natural disasters, or a shocking rise in prices as well the consequences arising from political and military conflicts. In the past we became dazzled by a deceitful sense of safety and neglected one of our most obvious tasks, i.e. to protect and enhance our self-sufficiency. A vast majority followed the reforms – which entailed a radical change of society according to a neoconservative dogma – and this led among other things to the fact that we are a world away from solving the problems of hunger and poverty. In August 2008, the



Today food sovereignty is not only a task for so-called poorer countries. (picture caro)

*World Agriculture Report* unmasked the neo-liberal lie and discovered an urgent need for action. The report unequivocally documented the infamous deficits of a global economic system that provides maximum profits for a small unscrupulous minority. The authors of the *World Agriculture Report* call for a fundamental re-orientation in agricultural and economic policy, and place special emphasis on food sovereignty for all peoples and nations.

## Solidarity and self-responsibility must be used as shock absorbers

For centuries, the rich countries have increased their wealth by exploiting the so-called less developed countries. The abundance on the side of the wealthy is countered by the misery of the poor on the other. We make others work hard, suffer from hunger and sink into poverty so that we can establish wellness and leisure centers and a service and information society that hardly creates anything of material value. What is dramatic is that the majority in the industrialized countries have not yet realized that they, too, will one day be the losers in a new social order – unless citizens' resistance against injustice is formed. We still look up to those 'above', even when the very foundations of our safe existence are taken from under our feet. As single individual fighters we try to save what can be saved. However, the time calls urgently for us to unite and fight against injustice, excessive wealth and a greedy elite. We should have as little tolerance for people in the Southern hemisphere to live primarily in hunger and poverty as we should for Western industrialized countries to destroy the foundations of social security.

The current financial and economic crisis is a further attempt to put the 1989 "Washington Agreement" of the World Bank and the IMF (International Monetary Fund) into effect. We are all to be convinced that any negotiations and discussions on economic ideas that do not fit into the free market pigeonhole are to be prevented. The *Washington Agreement* is an instrument in re-launching a strategy for restricting democracy. Its most important component is snuffing-out the free democratic demand for self-determination – which represents the greatest threat to establishing a neo-liberal, global economic system based on the *Chicago School*.

Most alarming in this context are the demands voiced at the Berlin summit on 22 February, convened by Mrs *Merkel* in preparation for the G20 Summit in London on 2 April. With the help of a new "financial market architecture" sovereign states are to be subordinated to a global control organ. With the help of sanctions, the IMF, the World

Bank and the World Trade Organization are authorized to force "indignant" states to submit their sovereignty to a global set of rules. Democracy – which provides for citizens to have a voice in the decision-making process, and which is the most effective bulwark against the tide of an unlimited free-market economy – is to be completely destroyed. Nothing should be left with the power to put the global high finance's greed for power and profit and with it, its destructive commercialization and destabilization of national economies in its place.

We must counter the global ruling powers' measures by uniting in solidarity for freedom. According to the motto "one for all and all for one", we should prevent our job security, social care, working health and education systems, traffic and supply infrastructure from being mired in neo-liberal aberrations.

## Bursting bubbles devour national wealth

The bubbles of our current global financial and economic system have burst – or were burst respectively. The gap between material and capital economy set off an enormous landslide, which tore already somewhat unstable national economies into an abyss. Our national wealth, which was developed over generations, is also to be sacrificed to the neo-liberal "golden calf". Billions and billions of dollars, Euros or also Francs are paid into a rotten system – without saving a single job. Even worse, companies have been paid by public funds to present "recovery plans" which will cause the loss of thousands of jobs. Europe estimates an unemployment rate of at least 10%, and this might probably be a "sedative prognosis". European states are brought close to ruin by financial aid for distressed industries and banks. Although state bankruptcies will be rare, the pillaged treasuries and enormous gambling losses on the part of the provisional and social institutions are a good way to force its citizens to "voluntarily" relinquish their rightfully acquired rights, their saved capital and social security. We may rightly ask whether the whole misery with its destruction of jobs, breakdown of financial and economic systems and insolvent states was perhaps launched as an ideal means of dissolving any resistance to neo-liberal reforms.

We may not have to go as far as that. Instead of becoming paralyzed by fear and terror for our vital needs, we must overcome the shock and organize resistance. By concentrating on the essential things, taking over responsibility, uniting in accordance with good democratic tradition, and acting commonly. Help towards self-help also belongs to the political demand for genuine democracy and self-determination.

