

Current Concerns

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Expanding the thinking

We are witnessing a new era in Asia –
in contrast to North America, Europe is in danger of missing the same

by Urs Schoettli

cc. Many politically active thinkers have noticed in recent weeks that in some places, the equilibrium is shifting and the screws are adjusted anew. Does our thinking lag behind reality? Have we been fed only with polemics about entire parts of the world since the Lehman Brothers crisis?

That means that thinking needs to be expanded so that it can focus on reality. The following articles are devoted to this issue.

While in Europe one crisis chases the next and tunes of gloom and doom are sounded, major developments are underway in Asia that give rise to optimism. Unfortunately, the historical turn of an era is perceived in a very limited manner in Europe. The US as a resident state of the Pacific Rim are more on alert.

Coming from Asia it is not a pleasant matter to visit Europe, currently. The Western World seems to have once again fallen victim to one of its collective civilization tantrums. An apocalyptic mood prevails everywhere, with respect to the euro, the climate, democracy and the market economy. What a dramatic difference to the euphoria following the fall of the Berlin Wall, when the Westerners thought that world history would now be written anew once and for all time, the noble values of liberalism would meet with worldwide recognition.

Under such circumstances it is difficult to be optimistic, and yet we want to take a chance. First we must recall once again that the Europeans of the 68 generation are among the most favored generations of world history. Not only could they benefit from the unprecedented prosperity and peace of the last six decades, they could as well witness two positive turning points in world history: the disappearance of the Iron Curtain in Europe and the re-emergence of Asia – not only its return to the world economy and to world politics, but also, and above all its cultural and intellectual renaissance.

Cause to be optimistic

It is due to a persistent Euro-centrism that up to now the Asian Renaissance has

not yet been perceived by the intellectual mainstream in Continental Europe as a major turning point. What knowledge is being developed at universities about the development in Asia remains largely confined to an interested audience. What is lacking is the reflection and classification of the historical changes in Asia in a general critique of the times. The main task is to adequately comprehend the dimensions of the Asian Renaissance. What is going on today in India, in China and in Japan, how Asia positions itself in the world of the 21st Century, has its origins in a more distant past, which cannot be comprehended within the traditional world history, which has largely marginalized the Orient as exotic. Thus, for instance the discussion of the Confucian concept of the state in new China, or the relevance of the *Meiji* Restoration in Japan for pending reforms should finally be picked up in Europe as well.

The historical and cultural classification of the beginnings of Asian renaissance could certainly help to brighten up the rampant pessimism in Europe. Where do we find the overdue acknowledgement that we, despite of all the problems that worry us from Iran to North Korea, from Syria to South Africa, live in a time in which also optimism is justified? What can there be more splendid than to experience how in countries of continental dimensions two centuries of self-inflicted and externally caused decadence have been overcome, that about a billion people are freed from bitterest poverty, hundreds of millions of households have moved up into the middle class, new industries, the most modern infrastructure and glittering cities are being raised, the general level of education is being raised and dozens of universities can join up to the best in the world!

The perception of the new Asia in Europe is ambivalent. On the one side there is the corporate world, which has discovered Asia since long and does lucrative business there. Since long there are not only multinational and big companies, but also SMEs who have discovered Asia as a

market and production location. Just Switzerland and Germany, which in contrast to many other European countries can still count on a competitive and highly innovative manufacturing industry, know how much the prosperity of the Old World depends on Asia's welfare by now. On the other hand, there are also fears in the face of the "yellow peril" that Asians could buy Europe and steal its jobs.

Knowledge about Asia as an educational mandate

The short-winded media are focusing once again on sensations and wrong developments in Asia. A majority of reports make India appear as a subject of corruption and poverty, China is described regarding violations of human rights and regarding the persecution of dissidents. And as for Japan, the headlines are full of reports on the catastrophe at the nuclear site of Fukushima. Of course it is the function of a free press to denounce irregularities, but if commentators who have hardly ever lived in Asia and foreign correspondents who after a short time know everything better than the locals, if those people define the level of information alarming distorts are of course, the inevitable consequence.

It proves to be fatal that the knowledge about Asia does not count among traditional Western educational subjects but if this was the case, it would permit the Europeans to correctly evaluate the enormous changes Asia has gone through in the last three decades. Whereas in the Anglo-Saxon world a far stronger cosmopolitanism of language and media permits Asian voices to gain direct publicity, in Continental Europe notwithstanding there is the paternalistic fug of a number of self-nominated experts who are as arrogant as to occupy the monopoly of interpretation and explanation of what is the mentality the "Asiatic type", the "Chinese type", of the "Indian type" or what it should be. Especially concerning the "Middle Kingdom" where there has been a long tradition of Euro-

Post-US world born in Phnom Penh

by David P. Goldman

It is symptomatic of the national condition of the United States that the worst humiliation ever suffered by it as a nation, and by a US president personally, passed almost without comment last week. I refer to the 20 November announcement at a summit meeting in Phnom Penh that 14 Asian nations, comprising half the world's population, would form a Regional Comprehensive Economic Partnership excluding the United States.

President *Obama* attended the summit to sell a US-based Trans-Pacific Partnership (TPP) excluding China. He didn't. The American ledpartnership became a party to which no-one came.

Instead, the Association of Southeast Asian Nations (ASEAN), plus China, India, Japan, South Korea, Australia and New Zealand, will form a club and leave out the United States. As 3 billion Asians become prosperous, interest fades in the prospective contribution of 300 million Americans – especially when those Americans decline to take risks on new technologies.

America's great economic strength, namely its capacity to innovate, exists

mainly in memory four years after the 2008 economic crisis.

A minor issue in the election campaign, the Trans-Pacific Partnership was the object of enormous hype on the policy circuit. *Salon.com* enthused on 23 October:

"This agreement is a core part of the Asia pivot that has occupied the activities of think tanks and policy-makers in Washington but remained hidden by the tinsel and confetti of the election. But more than any other policy, the trends the TPP represents could restructure American foreign relations, and potentially the economy itself."

As it happened, this grand, game-changing vision mattered only to the sad, strange people who concoct policy in the bowels of the Obama administration. America's relative importance is fading.

To put these matters in context:

The exports of Asian countries have risen more than 20% from their peak before the 2008 economic crisis, while Europe's exports have fallen by more than 20%. American exports have risen mar-

ginally (by about 4%) from their pre-2008 peak.

China's exports to Asia, meanwhile, have jumped 50% since their pre-crisis peak, while exports to the United States have risen by about 15%. At US\$90 billion, Chinese exports to Asia are three times the country's exports to the United States.

After months and dire (and entirely wrong) predictions that China's economy faces a hard landing, it is evident that China will have no hard landing, nor indeed any landing at all. Domestic consumption as well as exports to Asia are both running nearly 20% ahead of last year's levels, compensating for weakness in certain export markets and the construction sector. Exports to the moribund American economy are stagnant.

In 2002, China imported five times as much from Asia as it did from the United States. Now it imports 10 times as much from Asia as from the US.

Following the trade patterns, Asian currencies began trading more closely with China's renminbi than with the American

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peans since *Leibniz* projecting their own ideas onto the Chinese people.

Indeed "9/11" was a shock, a bloody and bitter ceasure which to the present day has influenced and put a strain on the relations between the predominantly secularized West and the Islamic world. The decline partly already realized, partly imminent and leading to bloody religious wars which we had supposed to have been overcome since the Age of Enlightenment, is worrying and anguishing lots of people. It is the more important to correctly evaluate the modernization processes that are going on in Asia. For several decades pleasant developments have been happening there which should inspire some optimism in us. Who always looks at China focusing only on the aspect of a totalitarian regime, ignores the gigantic progress that has been achieved in terms of the development of Law in China. Who only focuses on corruption whenever talking about India, ignores the big number of purifying forces that are working among the citizens, in the media and in their policy. Even if the balance

might be so-so, and even if there is still the possibility for some improvement, the general direction, the development which India, China and Southeastern Asia is taking makes you very confident. Positive things are happening there which Europeans may often only dream about.

Solid foundations

Certainly Asia is not immune to economic downturns or even crises either. Currently the big three, Japan, China and India, also suffer from the global economic turmoil of the euro crisis. However, the main causes of the economic downturn is homemade and can therefore be solved on their own again. Those who consider Asia's economic renaissance a temporary phenomenon are wrong. Not only does the huge unmet demand in domestic markets ensure prospects for favorable growth, but also the major infrastructural and institutional basis has been laid in the past three decades, which can be built upon in the future. Not least, we think of the tremendous advances in higher education.

The times when Europeans were able to give fatherly benevolent judgments on the success of Asians are over. Likewise,

the injuries caused by the European colonial empires in 19th and 20th century receded into the background. No longer do all Chinese interlocutors remind you of the Europeans' crimes in the Opium Wars. The generational change that is under way guarantees that you meet on an equal footing. On the Asian side there is still an enormous desire to learn, but there is the confidence as well that they will be able to catch up with the West, even surpass it. Injuries like the "Cultural Revolution" have faded into the background.

At the start of the Asian Age, the word "ex oriente lux" gets a new meaning. After the transfer of knowledge, techniques and ideas has gone unilaterally from the West to the decadent East for too long a time, a self-doubting Europe may now receive new impetus from Asia. In this case, the exchange should go far beyond prosperous economic relations and should bring cross-fertilization in a comprehensive sense. There would be a great benefit if - two centuries after *Hegel's* time - the Europeans were able to look at developments in world history not only from their own cherished point of view.

Source: *Neue Zürcher Zeitung*, 19.11.2012
(Translation *Current Concerns*)

"Post-US world born ..."

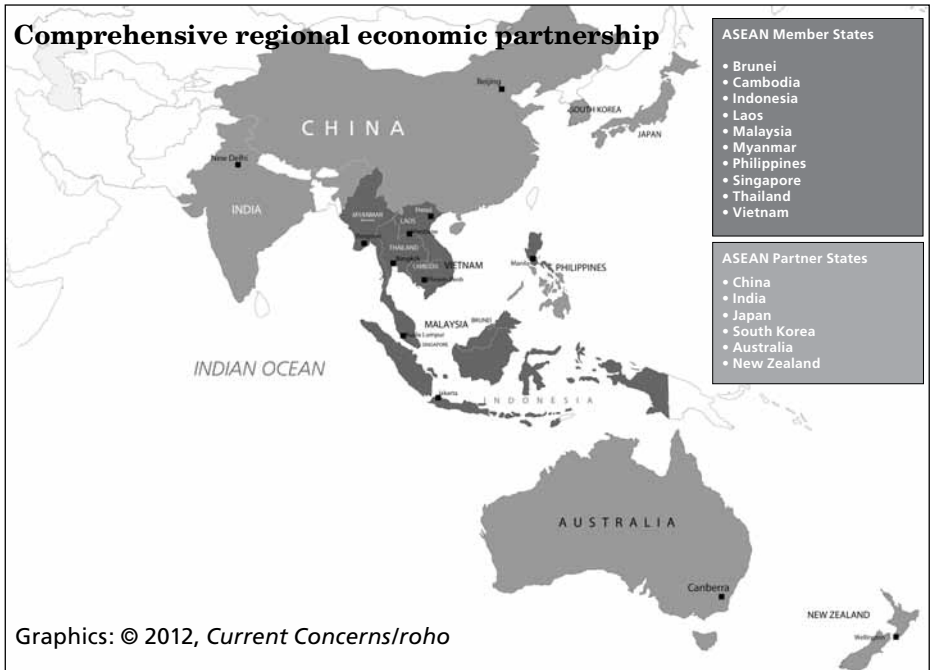
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dollar. Arvind Subramanian and Martin Kessler wrote in an October 2012 study for the Peterson Institute:

"A country's rise to economic dominance tends to be accompanied by its currency becoming a reference point, with other currencies tracking it implicitly or explicitly. For a sample comprising emerging market economies, we show that in the last two years, the renminbi (RMB/yuan) has increasingly become a reference currency which we define as one which exhibits a high degree of co-movement (CMC) with other currencies.

In East Asia, there is already a RMB bloc, because the RMB has become the dominant reference currency, eclipsing the dollar, which is a historic development. In this region, 7 currencies out of 10 co-move more closely with the RMB than with the dollar, with the average value of the CMC relative to the RMB being 40% greater than that for the dollar. We find that co-movements with a reference currency, especially for the RMB, are associated with trade integration.

We draw some lessons for the prospects for the RMB bloc to move beyond Asia based on a comparison of the RMB's situation today and that of the Japanese yen in the early 1990's. If trade were the sole driver, a more global RMB bloc could



emerge by the mid-2030's but complementary reforms of the financial and external sector could considerably expedite the process."

All of this is well known and exhaustively discussed. The question is what, if anything, the United States will do about it.

Where does the United States have a competitive advantage? Apart from commercial aircraft, power-generating equipment, and agriculture, it has few areas of real industrial pre-eminence. Cheap natural gas helps low-value-added industries such as fertilizer, but the US is lagging in the industrial space.

Four years ago, when Francesco Sisci and I proposed a Sino-American mon-

etary agreement as an anchor for trade integration, the US still dominated the nuclear power plant industry. With the sale of the Westinghouse nuclear power business to Toshiba, and Toshiba's joint ventures with China to build power plants locally, that advantage has evaporated.

The problem is that Americans have stopped investing in the sort of high-tech, high-value-added industries that produce the manufactures that Asia requires. Manufacturers' capital goods orders are 38% below the 1999 peak after taking inflation into account. And venture capital allocations for high-tech manufacturing have dried up.

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"With a view to preserving the independence, integrity and fruitful diversity of the cultures"

Source: Constitution of the United Nations Educational, Scientific and Cultural Organization (UNESCO)

The Governments of the States Parties to this Constitution on behalf of their peoples declare:

That since wars begin in the minds of men, it is in the minds of men that the defences of peace must be constructed;

That ignorance of each other's ways and lives has been a common cause, throughout the history of mankind, of that suspicion and mistrust between the peoples of the world through which their differences have all too often broken into war;

[...]

For these reasons, the States Parties to this Constitution, believing in full and equal opportunities for education for all, in the unrestricted pursuit of objective truth, and in the free exchange of ideas and knowledge, are agreed and determined to develop and to increase

the means of communication between their peoples and to employ these means for the purposes of mutual understanding and a truer and more perfect knowledge of each other's lives;

In consequence whereof they do hereby create the United Nations Educational, Scientific and Cultural Organization for the purpose of advancing, through the educational and scientific and cultural relations of the peoples of the world, the objectives of international peace and of the common welfare of mankind for which the United Nations Organization was established and which its Charter proclaims.

Article I: Purposes and functions

1. The purpose of the Organization is to contribute to peace and security by promoting collaboration among the

nations through education, science and culture in order to further universal respect for justice, for the rule of law and for the human rights and fundamental freedoms which are affirmed for the peoples of the world, without distinction of race, sex, language or religion, by the Charter of the United Nations.

[...]

3. With a view to preserving the independence, integrity and fruitful diversity of the cultures and educational systems of the States Members of the Organization, the Organization is prohibited from intervening in matters which are essentially within their domestic jurisdiction.

* Adopted in London on 16 November 1945, last amended by the UNESCO General Conference on 16 November 1999

The crisis in Egypt and the decline of the USA's hegemonic position in the Arab world!

Professor Albert A. Stahel, Institute for Strategic Studies, Wädenswil

By his decree, according to which the constitutional conformity of his decisions should no longer be examined by Egypt's Constitutional Court, President *Mursi* wanted to outmanoeuvre the judiciary of the country and acquire dictatorial powers. He withdrew that decree. However, he will legalize the constitution prepared by the Islamists. This constitution will consequently enshrine the Sharia in Egypt. In the future the law of the Sharia will be the standard for society and politics in Egypt. The rights of women and religious minorities are significantly restricted in comparison to the time of Mubarak's rule. Mursi's politics has triggered protests among the opposition. The clashes between opponents and supporters - the latter have been mainly recruited from the Muslim Brotherhood and Salafists - have result-

ed in death and injury. In the light of the escalating violence, which may also lead to the destabilisation of Egypt, Mursi has called for the Republican Guard's combat brigade for his protection. Thereby he basically placed himself under the protection of the army. It is conceivable that in return for this protection the army leadership claimed certain concessions to the opposition from Mursi.

The behaviour of the US as the protecting power of Egypt is eye-opening. *Barack Obama* and *Hillary Clinton* apparently contented themselves with appeals to Mursi to enter in a dialogue with his political opponents. In the light of the United States' financial support of the Egyptian army it is also possible that the Obama administration has asked the army leadership to exercise restraint in the crisis. Given the

risk of the largest Arab country's destabilisation the current policy of the United States indicates a certain helplessness. If the risk of destabilising Egypt can't be averted, not only the economic and political collapse of the country is to be expected, but also a flow of refugees towards Europe. This would particularly threaten the safety of the southern European countries and thus the rest of Europe.

The tactical manoeuvres of the US in this crisis reflect the decline of their credibility and thus the loss of their hegemony in the Arab world. In addition to their economic difficulties it might be above all the failed wars in Iraq and Afghanistan which contributed to the decline of the USA's power.

(Translation *Current Concerns*)

Economic crises and their political consequences Economists have created a world that they do not understand

*by Prof Dr Heiner Flassbeck **

Since we humans have climbed down from the trees, we try to understand the world that surrounds us. As for the interpretation of nature, we have come a long way. We abandoned ancient myths and acquired a scientific perspective on things which gives priority to rationality and logic instead of faith and feelings.

Making consistent use of logic

Especially the consistent use of logic has proved to be superior when it comes to understanding the world and the optimal adaptation to its ever-changing circumstances. Only he who is equipped with the means of logic can filter out those statements about the world which are significant, i.e. consistent and empirically verifiable and distinguish them from any number of meaningless or contradictory ones.

The crucial step to knowledge is actually the recognition of relations that - with a certain stability - can be observed in reality and finally reveal why they exist. That the apple regularly falls to the ground from the tree, instead of flying to the sky, is only the first small step on the road to more sustainable conclusions. Only the following steps - the discovery of the power that moves the apple, our ability to prove the existence of this power, so that other explanations can be eliminated - create real knowledge.

“No, it is the lack of understanding for the global economy's complex system which explains the permanent failure of politics even until far into the political left. We do not have the politicians that are able to pursue policies within the global economy, and we do not have the economists who would be able to create a design for global economy. That way the world economy is muddling itself through into the future, repeatedly and surprisingly struck by global and regional crises just like by heavy meteorites from outer space. Ordinary people fall by the wayside - and in the end democracy will fall by the wayside, as well.”

Need there be no logic in economy?

This is different in the so-called science of economics. Here an attempt to attain knowledge is repeatedly overlaid successfully by faith, by ideology and by pure advocacy. The phenomenon that certain interest groups and companies interested in specific outcomes “keep” scientists - who do nothing else but question the results of serious research or even thwart them through their own “research” - also exists in other, more scientifically oriented areas such as chemistry. As in other areas, however, the “anticipatory obedience” is missing, which even independently operating economists show when the topic “market vs. state” is discussed. Unfortunately, most economists are not trained as social scientists but as technicians whose only job is to understand the seemingly

perfect market and defend it. It is - and I described that several years ago (*Flassbeck 2004*) - more of a glass-bead-game than a science. And this game is solely and exclusively about the improvement of the game itself, not about knowledge in the sense of a better interpretation of the world (cf. *Kay 2011* and the replica of *Davidson*). Since, however, only real knowledge can be translated into successful economic acting, the politicians would still remain without serious advice with respect to almost all issues even if they understood how much they needed it.

The phantom: The market would be able to do things better ...

Thus, we have given rise to an economic world that is built on a few miscon-

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ceptions such as the fact that the market can do almost everything better. Actually this world would desperately require an incredibly complex regulation to function reasonably. However, there are no efforts to achieve such a comprehensive regulation, because the prevailing opinion in economics and politics firmly holds on to the idea that the market or markets were certainly going to fix it. The consequences are dramatic. The world economy staggers from crisis to crisis, and the suggestions that were given to the politicians by the "experts" are messy; they contradict each other in almost every facet. Financial markets have indeed taken over the command, but they do not really know for what to use it; except, of course, to secure their own sinecures. That makes the next crisis inevitable.

Politicians, led by lawyers, dabbling

Since the economists are such a many-voiced chorus, politicians, led by an army of lawyers, have begun to knit their own economic world. In this world, procedures govern the matter, and the microeconomic thinking, i.e. thinking in terms of a private household, triumphs over the inclusion of macroeconomic relations. Thus, the euro crisis has been re-interpreted as a crisis in which some "sinner states" have been guilty of something (gluttony and licentiousness), and this is why they must now be judged by honest, hard-working judge states. In this way, the debtor was declared the one to blame from the outset, whereby mentioning the relevant connections did not seem necessary.

Seen from a microeconomic point of view, there is in fact some evidence that the person who is deeply in debt and is not given any more credit by the market, has acted wrongly and should be sanctioned. In macroeconomic terms, however, there is no evidence at all. There is no simple causality, because what appears to be "too much debt" is in itself the result of a highly complex process, in which

many of the individual players and some sectors are cooperating. In this process, it is all about finding a sector (including foreign governments), who is willing to go into debt in order to invest and thus, justify the planned savings by private households. For example, if a country like Germany conducts an aggressive policy to improve its competitiveness, other countries are forced into debt because many individual actors in these countries buy German products on credit. In the first half of 2011, the German trade surplus with the countries of the monetary union was still at 37 billion euro, which also means new loans of this amount. France's deficit was at 18 billion, the Italian at 6 billion and even Greece's debt amounted to 1.8 billion.

Even if each of these purchases on credit is completely trustworthy and economically justified, the result for the indebted country itself is catastrophic. It is exposed to a gradual erosion of its economic power whose fatal consequences, as with the geological erosion, too, will only show when the big rain comes in form of a financial crisis. In such a crisis, all existing investments will be re-evaluated by investors, and risky assets will then be largely avoided from the outset.

The debtor is condemned a priori, because he is the weaker one

The a-priori condemnation of debtors has a fatal effect on the coexistence of nations. Firstly, the debtors will in future be skeptical or hostile to all forms of international cooperation, because they rightly have the impression that a diktat from outside is imposed on them which is not justified by anything but which damages their sovereignty and forces them into neoliberal programmes (this occurs mostly via the infamous "conditionality" of the IMF, which consists mainly of "flexibility" and the opening of all markets). Thus, the political systems of the debtor countries are overstrained in an intolerable and unsustainable way in the long run. The reduction of public deficits, required in all cases, takes its toll on those parts of the



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population that are the least able to cope with these cuts. The wages of government employees are reduced, because one has direct access on them. Sectors that are not exposed to international competition will be liberalized (the electricity and energy sectors in Argentina, for example), industries that still belong to the state, will be privatized. All this is, however, not related to the causes of the crisis and is quite understandably perceived by the affected people as completely arbitrary. In this way, in the eighties and nineties, almost all populations of Latin America became staunch opponents of the *International Monetary Fund* (IMF). Systematically, people there elected leftist governments in order to escape this diktat.