Solidarity, self-responsible thinking and acting to secure one's existence is the crucial power, which will provide us with the necessary independence to protect our (world) community and ourselves from the destructive forces of a neo-liberal free-trade doctrine.

## Breaking the global economic dictatorship by food sovereignty

Peoples' self-determination on what is cultivated on their fields, harvested, stored and finally served on the family table is a direct way out of the current global rule of world trade. When people have regained their sovereignty over their food supply and thus over their agricultural and commercial policy, other economic sectors will break away from the global economic constriction. The first priority, however, lies in the protection of one's own existence by sufficient and proper food; this problem will be answered when families, village communities, regions and states have nutritional bases at their disposal, guaranteeing that no one will suffer from hunger any more, become ill or even die from spoiled food and beverages. Climate, geographical, cultural and economic conditions in all their variety and differences must be respected in this process, and solutions must be developed according to the needs of the population.

Let us regain sovereignty over our food supply. Originally, this term was invented by *La Via Campesina* – a worldwide union of small farmer and agricultural worker organizations. This union developed not least from the increasing discontent on the part of farmers and their families who were being threatened by increasing globalization, which in the meantime has also had considerable influence on agriculture. *La Via Campesina* states that the global rural economy does nothing but serve the export interests of large industrial nations and international agribusiness. They fear that the needs of the rural population and the requirements of food security are being ruined by the WTO. *La Via Campesina* wants to prevent the sellout of agriculture and the destruction of self-sufficiency. The organization is committed to the improvement of the working and living conditions of small farmers and agricultural workers through fair trading terms, an increase in social justice and the employment of a sustainable economy worldwide. On the occasion of the World Food Summit in 1996, *La Via Campesina* called for the food sovereignty of all peoples! In the meantime, an increasing number of reliable farmer associations, NGOs and recently the *World Agriculture Report* have unequivocally expressed this demand as well.

People have to re-learn to live on what the immediate environment provides them. A bal-

ance between man and nature in relation to the immediate surroundings must be found. A small-scale natural cycle of production and consumption – without squandering and destroying the natural basis for production and livelihood – are necessary. Over time this would free us from dependencies and put our food supply back into our own hands.

## Concrete steps toward food sovereignty

There is no doubt that food sovereignty today is not only a task for so-called poorer countries, but also for the rich countries and so for Switzerland, as well. In the interest of a worldwide fight against hunger, each country is asked to solve its problem of self-sufficiency. This is an act of solidarity and has nothing at all to do with protectionism. The popes of world trade may protest and governments may be stuck in their points of view – it is the population that has the right to call for the protection

of their own food supply.

The right to self-determination over food production, processing, storage and distribution, in quantitative, qualitative and ecological regard must be satisfied by few crucial basic conditions. Each country has to make sure that:

- natural resources are to be preserved by careful handling and used in such a manner that a high degree of self-sufficiency can be ensured in the long run – including future generations.
- the cultural heritage and the values of the agricultural population are to be respected and have more than only folkloristic importance.
- it ensures a free access to productive land, seeds, water, knowledge and possible safety measures for all farmers, independent of their farm size.
- the production of healthy, high-quality food, in co-ordination with the geographical, climatic, cultural and economic conditions, has priority with national backing programs.
- the production is predominantly limited for the national requirements and/or for local or national markets and basically serves the supply of the population with sufficient natural and healthy food.
- existing production, processing, and logistic structures regarding both fallow zones and sizes of company provide an ideal starting point for the local, small-scale supply of the population; they are also to guarantee the greatest possible security for supplies in difficult times through flexibility and the sharing of risks.
- all necessary structures are to be integrated in small-scale food supply.
- the farmers are to be paid appropriate prices for their products securing their livelihood.
- measures for the prevention of surplus production are prepared and appropriately made use of.
- the possibility is established to seize protective measures against the import of "cheap products" and to effectively use internal support for the basic food production (e.g. higher prices).
- a strict prohibition is implemented against export help and an internal support of exportation at prices below the production costs.

And finally: Those who have not yet done so should furnish their pantry and store supplies, cultivate a family garden and learn the basics of a simple healthy kitchen. Above all, we should develop a small-scale network in our neighborhoods and villages and establish friendly ties with others and with farmers in order to help each other and ourselves. •