All this is not new and has frequently been accounted for even by the IMF itself. It has, however, not prevented European politicians from pouncing on precisely these programmes with which the IMF has previously so often failed. How is it possible that the political leaders of an entire continent, actors, that have taken over responsibility year by year in the *Fund*, now make the same mistakes in their own region that – before the current crisis – led this organization to the brink of irrelevance? Well, something like that can only happen if either you consciously want to

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Without innovation and investment, all the trade agreements that the Washington policy circuit can devise won't help. Neither, it should be added, will an adjustment in exchange rates.

What does the United States have to offer Asians?

It is hard to fathom just what President Obama had in mind when he arrived in Asia bearing a Trans-Pacific Partnership

designed to keep China out. What does the United States have to offer Asians?

- It is borrowing \$600 billion a year from the rest of the world to finance a \$1.2 trillion government debt, most prominently from Japan (China has been a net seller of Treasury securities during the past year).
- It is a taker of capital rather than a provider of capital.
- It is a major import market but rapidly diminishing in relative importance as intra-Asian trade expands far more rapidly than trade with the United States.

- And America's strength as an innovator and incubator of entrepreneurs has diminished drastically since the 2008 crisis, no thanks to the Obama administration, which imposed a steep task on start-up businesses in the form of its healthcare program.

Washington might want to pivot towards Asia. At Phnom Penh, though, Asian leaders in effect invited Obama to pivot the full 360 degrees and go home.

Source: *Asia Times Online*, 27.11.2012

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push even your own region into chaos in order to emerge as the final winner of the competition of nations – or else, if you do not really understand what has actually happened, and if you lack the ideological openness to understand it at all. I am inclined to accept the second explanation.

People despair of globalization, and democracy is highly at risk

With this intergovernmental failure we can immediately recognize that it is not merely the lobbyists' direct pressure, which lets politics systematically and repeatedly take the wrong track. In these inter-state relations, there are hardly any direct financial benefits that would be promoted by the neo-liberal agenda of the creditors. Privatization is certainly one of the fields in which multinational companies have massive interests. The reduction of state services for the poor, however, up to the point at which the economy of the debtor country is forced to its knees, does indeed not benefit the companies. If finally – as in Latin America – leftist governments are elected in the wake of the excessive neoliberal agenda, lobbyists have achieved exactly the opposite of what they sought.

No, it is the lack of understanding for the global economy's complex system which explains the permanent failure of politics even until far into the political left. We do not have the politicians who were able to pursue policies within the global economy, and we do not have the economists who would be able to create a design for global economy. That way the world economy is muddling itself through into the future, repeatedly and surprisingly struck by global and regional crises just like by heavy meteorites from outer space. Ordinary people fall by the wayside – and in the end democracy will fall by the wayside, as well.

Incredible wealth for the ones, a miserable livelihood for the others: that threatens democracy

If the global economy is only understood as a system that offers incredible wealth to a few and at best stagnation or a meager livelihood to the greater rest, democracy is in danger. In most people's eyes democracy does not only mean they can vote every four years and in between they have to bear what the neoliberal agenda requests them to. At least since the 2008

financial crisis, many understood that the hope of an end to the euphoria in financial markets and the fact that the wealth of a few would also eventually be of their benefit was a great illusion. The second crisis, which is just beginning, will now take away their hope that the democratic state, at least, would be able to steer things in the right direction. But then what?

Making globalization more manageable via the nation state

Then the door is wide open for all kinds of pied pipers. Most importantly, however, those will be successful again who try to exploit the failure of globalization. What will come after the era of globalization? The natural response would be as it were to return to the nation state. That would not be bad if there were simple, tolerant ways to renationalize the globalized world a bit and this way to make it again politically more manageable. But such simple, permissive paths do not exist in a world in which many people left their homes and wagered their fate on the global economy. In the hope they would in the end not be denied recognition as equal citizens because of the economic success of all populations, they have emigrated from their home countries and thus threaten to become the real victims of the failure of international coordination.

If the writings on the wall in Europe and the USA are not mistaken, the new right-wing movements which mushroom everywhere will not stop to make the current form of globalization responsible for all the worries of the people. They will go one or several steps further and blame the "others". Just as political Europe saves its day by finding the "guilty" and pillory them, they will make the "foreigners" and the foreign influences responsible, and many people will follow them, because they rightly deny why they should personally take the blame for the big failure. While the populist strategy of the right will not make the world economically more successful, because a nation state that applies an inappropriate theory, does not gain any more economic foothold than global economy. Whether democracy will survive, all this is an open question.

Democracy must have the power to control the process in the sense of the common weal

In a hundred years, people will ask for explanations concerning the political and economic failure in the early 21st centu-

ry. The answer will probably be that the most important reason was the lacking political will to steer a global economy by joint forces. That it might have been our inability to understand complex economic relationships, and our unwillingness to implement them in non-ideological politics – nobody will believe it, especially in regard to the situation at the beginning of the last century. Historians will look for facts, not for lack of ideas. Yet the hope remains that there will be a new critical generation, who cannot be fobbed off with words, but will try to get to the bottom of things without compromise and endowed with reasoning skills that are part of human nature. Perhaps we have seen their beginnings in Tahrir Square in Cairo, in Zuccotti Park in New York and at the Plaza Italia in Santiago de Chile.

At this point I will not try to explain what concrete proposals follow from my own reflections. I have done so elsewhere in detail, without these suggestions having been comprehensively adopted. Today, it is more a question of stopping, removing the pressure of time and the hysteria and first of all explaining what is actually happening. It concerns first and foremost the correct diagnosis of the problems of the economic system in which we live. In a second step, we will have to realize that "economy" or "capitalism" or "the laissez-faire economics" may only be instruments used by society to meet its needs. It follows that even "capitalism" belongs to us, i.e. the society. And if we realize we cannot manage it and that in a particular way it does more harm than good, we can change it, of course, in the public interest – at least as long as democracy exists and the majority of people want it.

Not the solutions are scarce, but the readiness is scarce with too many and especially with the too powerful, to let go of their interests and their ancient knowledge and give a real chance to the discourse of an open debate in an open society. •

Source: Final word from Heiner Flassbeck. *Zehn Mythen aus der Krise* (Ten myths out of the crisis). Suhrkamp Verlag, Berlin 2012. ISBN 978-3-518-06220-3

(Translation *Current Concerns*)

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Outcome of the UN Conference on the World Financial and Economic Crisis Resolution A/RES/63/303 of the UN General Assembly* (Extracts)

The General Assembly,

Noting the Conference on the World Financial and Economic Crisis and Its Impact on Development, held in New York from 24 to 30 June 2009, and the adoption by the Conference of the outcome document,

Decides to endorse the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, annexed to the present resolution.

Annex

2. We reaffirm the purposes of the United Nations, as set forth in its Charter, including “to achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character” and “to be a centre for harmonizing the actions of nations in the attainment of these common ends”. [...]

3. Developing countries, which did not cause the global economic and financial crisis, are nonetheless severely affected by it. The economic and social progress achieved during recent years, in particular on internationally agreed development goals, including the Millennium Development Goals, is now being threatened in developing countries, particularly least developed countries. This progress, partially underpinned by a period of high economic growth in many countries, needs to be secured and enhanced in the face of threats posed by the crisis. Our endeavours must be guided by the need to address the human costs of the crisis: an increase in the already unacceptable number of poor and vulnerable, particularly women and children, who suffer and die of hunger, malnutrition and preventable or curable disease; a rise in unemployment; the reduction in access to education and health services; and the current inadequacy of social protection in many countries. Women also face greater income insecurity and increased burdens of family care. These particular human costs have serious development consequences on the human security of those affected. An equitable global recovery requires the full participation of all countries in shaping appropriate responses to the crisis. [...]

5. Peace, stability and prosperity are indivisible. In today’s globalized economy, all nations are far more closely tied together than ever before. The global reach of the crisis calls for prompt, decisive and coordinated action to address its causes, mitigate its impact and strengthen or establish the necessary mechanisms to help prevent similar crises in the future. [...]

The need for prompt and decisive action

11. We commit to working in solidarity on a coordinated and comprehensive global response to the crisis and to undertaking actions aimed at, inter alia:

- Restoring confidence and economic growth, and creating full and productive employment and decent work for all
- Safeguarding economic, development and social gains
- Providing adequate support for developing countries to address the human and social impacts of the crisis, in order to safeguard and build upon hard-won economic and development gains to date, including the progress being achieved towards the implementation of the Millennium Development Goals
- Ensuring long-term debt sustainability of developing countries
- Seeking to provide sufficient development resources to developing countries without unwarranted conditionalities
- Rebuilding trust in the financial sector and restoring lending
- Promoting and revitalizing open trade and investment and rejecting protectionism
- Fostering an inclusive, green and sustainable recovery, and providing continued support for sustainable development efforts by developing countries
- Strengthening the role of the United Nations development system in responding to the economic crisis and its impact on development
- Reforming and strengthening the international financial and economic system and architecture, as appropriate, to adapt to current challenges

- Fostering good governance at all levels, including in the international financial institutions and financial markets
- Addressing the human and social impacts of the crisis. [...]

Contain the effects of the crisis and improve future global resilience

21. This crisis does not affect only the economic and financial sectors. We recognize the human and social impacts of the crisis and the inherent challenges involved in addressing them. Short-term mitigation measures should take into account long-term goals, especially those related to poverty eradication; sustainable development, including environmental protection and clean and renewable energy; food security; gender equality; health; education; and sustained economic growth, including full and productive employment and decent work for all. Strengthening existing social safety nets, establishing new ones where needed and protecting social expenditures are important for the advancement of people-centred development and addressing the human and social impacts of the crisis. We reaffirm our commitment to the timely achievement of our internationally agreed development goals, including the Millennium Development Goals. [...]

23. [...] We recognize the unique role of the United Nations as an inclusive forum to promote a better understanding of the social and economic impact of the crisis and to fashion appropriate responses. [...]

26. We must also fully harness the potential of trade as an engine of sustained economic growth and development in our efforts to overcome this crisis. In this regard, we reaffirm our commitment to a universal, rules-based, open, non-discriminatory and equitable multilateral trading system. We reaffirm that international trade is an engine for development and sustained economic growth. [...]

* Adopted at the 95th plenary meeting on 9 July 2009, without vote, on the basis of the resolution draft A/63/L.75 in its orally corrected version submitted by the President of the General Assembly.

Switzerland: Debate for armed neutrality

Armed neutrality is a contribution to peacekeeping as self-evident as UN blue helmets in other parts of the world

Excerpts from the National Council debate

cc. In 2013, a referendum about the army abolition initiative of the GSoA (Group for Switzerland Without an Army) will be held in Switzerland. In this regard a debate took place in parliament. Finally, the initiative was recommended for rejection with 121 to 56 votes and 3 abstentions with excellent arguments, as shown in the following extract.

“Freedom and rights are important and valuable to me as well. However, the duties must not be forgotten.”

von Graffenried Alec (Green Party, Berne): Switzerland complains about an alleged external threat of her identity. But the identity is also threatened from inside by endangering the militia system, which is very valuable to me. The social trend is towards greater personal autonomy, freedom above everything! The abolition of compulsory military service is supposed to be an act of liberation for the affected people: one duty less. However, a sense of responsibility and identity is being lost.

What does this have to do with compulsory military service? The general duties promote awareness of volunteer work and promote the awareness of our militia system. The militia system is a backbone of our society and our political system. No community, no fire brigade, no association would work without unpaid labour. A country such as Switzerland relies on people – and you sitting here in this house all know that – who are willing to do more than what is requested.

Don't misunderstand. Freedom and rights are important and valuable to me. But the duties must not be forgotten. The obligation to make a period of life available for the service to the community fosters solidarity. The mixing of different social strata and acquaintances crossing the language barriers contribute to the cohesion of our country.

Therefore, I am opposed to the abolition of compulsory military service. [...]

“The general conscription in our militia army is not just an idea of yesterday.”

von Siebenthal Erich (Swiss People's Party, Berne): The general conscription reflects an image of the population. After his military service the soldier can return

to work. The mutual understanding and trust are strengthened this way. [...]

The compulsory military service in the militia army is not simply an idea of yesterday. No, it is the only instrument which justifies expenses and revenue for our unique country in the future. [...]

“Security policy is a joint task of our population also in the future.”

Büchler Jakob (Christian Democrat People's Party, St. Gallen): [...] The militia system has proven itself, it should and can evolve and be modified. Networking with our society is important and goes into the right direction. The army is also a cross section of our population, through all ages and all categories. Security policy is a joint task of our population also in the future. [...]

He, who has rights, has also duties. This includes general conscription.

What could an army with 25,000 to 30,000 members still achieve? I can simply not imagine an army that would fit into the Stade de Suisse. The tasks couldn't be fulfilled any more, think of natural disasters. The recruitment would be possible only with large financial incentives. The staff costs would rise sharply. A professional army – and that is what the popular initiative would finally come to – with 50,000 members would cost 5 billion Swiss francs, staff costs only. Costs of several billions should be added for equipment, infrastructure and operational costs. [...]

There are enough threats, I wouldn't like to list them up. There are also risks. And who is voluntarily going into a mission in an emergency case? Tell me that! In case of emergency, who will voluntarily go there?

The impact would be clearly noticeable and fatal also for the cantons and municipalities. The operations of the army and civil protection in environmental disasters wherever they occur would no longer be possible. Such operations must be practiced so that the army can do these targeted short-term survival deployments. Human lives are concerned, the protection of infrastructure and things like this.

“Fulfilling this obligation is an act of social solidarity which must not be

sacrificed to the increasing individualization and loss of solidarity.”

Vogler Karl (Christian Democrat People's Party, Obwalden): To be citizen of the state means – it was already said – to have not only rights, but to assume responsibility and obligations for that state, as well. In Switzerland this includes compulsory military service among other things. Fulfilling this obligation is an act of social solidarity which must not be sacrificed to the increasing individualization and loss of solidarity. Regardless of the social, societal and economic background compulsory military service has to be maintained in principle. Especially when it comes to deploying the army in emergencies and civil disasters, it must not be that individuals are allowed to flinch from this task. It is, I have said before, an act of social solidarity. [...]

The militia army and compulsory military service have a very significant function of cohesion and integration - even if it perhaps may seem somewhat antiquated at first glance. To abolish this by the initiative or at least to erode it would be a loss of understanding what the Swiss State is.

“Militia also means control [...]” We do not want a state within the state, no separate military caste.”

Lorenz Hess (Conservative Democratic Party, Berne): [...] The militia has another very different function. Militia means control as well. As long as the citizens of the state are involved in this system, there is an automatic control of excesses and aberrations in each direction. We do want this control, we do not want a state within a state, not a separate military caste, which will evade the actual, the political and civil life.

Neither do we want to have a two-class society with the volunteers. Take a look at the countries in which voluntary service prevails. It is clear who volunteers to join the Army: Those who don't find an apprenticeship, those who have no chance elsewhere, join the army. Someone who is not forced to do this and has a chance otherwise may design his future differently. Do we want such a two-class society? No, we are living the principle that certain duties apply to everyone, and that has never done any harm to anybody until now. [...]

"Switzerland: Debate for armed ..."

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"Only with general conscription may the army create national cohesion, a valuable, enriching community of different languages, social classes and cultures. The army of citizen soldiers contains the state's instruments of power."

Markus Hutter (Free Democratic Party, Zurich): [...] The citizen soldier strengthens our direct democracy, and the army of citizen soldiers contains the state's instruments of power. I am specifically directing this to the Left which is allegedly oriented towards basic democracy: The deployment for the common good, for security is a very specific task that sometimes needs to be fulfilled even at the hazard of one's life, the highest of all citizens' goods.

We are talking about a fundamental keystone of Switzerland, about the support of the army as a structured, well trained, well equipped and broadly backed organization of many citizens for the protection of our population. Only with general conscription may the army create national cohesion, a valuable, enriching community of different languages, social classes and cultures. Do we want to cheaply sell off our Swiss-made quality? To give an affirmative answer to this question would indeed mean to mis-

judge the fact that the performances expected by our army are best achieved by a tailored militia with compulsory military service; it means to misjudge the fact that our mobilization capacity which is envied by the whole world would be destroyed.

Why initiating a transformation of a system, when the system is working well? There is no reason to do that. [...]

"Military services are training camps and school for life."

Alois Gmür (Christian Democrat People's Party, Schwyz): It is good for every Swiss to perform military service. I myself have served more than a thousand days. For each service, to which I was deployed, I had to pull myself together internally and overcome certain feelings. But the service has always done body and spirit good. Military service is training camp and life school. It strengthens the solidarity between employee and employers, between German-speaking Swiss and Swiss Romans, between Romansh and Swiss from the Ticino. The army is more than an organization for security. The army strengthens solidarity in Switzerland. Conscription benefits and is of use for everybody.

"Army and neutrality represent our country's credible security policy to the outside world."

Toni Bortoluzzi (Swiss Peoples Party, Zurich): The military service is part of our security policy, our security political concept, and this concept is oriented towards neutrality which means not to be dragged into an armed conflict. Army and neutrality represent our country's credible security policy to the outside world. To my mind, the credibility of our security mandate is no longer guaranteed with this initiative and the counter-proposal. Therefore, both proposals, the initiative and the counter-proposal, are to be rejected.

The deployment in the army obliges the conscript to learn something like the art of warfare. This is an unpleasant task that one undertakes voluntarily but reluctantly. I do not know anyone who would enjoy it. That is also the reason why not all people are motivated to do military service.

In our security system balanced to the inside, completed with civil defense and civil service, the militia principle assumes a central position. The voters decide on the job that the members of the compulsory military service have to fulfill in the army. As long as the voter himself is or once has been a soldier, he will accomplish the mission which he gives himself, with a fair amount of restraint. At least, he will not carry out any experiments with the security instrument army.

By the way, compulsory military service has an inestimable social value as well. Young men performing military service learn social skills in a way that is hardly possible anywhere else. When a group of twenty to thirty people with diverse backgrounds, diverse professions, diverse languages – it has been pointed out repeatedly – have to carry out a service in our country and spend the time in the same room, they are making an extremely valuable experience. It creates mutual respect and tolerance, which finds expression probably nowhere else. That this fact is not given any attention by the political left, I do not understand.

It is regrettable that only about 65 percent of young men visit this school of life. In my opinion the abolition of conscription or rather this initiative is, the product of superficial consideration and judgment with respect to our system of government or else a deliberate destruction of the society which is focused on the freedom of the individual.

That is why I ask you to recommend the initiative to be rejected. •

Source: www.admin.ch

(Translation *Current Concerns*)



For our future. (picture keystone)

**“There is no better democratic control,
than when the sovereign concurrently provides the army”
“As a mother of two sons, I endorse general conscription”**

gst. When in February 2011, the weapons initiative was submitted to popular vote, it was not least the voices of women that helped lift the fog and led back to realistic considerations. At the time, on the initiative of some parliamentarians, a women’s committee had evolved, which, in a short time, had been joined by over a thousand female personalities. For the time being some outstanding female personalities have commented on the issue of the current debate.

Ursula Haller Vannini (BDP Conservative Democratic Party, Berne): [...] If you ask our citizens what they precisely expect from our army, you will receive more or less the following responses:

- They would like an army that is able to react quickly and professionally to possible predictable, but also to unpredictable events and conflicts.
- They would like an army that is adjusted to today’s risks and threats, not an army, which focuses primarily on the defense of a possible territorial attack, but an army that has the right and appropriate answers to international terrorism, cross-border crime, increasingly violent extremism, cyberwar and so on.
- Last but not least, they would like an army that is able to support the civil authorities in crisis and disaster situations on a subsidiary basis, for example, in coping with the devastating effects of increasingly occurring natural disasters.

Therefore our population would like an army that is versatile due to its specialization and consists of a well-trained team that is technically up to date. [...]

Petra Gössi (FDP, The Liberals, Schwyz): [...] I am convinced that renouncing compulsory military service, i.e. conscription, will eventually be much more expensive for our economy than the preservation of the current system, because we would unnecessarily give up a school for life. The army is a school for life for the camaraderie. It provides contacts to all parts of the country and all language regions and to all areas of social life, thus promoting solidarity between regions. It offers the opportunity to learn how to carry responsibility for oneself as well as for others and how to act in a community of destiny.

The limitation to volunteers would abruptly limit this diversity. Hence the

wide acceptance of the militia system by the population would vanish, and an understanding of the different regions of Switzerland would diminish. The idea of solidarity would be impaired. [...]

Corina Eichenberger-Walther (FDP, The Liberals, Aargau): The FDP Liberals reject this initiative unanimously as well as the counter-proposals – the application of the minority II (Hiltbold) – with a very large majority.

Life in our beautiful and safe country is based on rights and duties of citizens. Military service is expression of this duty to personal commitment, because you can not have civil rights without any obligations as citizens. The militia system and conscription are fundamental pillars in our society, which have proved themselves up to the present in difficult times, but also in times of volatile, elusive threats and which will go on to prove well. [...]

We have defined the performance profile in the security policy report and the Army report, and we have done so within the overall framework of security policy instruments of our country, especially in view of the low number of police forces in the Cantons. The current system allows individually tailored and therefore economically compatible contingents, in the “worst case” one hundred thousand of military personnel; in case of any worsening of the situation the quota may be rapidly increased. [...]

Yvette Estermann (SVP, Swiss People’s Party, Lucerne): [...] I would like to thank sincerely all those who vote for a militia army, as it exists now. Indeed I meet committed young people, also during a visiting day of the army, and they know what they are doing, and they are also aware of their duties. Therefore the argument that our young people do not want to serve in the army, doesn’t appeal to me at all. Once again many thanks to all those who serve in the army and who commit themselves to our militia army as it is today. [...]

I would like to leave you with the following advice: Every country has an army, either its own army or a foreign one.

Rosmarie Quadranti (BDP, Conservative Democratic Party, Zurich): [...] As a former FHD (female emergency service of the Swiss Army) I might actually

be for the abolition, because I also served in the army as a volunteer. As a mother of two sons, I might be for the abolition of the army too, because what they bring home from the repetition courses (WK), often makes my hair turn still grayer. They report on too little employment, on idle times. So I would have reasons to advocate the abolition of general conscription; however I don’t. I endorse the army, I support general conscription. Because especially with today’s way of life and its strong fixation on one’s own person, it is a good thing when at least the male members have to commit themselves voluntarily. It means truly setting a sign of the times, not to economize here in particular. I am convinced that the army, about which the organization and mission must be discussed, has an important component: the promotion of solidarity, a sense of community and of fitting in with an organization, even if you did not have the choice whether you wanted it or not. The Army needs to be reformed, it has to develop, but it should be able to do so in conjunction with general conscription. Basically, in our country, the system of duty has proven itself, contrary to all prophecies of doom. It is part of our overall system. The army is also unifying: you come together with people from all backgrounds, partly also across language barriers. I think that this contributes to mutual understanding in our country. That is why, also for my part, I do say clearly No to the initiative of the GSoA.

Marianne Streiff-Feller (EPP, Evangelical People’s Party, Berne): [...] In my view, abolishing the general conscription would mean to go a completely wrong way. I will briefly explain why:

1. Without obligations there would only be a few who would volunteer for the army. And whether they would be exactly the right people suitable for this task I dare to doubt.
2. If there were not enough volunteers, it would soon lead to a professional army. This would entail huge costs.
3. A professional army carries the risk of an additional power in the state, which might lead to instability.
4. With the abolition of general conscription not only the militia would be lost,

“There is no better ...”

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but also valuable knowledge from various professional and competence areas.

5. The militia is an essential pillar of our democracy. Those who remove primary structures are risking the instability of the superstructure or even its collapse.
6. There is no harm when there are also critical people of responsibility in the army who are questioning certain things.
7. The abolition of general conscription would contribute to the loss of solidarity within the society.

I briefly summarize: the militia army “made in Switzerland” is an incomparable learning environment for the school of life. An army of so-called volunteers would, first of all, consist of the wrong persons, secondly be too expensive and thirdly contribute to the loss of solidarity in our society in a substantial way. Conscription is essential for security policies, militarily necessary and socially desirable. Therefore, for me and for the EPP the abolition of general conscription is not an option. I ask you to reject the popular initiative and any requests for possible counter proposals.

Nadja Pieren (SVP, Swiss People's Party, Berne): Security and political stability cannot be taken for granted, but they are a basic prerequisite for the success of Switzerland. Here, our army is of central importance. We need our army in order to be able to preserve and strengthen our self-determination, to protect our country and our people from harm and to cope with natural and man-made disasters. Only our army has the necessary personnel and in extraordinary situations the ability to provide over a longer period the services necessary for our protection and our security. There is no better democratic control, than when the sovereign concurrently provides the army. Moving away from the militia principle, which would be the inevitable consequence of the abolition of general conscription, would massively weaken this democratic role of Switzerland. We still need a modern, well-equipped and well-trained army attacking nobody but defending our inde-

pendence and signalling Switzerland as a predictable state, that contributes to peace.

For the above reasons and for the protection of our population and our country I do say clearly no to this absolutely detrimental initiative for the abolition of compulsory military service.

Ida Glanzmann-Hunkeler (CVP, Christian Democratic People's Party, Lucerne): [...] Switzerland has a constitution, by the way – in case you forgot – the people approved of. In article 58 it states that Switzerland has an army constituted according to the militia principle. In this article the army's tasks are also listed. In addition, article 59 says that every Swiss is obliged to perform military service, and that the law provides for an alternative civilian service. This present initiative now demands that conscription should be abolished. It refers to other European countries and indicates that there the volunteer militia works. I am just wondering where it does. In Germany a massive effort is needed to recruit people, and one has to work with a professional army. Instead of 50,000 there are at most 30,000 troops. In Austria there will be a referendum in January 2013, dealing with the issue of conscription. With exactly the same arguments as here in Switzerland the leftists want to get rid of conscription. Fortunately, conservative parties have initiated a referendum. Incidentally, in most countries, conscription was not abolished, but suspended, which is not the same. Conscription, respectively the state forces young people to learn the craft of war – is written on the homepage of the initiators for the abolition of conscription. Why are they not honest enough to mention as well that our army is based on the protection of the population and our country? Why has no one explained that young people who do not perform military service, can perform community service and thus perform a service for our society? Why don't they mention that the army monitors crucial infrastructure in a crisis? Why do they simply forget to point out the countless times the army has been a welcome aid during severe weather and catastrophes? [...] I am the longer, the more convinced, that all the people in this country should have to do some of their work throughout their lives for and

in the community, and I do not exclude the women here. Neither do I exclude the discussion about alternative civilian service, as the counter-proposal suggests. But it is the wrong place to propose this here as a counter-proposal to the initiative without a fundamental discussion and without broad consultation among the population. I reject the idea that the army should be abolished, and be it piece-by-piece. The army needs young people, even with 100,000 men standing. Switzerland needs an army to guarantee security. This can only be ensured by conscription. Thus I reject the present initiative.

If this people's initiative would be accepted by the people and the cantons, the consequences would be quite different. It has already been said that Sweden regrets its decision because it had to come to realize a lack of candidates for the military service, and those who responded were not the ones that were needed, as these people show worrying militaristic tendencies. Spain recruits abroad, the United Kingdom in the prisons. There is no obvious reason why Switzerland should remain unaffected by these recruitment problems of other countries that abolished conscription. [...]

Céline Amaudruz (SVP, Swiss People's Party, Geneva): The army represents an essential element of our security. By uniting people from all social and professional areas, it is equipped with basic skills that allow to intervene fast and effectively. The monitoring of buildings to support the cantonal police, the support of the population affected by natural disasters and the security of endangered sites are so many benefits that can only be offered by a militia army, as we know it.

In case of the abolition of conscription the army would only consist of soldiers that, undoubtedly, couldn't be kept busy in normal times. Moreover, it is no coincidence that virtually all professional armies are deployed outside the country's borders (armées de projection), a fact which is incompatible with our neutrality.

To summarize: In view of the various experiences this initiative has to be rejected, otherwise we will end up with an army of delinquents commanded by idiots.

Source: www.admin.ch

(Translation *Current Concerns*)

“Comfortably riding on the wave”

Interview with Mária Huber *



Mária Huber
(picture ma)

A battle for power is raging in Russia, also within the media. Political scientist Mária Huber criticises the missionary zeal of many journalists and gives back-

ground information about USAID, Pussy Riot and US interests. The questions were asked by “Message” Editor Lutz Mücke.

Ms Huber, the US foreign aid agency USAID was thrown out of the country by Russia at the end of September after twenty years in the country. How do you as an expert for Eastern Europe, assess the Western media reporting on this act?

Mária Huber: What you can read in many places if you look at the headlines is that Russia provoked America by this act. In fact, it has been exactly the other way around for years. The real backgrounds are not illuminated even by Moscow correspondents. The reports on the USAID-extradition quote reassuring statements of the US government and the lamentations of opposition groups. It always comes basically down to a simple good-evil dichotomy – put simply: The evil Russian government expulses the good USAID, an aid organisation, struggling for democracy and human rights.

Putin has issued a much criticized “agents act” against foreign-funded political NGOs only this summer. Do you think it is all right that the Russian opposition is cut off from the West’s support?

In this case clearly yes, because no sovereign state may be unresponsive to interference in its internal affairs, an interference that is concretely working towards a

“Prominent American politicians always emphasize that democracy promotion is one of the cheapest and most efficient ways to enforce those interests. *Michael McFaul*, since the beginning of the year US ambassador in Moscow, puts it like that: “There is a genuine correlation between the norms of democracy worldwide and the growing power of the United States.”

regime change as was the case here. I cannot understand why Western media have been describing USAID as an agency for democracy and human rights for such a long time. Obviously, this is part of an overall picture that has been painted by the Russian opposition in the West some years now. In this picture there is no room for the United States’ foreign policy interests that they pursue in Russia.

Tens of thousands of opposition activists demonstrated in favour of freedom of the press and expression, against corruption, rigged elections, autocratic governance. These concerns are not all remote-controlled by the United States, are they?

I am far from knowing everything about these movements. But I am one of the few investigative analysts who cannot help noticing that for years American actors have been systematically trying to misuse Russian opposition groups for the purpose of US foreign policy. They have funded hundreds of NGOs across the country to strengthen the oppositional potential and even established lots of them especially for this purpose. USAID played a major role. German editorial staff ignore this connection. Instead, each small project, every little protest is taken up and presented as if everything belonged to a large popular movement against Putin. *Pussy Riot* for example filled the whole silly season.

Why do you criticize the reporting about Pussy Riot?

Again, I am amazed, how biased the reporting was. OK, there was this trial, and it is unacceptable to our understanding of freedom of expression that the three were sent to jail for such a bizarre action. But even the way of reporting on *Pussy Riot* suggests that *Putin* was personally responsible. By the way, you could read hardly anywhere that their performances would also be punishable under German law.

So you hold the thesis that Russian opposition activists allow themselves to be used by US foreign policy and that Moscow correspondents cannot see through that?

Yes, both assessments are true. The United States foster a huge network of organisations, foundations and NGOs. The USAID programs are related to Russia’s abundance of resources. Since *Boris Yeltsin* stepped down from the stage, the United States have been looking for a new reliable partner in Moscow, who opens them access to Russian markets, businesses and resources. Putin is certainly not this man. If nothing else, he showed this clearly with the *Khodorkovsky* trial. And this is why there are attempts now to use the weaknesses of the Putin system and to create an atmosphere of protest. Prominent American politicians always emphasize that democracy promotion is one of the cheapest and most efficient ways to enforce those interests. *Michael McFaul*, since the beginning of the year US ambassador in Moscow, puts it like that: “There is a genuine correlation between the norms of democracy worldwide and the growing power of the United States.”

That the US is pursuing national interests with its foreign policy is not new, it is also legitimate.

But then, why should it not be legitimate for Russia to defend its interests against such interference and to place externally financed pressure groups, institutions and organisations under special surveillance as “agents”? For example, the *Yuri Levada Analytical Centre*, which is often quoted as an independent Institute of Social Sciences in the Western press, is co-funded by the *National Endowment for Democracy* (NED). Thus agenda setting is being operated through surveys and research.

Why should our correspondents not want to investigate such exertions of influence? I can only speculate. Maybe they think it is honourable to support the protest movements with one-sided reports.

But are these protest movements not an honourable issue?

For our active citizenship in Germany this attitude is certainly fundamentally impor-

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“Comfortably riding on the wave”

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tant. In American foreign policy, however, promoting democracy is not an end in itself but serves geopolitical interests. USAID operates a toughly calculated programme. And journalism should preserve independence dealing with these issues and not identify with one side like missionaries.

Can you describe in more detail the activities that are funded by the United States in Russia and overlooked or even concealed by the correspondents?

A USAID report of December 2010 described openly and in detail how the public should be mobilized against Putin. This was done in a very clever manner, for example, by way of community participation programmes. Officially the aim was to change the citizens' relation towards politics, also by means of training, project proposals and incentives such as scholarships in the United States, jobs in NGOs or seminars for young Russian managers. A huge network of American and Russian partner organisations received and distributed millions of dollars for effective pro-

jects and legal counselling for the participants and for extensive media work.

Everything is strategically designed to give rise to protest against Putin in the provinces. Do not get me wrong, I think a lot of opposition protests are legitimate, but I expect journalists not only to rejoice when Putin's power is also crumbling in the provinces, but also to explain what's behind it all.

This topic is not completely underexposed. Back in 2005 in the wake of the Orange Revolution in Ukraine very well-researched reports were published in Germany on the financial and organisational background of those opposition movements that had plunged authoritarian ruling presidents in Serbia, Georgia and Ukraine. “Der Spiegel” published two long articles on “Die Revolutions-GmbH” (The Revolution PLC). You wrote about these backgrounds in the “Zeit” yourself.

The motives of the foreign players were not analysed, but the international staff of the revolutionary activists was certainly celebrated. The articles, researched at great expense, at least describe the complex training programmes for opposition youth groups, however, only months after the great jubilation. Especially the “Spiegel” reports burst with revolutionary poetry. I am amazed that many journalists, despite the meanwhile accumulated knowledge about the colour revolutions in Eastern Europe, do not feel obliged to critically question the role of foreign actors such as USAID in Russia. I watch most of the Moscow correspondents ride on a wave of politically well-led trite criticism against the authoritarian Putin regime.

Are the Russian opposition movements not far too different to degrade them all as the fifth column of Washington and the US intelligence services?

Among the opponents in Russia there are many groups – nationalists, anarchists, radical market liberals, crypto-communists and corrupt oligarchs. They all are united by the opposition against Putin, but not by the love of democracy or even an idea of how Russia could develop into a state of law. Many NGOs focused on rule of law, such as *Golos* and *Memorial* are, in turn, indebted to foreign donors. Or take the *Institute for Urban Economics*: This was established by USAID in order to influence the fiscal and land policy. It must coordinate its projects every year with USAID. In the media you look in vain for such relations.

On the assumption that it is as you describe it: What are the underlying rea-

sons? Is it a lack of professionalism such as naivete?

On the one hand, I observe a tendency with permanent correspondents that they want to be politicians. On the other hand, it seems to me that many of the free and part-time correspondents are involved in this externally-financed NGO system.

They lack the independence to really analyse. No credible editor would accept if a car dealer of brand X would offer a test report on Y, the new model of the competitors. Here in the NGO world this is what happens. Therefore it would be necessary to observe the separation of political PR and journalism especially in this field.

How much effort would a correspondent have to make to investigate the backgrounds you have just outlined?

This is not complicated. Many connections become clear through financial flows. If one wants to know, for example, what the human rights organisations in Russia are that get money from the US, one only needs to take the trouble to analyse annual reports from USAID partner organisations such as NED or *Freedom House*. There are also policy papers, fact sheets and evaluations, in which a lot becomes clear. There are also academic experts.

But most journalists seem so fully occupied by their daily work that they do not notice scientific publications such as *Bernd Stöver's* professorial dissertation. The book, released ten years ago, is still relevant. It examines in detail the American “liberation policy” during the Cold War. The aim of that strategy was the removal of undesirable regimes with a mixture of covert and overt operations, propaganda and mobilisation of dissidents, exiled and internal opposition groups. In my opinion, it is nothing else what is currently happening in Russia, taking into account that instead of the CIA organisations NGOs such as USAID, NED and private foundations are the main actors.

Source: Message 4/2012. www.message-online.com

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The right to one's own culture

“It is clear what is happening now is the rebuilding of Russia's ties with its history, which were broken.” (Sergei A. Karaganov)

by Ellen Barry

cc. Concerning Russia we have in mind years of fierce polemic, but only little real information about the country's internal development. Not only in terms of China our political thinking has to be broadened, but also in terms of Russia. That the country is now turning towards its own culture and history: Who, in the West, presumes to distainfully comment on this from the big horse? Does not Europe, does not America rather have to start caring about what they want to present their own population? What perspective? What development? Where are the values? What is still left of the rich cultures and their various characteristics, except for ruins?

More sense of reality is to be imposed on. More grip on reality, too.

Over 12 years as the principal leader of Russia, Vladimir V. Putin has brought the same ruthless pragmatism to a wide range of problems – separatist wars, gas wars, rebellious oligarchs and a collapsing rouble.

Now he is facing a problem he has never encountered before, one that is an awkward fit with his skeptical, K.G.B.-trained mind. Six months into his third presidential term, after a wave of unsettling street protests, Mr Putin needs an ideology – some idea powerful enough to consolidate the country around his rule.

One of the few clear strategies to emerge in recent months is an effort to mobilize conservative elements in society. Cossack militias are being revived, regional officials are scrambling to present “patriotic education” programs, and Slavophile discussion clubs have opened in major cities under the slogan “Give us a national idea!”

“Definitely he is thinking about ideology,” Dmitri S. Peskov, Mr Putin's press secretary and close aide, said in an interview. “Ideology is very important. Patriotism is very important. Without dedication from people, without the trust of people, you cannot expect a positive impact of what you are doing, of your job.”

Ideas are changing inside the ruling class, as well. The pro-Western, modernizing doctrine of President Dmitri A. Medvedev has been replaced by talk about “post-democracy” and imperial nostalgia. Leading intellectuals are challenging the premise, driven into this country 20 years ago, that Russia should seek to emulate liberal Western institutions. “Western values” are spoken of with disdain.

Every year, scholars from around the world gather for a meeting of the Valdai Discussion Club, where they sit around an opulent dinner table, peppering Mr Putin with questions for hours. Mr Peskov said this year there were few questions about democracy and human rights – because those questions are no longer of interest.

“World experts nowadays are losing their interest in the traditional set of burning points,” he said. “Everyone is sick and tired of this issue of human rights.” He added, “It's boringly traditional, boringly traditional, and it's not on the agenda.”

Events of the last year have breathed life into this anti-Western argument. The debt crisis stripped the euro zone of its attraction as an economic model, and then as a political one. The Arab uprisings have left Russia and the United States divided by an intellectual chasm. Russia's Orthodox Church casts the West as unleashing dangerous turbulence on the world.

Mr Peskov said that Mr Putin “understands pretty well that there are no general Western values,” but that he views this as a period of severe historic crisis.

“We have a tremendous collapse of cultures in Europe, less in the States, less in South America,” Mr Peskov said. “But we have it in Africa and we have it in Europe, and they will be torn apart by these contradictions. Because there is no harmony in coexistence of different cultures, they cannot ensure this harmony.”

“The wave of revolutions in Maghreb, in the Middle East, in the Gulf, in Yemen – it brought disaster,” he said.

While Russia has no intention of drifting from the West in its foreign policy and seeks closer bilateral relationships, Mr Peskov said, it will no longer tolerate interference by outsiders in its domestic affairs.

This message is unambiguous, but it is difficult to know what concrete changes it may bring in a country whose top political and business figures have homes in Western Europe and send their children to study there.

In September, during a discussion on “nationalizing the elite,” a Kremlin-connected lawmaker proposed barring officials from owning property overseas, saying it made them beholden to foreign governments and could lead them to betray Russia. The proposal met open resistance, including from Mr Medvedev, and is now in limbo.

Mr Peskov said Mr Putin had mixed feelings about the measure and had not come to a final decision about it.

“If you work for the state – if you are a state employee of a certain level, especially – and you have your investment outside, you can be easily influenced from that outside, and it can harm the interests of the state,” he said. “You are not safe, in terms of being firm in defending the state's interests. But on the other hand, if we are speaking about abroad, it is much cheaper to buy a flat somewhere in Bulgaria than here in Moscow. So there is a huge discussion about that.”

Alexander Rahr, one of the experts who attended the Valdai Discussion Club, said he left with the sense that although Mr Putin has benefited politically by embracing more conservative language, there is something deeper going on.

“He is preparing Russians more and more for the understanding that Russia does not belong to the West, to Western culture anymore, or to Europe in the way that was discussed during the 1990s,” said Mr Rahr, the author of a biography of Mr Putin. “He is preparing Russians for

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“All peoples have the right of self-determination”

Source: International Covenant on Civil and Political Rights of 16 December 1966 – Part I

Article 1

1. All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development.

2. All peoples may, for their own ends, freely dispose of their natural wealth

and resources without prejudice to any obligations arising out of international economic co-operation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence.

"The right to one's own culture..."

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something else. Whatever this means is very difficult to say."

In public, Mr Putin has lent his voice to the search for patriotic ideas. At a September meeting that started a national push for "patriotic education," he said that conflict over "cultural identity, spiritual and moral values and moral codes" had become a field of intense battle between Russia and its foes.

"This is not some kind of phobia; it really is happening," Mr Putin said, according to the newspaper *"Rossiyskaya Gazeta"*. "This is at least one of the forms of competitive battles that many countries encounter, just like the battle for mineral resources. Distortion of the national, historic and moral consciousness more than once led the whole state to weakness, collapse and loss of sovereignty."

That theme was reprised this month, on the 400th anniversary of the uprising that expelled a Polish-Lithuanian occupation, ending what Russians call the "time of troubles."

The message seemed tailored for this suspicious season, when nonprofit groups that receive financing from outside Russia are being labeled "foreign agents" and the legal definition of treason has been broadened to include "providing assistance to international organizations."

In a videotaped lecture that will be shown in high school classrooms, one of Mr Putin's close allies, *Sergei Y. Naryshkin*, the speaker of the lower house of Parliament, describes the long-ago Western occupiers to the accompaniment of dark orchestral music and images of a dead village girl, blazing wood cabins and a cowering child.

On orders from Moscow, Russia's state officials are scrambling to come up with their own patriotic programs. In Rostov-on-Don, the Ministry of Education is considering imperial-style 19th-century costume balls. Officials in Novosibirsk proposed a new holiday, "The Day of Overcoming the Troubles." Volgograd legislators inaugurated a Commission on Questions of Patriotic Education, Ideology and Propaganda.

Sergei A. Karaganov, a dean at the Higher School of Economics in Moscow, said he believed that Mr Putin would devote much of his energy, in the coming years, to the search for "a unifying set of ideas" that convinces both the population and the ruling classes.

"He is a very good operational thinker – he is practical – but at certain points you have to offer a vision," Mr Karaganov said. "It is clear what is happening now is the rebuilding of Russia's ties with its history, which were broken."

One complication in that project, he noted, is that Russia's moments of glory and unity have always been associated with an invading force.

"Russia has a fantastic, very strange and very foreign situation – the country has no enemies," he said. Referring to the United States, he added: "Your country was formed by a few words in your Constitution. Our country was formed around defense, and all of a sudden there is no threat."

Source: © "The International Herald Tribune", 21 November 2012

Russia wants to find its place without confrontation

Russian President *Vladimir Putin* believes that Russia needs to find its place in the geopolitical transformation, and that it wants to do so without a confrontation.

As the President said in Moscow at a meeting with his confidants, Russia with its vast territory, its traditions and its growing economy can take part in the geopolitical transformation. "But we certainly have to do this with modern methods, not with confrontation, but by promoting and protecting our own

national interests, which must be coordinated with those of our partners." With regard to Russia, the following stereotypes were often used, Putin said: That Russia had not completely overcome its communist past, that a genuine democracy did not exist in Russia and that there were no real elections. According to him, everything, including Russia's legitimacy, is called into question. And if Russia lacks legitimacy, it also does not have the right to express its views on foreign pol-

icy, so it is claimed. Putin said that the logic of such allegations was the same as the statement: What could a person who is not officially registered, say about Tchaikovsky's music?

Putin also noted that all of that would eventually be a thing of the past. •

Source: RIA Novosti, 10.12.2012 <http://de.ria.ru/politics/20121210/265113802.html>

(Translation *Current Concerns*)

Putin: The turning point of history – Russia must preserve its national and spiritual identity

According to President *Vladimir Putin*, the next few years will change Russia and the world. "We are entering the era of global changes and – perhaps – shocks too," he said in his annual message to the Federal Assembly.

"The next few years will be crucial not only for us but virtually for the whole world and perhaps even signify a turning point," said Russia's President.

According to Mr Putin Russia must remain an influential and sovereign state in the world of the 21st century both in the face of the new constellation of economic and military forces and the forces of civilization. Putin said that in order not to decline as a

nation and to remain Russia, it is necessary not only to develop sovereignty but also to preserve the national and spiritual identity.

"A breeding ground for new economic, geopolitical and ethnic conflicts is developing, the competition for resources is getting harder not only in terms of metals, oil and gas, but primarily in terms of the resource man and his intellect," so Putin. "Who comes to the top and who remains an outsider and inevitably loses his independence not only depends on the economic potential but primarily on the will of a nation and its internal energy."

"Russia does not only have to be in demand in the geopolitical arena, it has to

reinforce this factor," the President continued. "It must be sought after by our neighbors and partners. This is important for ourselves, this affects our economy, culture, research and education, our diplomacy and in particular our ability to act collectively in the international arena."

"Not least, this concerns our military power that remains a guarantor of Russia's security and independence," he added. •

Source: <http://www.de.rian.ru/politics/20121212/265127555.html> of 12.12.2012

(Translation *Current Concerns*)

27 Apple trees

Brothers and ambassadors for the friendly cultural ties between Switzerland and Russia

by Erika Vögeli

Since 1946 the Swiss Embassy in Russia has been situated in the northeast of Moscow's centre, in a townhouse from the 19th Century. It accommodates the private rooms of the ambassador, official reception rooms, the political department, the cultural department and the office of the Defense Attaché as well as the administration and the economic department.

With the beginning of political and economic change in Russia this representation has become increasingly important: Within a few years it became one of the largest and most important embassies of the Confederation.

In the "Newsletter of the Swiss Embassy in the Russian Federation" the Swiss Ambassador in Moscow, *Pierre Helg*, who has been in office since December 2011, describes the activities of the embassy as follows: "We are going to apply our energies to maintain the excellent relationship we have developed with Russia over the years, and are going to continue the multi-sectoral dialogue initiated in 2007 (particularly in the political, economic, legal, financial, technical areas) in a determined and constructive way. We also emphasize our efforts with respect to the Swiss SMEs in direction of a more pronounced presence in Russia, especially in the regions. We also intend to strengthen our cultural activities in Moscow, as well as in a number of medium-sized cities, among others with the help of our new coordinator *Pro Helvetia*. Finally, we hope to intensify our exchanges (interactions) with the Swiss community in Russia, for example, by means of presentations in the Embassy and exchange of views with those compatriots we think might be interested."

According to Ambassador Helg the current government of President *Vladimir*

Putin and Prime Minister *Dmitry Medvedev* means "continuity, stability and modernization of the country, more than a democratic process and individual liberties. The developing political opposition in Russia is obviously skeptical. But the leaders of the G-20 countries have observed for example that nowadays Russia is predictable and offering security, considering an EU weakened in their ability to pay and the uncertain times following the Arab Spring. Swiss and foreign investors and entrepreneurs share this view. Anyway, it will be interesting to follow the political development of this giant, as Russia is one, in the near future."

In turn, President Medvedev pointed out at the ceremony for the presentation of the accreditation letter on 22 February 2012: "Our relations with the Swiss Confederation have experienced a remarkable upswing in recent times. Our connections date back 200 years. We have had much closer contact at the highest level and have increased our humanitarian and economic cooperation. We have great respect for Switzerland's neutral status, and her reputation as a responsible and honest mediator in very difficult situations."

With the increasing importance of the Embassy in Moscow, the volume of work grew in all areas: a growing number of visa requests, increasing activities of the trade department etc. had to be dealt with. A young and impressed visitor was impressed by the modesty of the embassy: the administration was managed in a makeshift building, while the departments of economy and science have been located in the garage. Furthermore, additional rooms had to be rented. In short, the available space was far too small. After the Confederation was able to purchase the site of the embassy in 2005, renovation and expansion of the entire system could be addressed.

In a project competition, launched by the *Federal Office for Buildings and Logistics (FBL)* in cooperation with the *Feder-*



Model of the new building: Looking onto the road the existing building, at the parcel border, on the right-hand side the new building which forms the interior courtyard together with the old building, in the middle the apple tree. (picture ma)

al Department of Foreign Affairs (FDFA) as well as with representatives of the City of Moscow, the jury in 2008 ruled unanimously for the project, "Berner Rosen" (an old apple variety) by the planning team *Brauen + Wälchli architects*. The historic building, whose surrounding park reminds of the gardens in the Tsarist era, was complemented with a new one, generating a spacious courtyard. The exterior facade of the new building, is "based in design and proportion on the existing residence," says the project description on the website of the BBL. "Proportioned windows with traditional masonry structure the facades. Thus the construction fits unobtrusively into the quarter and expresses the discretion of the embassy."

With the upcoming renovation and expansion of the Swiss Embassy in Moscow, the *Federal Office for Buildings and Logistics (FBL)* and the *Federal Office of Culture (FOC)* had finally held a competition "Art in Architecture" to realize something appropriate for the Embassy.

This was won by the Vaud artist *Anne-Julie Raccoursier*. Her submission takes on the name of the architectural project, "Berner Rosen". Possibly based on the gardens of the Tsars, an apple tree of the variety "Bernese Roses" will be planted in the courtyard of the new area. The proposal "Bi-location" by Anne-Julie Raccoursier draws on the following concept: Instead of a sculpture or a work unique in the embassy, she sought a conceptual answer, something that also exists outside the embassy – in Switzerland – and that creates a connection, a cultural connection-creating and diplomatic work, which emphasizes the number of links and ex-



The Swiss Embassy in the Russian Federation in a 19th-century building. (picture ma)

A cultural, connecting, diplomatic work, shining light on the numerous historical and present relations between our countries

Interview with Anne-Julie Raccoursier

Current Concerns: You have won the project competition "Art in Architecture", creating a work for the Swiss Embassy in Moscow. What motivated you to participate?

Anne-Julie Raccoursier: I enjoyed participating. I was very interested in reflecting about a work for an embassy, a place for representation and exchange, an interface of politics, culture and diplomacy. I also found it interesting to delve into the history and the culture of this huge country and to discover the connections between Russia and Switzerland.

The architects have called their project "Roses of Berne". Do you know what motivated the architects to plant an apple tree into the embassy court?

In the architects' project, the embassy buildings are built around an inner courtyard which has the shape of Switzerland, seen from above. They underlined the contour of Switzerland by marking the locations of the main cities of the 26 Swiss cantons and by planting an apple tree of the kind "Roses of Berne" at the center of the courtyard, at the location of the capital Berne. I think the choice of an apple tree is also historically inspired because the site of the embassy in Moscow used to be the location of the Tsar's orchard.

What does your project consist of? What is your basic idea, that you started to realize?

It seemed difficult to me to start from the architects' project and to complement their proposal with an additional contribution in the courtyard without restricting it. I wanted to create a work going beyond

"27 Apple trees"

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changes between our countries. 26 apple trees – one in each canton – of the variety "Bernese Roses", all of which were a graft from the same tree as the one planted in 2015 at the inauguration of the new embassy in Moscow, should act as ambassadors of the relations between the two countries and keep that connection alive. So far, seven trees have been planted (see box). A photo of each tree accompanied by its individual story and connection to Russia will be hanging at the entrance of the newly renovated embassy building, providing every visitor with an insight into the various relations of the countries and people.

the embassy, one that returns to Switzerland. That is why I thought I could extend their idea, contributing a conceptual answer causing the work to be alive also outside the embassy, so that the embassy would also be discussed elsewhere; a cultural, connecting, diplomatic work, shining light on the numerous historical and present relations between our countries.

The idea of my project is to use the same elements, the 26 cantons and the apple tree, but to reverse their direction. I have proposed to plant apple trees, "brothers" of the one to be planted in Moscow (they will all be graftings from the same tree) in each of the 26 Swiss cantons, near Russians living in Switzerland, near Swiss who have connections to Russia or at historical sites that have seen cultural exchange between Swiss and Russians.

The apple tree of the embassy in Moscow will have 26 apple tree ambassadors in Switzerland. The people who have an apple tree in their gardens or in public locations will start talking about the embassy, about their relations. I also like the idea that there might be an invisible tie between these trees. They will be connected because they have come from the same tree...

I like the idea a lot to take the apple trees as ambassadors who also have direct relations to the embassy's country.

I like it because these trees will grow with the people, sometimes they are planted near families, so later it will be the children who care about them. And most of all I think that the history of Russia and its relations to Switzerland is a very complex one because it includes the Tsarist period, the Russian Revolution, the Stalin era, then the Cold War and now there are again many Russians who travel to Switzerland; there are many oligarchs settling in Switzerland... The relations are manifold, complex and sometimes a bit particular and the project allows to touch all these aspects and to speak about the complexity of history.

Also about the various connections between the two countries...

Exactly! It is unbelievable. It was very interesting to discover these connections in the course of my investigations.

Obviously the Swiss embassy in Moscow has gained a lot of importance at the end of the 20th century because many Swiss have connections to Russia.

ev. A tree was planted on the property of Otto Wartmann's cheese dairy in Amlikon-Bissegg in the Canton of Thurgau. In 1890 a forefather moved to the small East Prussian town Tilsit. When he returned in 1893, he had a cheese recipe in his luggage. He had the idea to name his cheese after this small, modest town, in which Napoleon and Czar Alexander I in 1807 concluded a secret agreement, and which under Stalin became Russian and was renamed "Sowetsk".

Meanwhile the Tilsiter cheese is being produced in the cheese dairy of Holzhof/Amlikon-Bissegg by the fourth generation. Since 2009, a cooperation exists with the town Tilsit/Sowetsk with the purpose to build the friendship between the town in the Russian region Kaliningrad and the hamlet Holzhof, the native region of the Tilsiter in the Canton Thurgau.

In the Canton Wallis an apple tree stands in the garden of the casino of Saxon in honour of Dostoyevsky, who visited this garden regularly during his stay in Switzerland (1867/68). In this time he produced an essential part of his novel "The Idiot".



There are certainly a lot of economic relations. I was told that it is – besides Washington – the second most important Swiss embassy, employing a large staff. The refurbishment will allow Switzerland to develop its economic relations further, but also tourism and a cultural and scientific exchange.

I think it is an excellent idea to remind the Swiss that there is a long history between the two countries.

Yes, for example there have been many Romands [people from the French-speaking parts of Switzerland] who went to Russian aristocratic families to work as private tutors for the French language. French teachers were wanted, but since France was a monarchy and there were political tensions, the Russians preferred Swiss teachers coming from a democrat-

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FINMA – emancipated Swiss federal supervisory authority for banks?

A critical assessment of its development

by former Federal Administrative Judge and lawyer Hans-Jacob Heitz *

FINMA – function, duties and responsibilities

The *Swiss Financial Market Supervisory Authority FINMA* was created on the basis of Article 95 & 98 of the Federal Constitution and started its work on 1 January 2009 as an integrated financial market supervisory authority; it replaced the *Swiss Federal Banking Commission (SFBC)*, the *Federal Office of Private Insurance* and the *Anti-Money Laundering Authority* and/or united their functions and tasks in a single supervisory authority with the declared aim of strengthening the financial market supervision and putting itself in the position of being an equal partner on international level. FINMA is a public institution equipped and best compared to that of a judicial authority. It supervises the banking and insurance sectors and other financial intermediaries. Condition for a purposeful functioning of FINMA is its institutional self-determination or autonomy, i.e. its independence from politics and economy, especial-

* Hans-Jacob Heitz, MLaw UZH, Attorney & Mediator SBA with his own firm; he was a judge in the Commercial Division of the Federal Administrative Court; several posts as SME Board, he guided business organizations in the subsidiary office, he founded the "Schutzvereinigung Schweizer Anleger" (Protective Association for Swiss Investors SVSA) and has acted in this function since the Swissair debacle at general meetings of public companies, he had a seat on the Winterthur Great Cantonal Council and the Zurich Cantonal Council; in the military, he held the rank of colonel in the general staff.

"A cultural, connecting,"

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ic republic. Pierre Gilliard, for example, was private tutor to the last Tsar family. He was very close to the family and accompanied them during the whole period of their imprisonment during the Russian Revolution. In particular he has made amazing photographs of the family's private life which are now kept in the *Musée de l'Élysée* in Lausanne. Before the revolution, Lenin and numerous other Russian revolutionaries spent many years in Switzerland. There are also many Swiss who emigrated to Russia like for example the architect dynasties from Tessin who have worked for the Tsar during the building of St Petersburg or in Moscow.

ly from the banks on the one hand as well as transparency and accountability of its actions on the other hand.

FINMA's mission is the protection of creditors and depositors and the insured and the functioning of financial markets, thereby contributing to the reputation and competitiveness of Switzerland as a financial center. FINMA is also a regulatory authority which by expressly legislative delegation can enact ordinances and circulars on financial market legislation, which guarantee the international minimum standard of innovation and international competitiveness of the financial market as well as the possibilities of self-regulation. For the adoption of guidelines for regulatory principles that have to be followed, it has to make arrangements with the Federal Department of Finance as a representative of the Federal Council. FINMA is under the supervision of the Federal Parliament; it has to inform the public on its supervisory activities and practices at least once a year. FINMA is liable, provided substantial breaches of official duties have occurred, whereby the Accountability Act applies for the latter and the FINMA representatives.

The supervised are subject to an inquiry and automatic notification duty towards FINMA. FINMA may initiate proceedings, demand the restoration of the proper state, enact injunctions, withdraw licenses, express prohibitions, remove illegally obtained profits, and can even decree the liquidation of a company. Its rulings may be appealed at first instance by filing a complaint with the Federal Administrative Court. In case of violations

Your work could also be called a project fostering the understanding among nations.

Yes, somewhat like that, because it contains the idea that the relations between nations are always shaped by people, by individuals, by personal ties. And then it requires a lot of care to nurse a tree, it takes time, a bit like cultivating a friendship. And these relations also have cultural aspects. And I also like the fact that all these trees come from the same tree, that they are related to each other – if these trees are well cared for, other relations might also prosper.

Mrs Raccoursier, thank you very much for this project and our talk!

of the financial market legislation a prison sentence and / or a fine of up to 1 million Swiss francs may be pronounced.

FINMA – previously a tiger without teeth, which cemented the powerlessness of small shareholders

We can all still remember the collapse of UBS which was anything else than God-given, but rather attributable to blunders and bad speculation, simple greed and arrogance of management and the Board. The circumstance that the functions of CEO and Chairman were held by a single source in personal union by *Marcel Ospel* proved to be particularly problematic. UBS could survive only due to direct state intervention by the Federal Council and the *Swiss National Bank* through cash injections of taxpayer money, which from the perspective of regulatory policy was as surprising as questionable. Claiming that UBS was one of the systemically important companies, did not change that fact, especially since management and Board are now reassured and safely bustle around as if they were actually entitled to a state guarantee.

From the perspective of consumers and small shareholders it was particularly annoying that we complained – but in vain – at an early stage about the dangerous subprime real estate transactions in the USA as well as about the continuous consumption of equity interest. Not only then did we point out the dangerous developments that were obviously directly related to Marcel Ospel's goal to make UBS one of the world's biggest banks – a megalomaniac and hence deeply un-Swiss suggestion! Furthermore we also expressed our concerns about the dangerous developments when the new CEO *Oswald Grübel* demanded more risks for the investment banking and a yield of 15 billion for the bank. By letter dated autumn 2010, i.e. a year prior to the London scandal of the UBS-merchant *Kweku Adoboli*, I approached FINMA with the request to rapidly check if everything was in order at the UBS with respect to investment banking, because UBS must not again go astray because of such megalomaniac objectives. Even at the annual general meeting when I mentioned this objective spontaneously, Grübel replied laconically: "You will be surprised!" The surprise followed in September 2011 by return mail that uncovered the serious loss of trade in London *Ex-*

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"FINMA – emancipated Swiss..."

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change Traded Fund Desk caused by the trader in the position of Director Kweku Adoboli (Question: Does any UBS employee have to be a director today?) and flushing several billions down the Thames. This was possible due to grossly negligent ignorance toward obvious mistakes in coordination, wrongly recorded balances and unexplained transactions amounting over a billion. These existing warning signs as well as the exceptionally high profits in proprietary trading operated by Adoboli were disregarded and cast to the London fog involving gross negligence of the management. Meanwhile Adoboli has been convicted as a lone operator, an event which must not obscure the fact that internally in the UBS, given sufficient control, one should have known about these arbitrary practices and should have intervened. Questionable enough that the criminal investigation was not extended and the real causes clarified. UBS's executive offices maintained their silence in court.

Questionable is also the older fact that despite the refusal of discharge of liability for the financial year 2007 no investigations were carried out against the responsible persons of the body such as Marcel Ospel, *Peter Wuffli* and Co.; however, things were rather swept under the boardroom's carpet.

Our intention, i.e. the intention of a large number of private and small shareholders together with the organization *Actares*, to put the accountability a charge on the General Assembly's agenda in 2011 with the effect that the Board of Directors were made discharge their duties in a legal action, was sabotaged by the Administrative Council with unfair means: Several shareholders were denied their copy of the required deposit certificate so that we narrowly missed the necessary legal quorum for an agenda request.

FINMA, confronted with this – in my view – unlawful conduct with regard to banks and equity, did not want to know anything about it and referred us to the Civil Court. However, small shareholders can simply not afford such lawsuits, especially since according to the Swiss Code of Civil Procedure suit money must be paid in advance which in this case might have amounted to no less than a six-figure amount. Who likes to throw good money after bad money?

By setting megalomaniac goals, the top bankers create completely wrong incentives that fall on fertile ground with greed-driven staff due to the bonus nonsense that cannot be eradicated. That will hardly change fast, I bet!

Today, we cannot rule out that sooner or later similar scandals will come to light,

because the corporate culture of UBS has not changed sufficiently despite all protestations, especially since nobody acts along the ethics code that has existed for years and is not worth the paper on which it was written. The meanwhile resigned chairman *Kaspar Villiger* has his share of responsibility for this lack of culture, for what he promised the shareholders when he was elected in the annual general meeting, remained sound and fury. It is to be doubted whether with *Axel Weber* we will actually see signs of a U-turn, as letters to him remain unanswered; again that savors of an arrogance that is adverse to corporate governance.

This leaves the aftertaste that FINMA so far, i.e. up to its recent and long-overdue intervention, has not observed UBS carefully enough.

SFBC/FINMA – suspicion of a conflict of interests

The question is what could be a possible explanation for the FINMA being so lame and only intervening actively with regulatory measures after the second major event at UBS?

In this context it is important to recall that *Eugen Haltiner* officiated as head of the predecessor commission FBC and then also the first chief of the FINMA, who was previously known as General Manager at UBS and also known to be papabile of Federal Councillor *Merz*, who was also close to UBS. Regardless of whether one wants to accuse Haltiner of failures, the conflict of interest was created objectively, so it was not understandable under any legal title why he did not renounce the presidency of FINMA for higher interests or when UBS crashed he did not hand over his post without delay or at least withdraw completely.

Even the SFBC is thus characterized by an excessive closeness to the big banks and quite unscrupulously got anything and everything out of the way by means of liquidation verdicts that could have competed with the banks. In many cases the creditors' interests were run over, which means that the SFBC did not care about their interests even though it is part of its statutory mandate, but indulged the principles in the best interests of big banks. Even in retrospect, this practice could be identified as a conflict of interests.

Today, we have the impression that this blemish was shaken off by FINMA now staffing *Anne Héritier Lachat* as president, a new face less closely associated with the big banks. This was and is important for the credibility of the FINMA.

FINMA – a not unproblematic intervention in UBS operational business causing some loss of autonomy

As is known, FINMA initiated a formal regulatory process against UBS in December 2011, and imposed excessive sanctions on UBS due to weak control functions in the areas of "operations control", "product control" and "risk control" and unclear monitoring responsibilities. These sanctions included capital constraints and an acquisition ban for the investment bank, combined with a mandatory license for business initiatives of increased operational complexity. This means nothing else than forfeiting the UBS' entrepreneurial autonomy. Measured against these particular regulations focused on investment banking we have to question rightly whether UBS really decided on its own to shut down the investment banking business significantly – as it made the investors and the public believe? This may be doubted and questioned at the next General Assembly of shareholders.

At first glance, this FINMA intervention seems appropriate and proportionate and undoubtedly gives a boost of credibility, which it really needed; at second glance, fundamental questions have to be raised from the point of view of regulatory policy in terms of its statutory mandate. The question arises, namely, whether FINMA in the context of its legally defined control function could have been broken up by this procedure and thus overstated the case? By entering a sort of operational responsibility FINMA took in fact the risk to be partly responsible in the case of a new debacle and thus seriously interfered with its supervisory task, especially as it could be held liable in such a case. The determining factor is, as shown in the introduction, the Accountability Act, which means that the state is held liable, thus the taxpayers once again.

In this context, we have to ask the further question of who actually supervises FINMA?

Here, the Federal Parliament is qualified by law, even if FINMA coordinates its actions with the Federal Department of Finance, whereby you always had to have the impression that FINMA controls the Department of Finance, and not vice versa, as illustrated in the fatal cases of releasing bank client data to the US or the investor-unfriendly attack on *Sulzer AG*. However, it must be seriously questioned as to whether the Federal Councilors with very few exceptions may simply not be able to cope with such complex processes?

Experience shows that the sluggish federal policy responds reactively rather than proactively, so it can hardly intervene in

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time in case of a future new fiasco, unless they take the painful experiences into account and finally basically review their affairs.

Quintessence

The federal banking supervision was previously characterized by too great a closeness and therefore dependence from the big banks, which explains how the near-

bankruptcy of UBS could happen. The parliamentary control over FINMA makes good sense in regulatory democratic structures, which however does not release political parties from taking the aspect of this complex regulatory function into account when selecting their candidates for the federal parliament. We should probably equip the relevant commission with more effective means. The anything but transparent interaction between the Department of Finance and FINMA would be worth an impartial review.

A positive conclusion can be drawn regarding the prudent as well as courageous leadership of FINMA by Anne Héritier Lachat, despite slight regulatory criticism because of her recent intervention at UBS, for which UBS actually has to blame itself. It is certainly easier for FINMA, to loosen the reins depending on the development of UBS instead of tightening them.

Final point: "Do you want to know anything, ask not a scholar but an experienced one!" [Chinese proverb]

(Translation *Current Concerns*)

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