

Guidelines

North-

South Report by the Federal Council
on Switzerland's North-South
Relations in the 1990's



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Report by the Federal Council on Switzerland's North-South Relations in the 1990's

"Guidelines North-South"
of March 7, 1994



Summary

The "Guidelines North-South" result from a postulate of the Commission for Foreign Affairs of the Council of States (Ständerat), dating June 6, 1990.

This postulate asked the Federal Council (Bundesrat) to formulate guidelines concerning the future role of Switzerland in the context of the North-South relations, based on a thorough analysis and an interministerial debate, in order to guarantee an integral and coherent development policy.

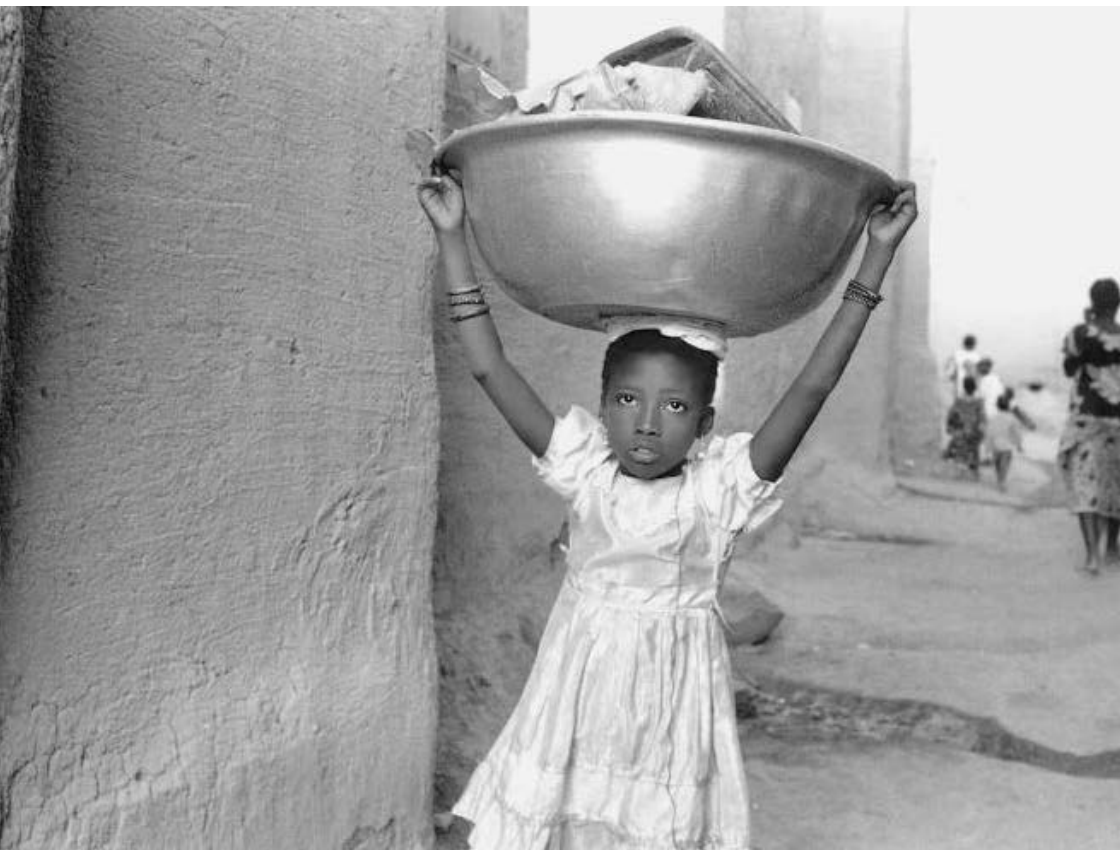
The guidelines have been elaborated taking into account the report on Switzerland's foreign policy in the 1990's. Therein the Federal Council announced that "in a special report on guidelines for Switzerland's relations to the developing countries, more details on the problem of coherence will be given".

The guidelines point out the most important problems of present day development policies and outline their effects as well as potential areas of action. They define Switzerland's future development policy. Development cooperation is no longer the only area concerned: the policy will have consequences for the totality of Switzerland's relations with the developing countries.

The objectives of the guidelines are identical to those defined by the foreign policy report and correspond to the principle of safeguarding Switzerland's interests on a long-term basis.

1

**The context of development policies
in the 1990's**



11 Globalization in the political, ecological and economic domains

From the beginning of the 1990's, the traditional relations between industrialized and developing countries, between "North" and "South", have changed fundamentally. The end of the cold war and the 1992 UN Conference on Environment and Development (UNCED) of Rio characterize a time of radical changes in the global context and a new perception of the world.

The East-West ideological conflict that predominated up to 1989 has been replaced by a globalization of important basic values both in industrialized and in developing countries. The values emerging are: the principle of an open democratic society, the role of the market as an economic organizing principle and the imperative need to respect ecological balance. Simultaneously, the relationships between industrialized and developing countries have changed; the power politics of two large spheres of influence that dominated even the South no longer prevail. On the other hand, the euphoria of 1989 and the accompanying hope for a new stable world order have worn off. Instead, old nationalisms and new ethnic conflicts are recurring not only in remote developing countries but also in Europe in former Yugoslavia, in the Near and Middle East as well as in some parts of the Mediterranean region. This unpredictable mixture of opportunities and risks compel governments and international organizations to come to grips with new tasks.

The Rio Conference has shown to the general public that ecological problems are global problems. The developing countries play an important role, as they control the largest part of the natural resources and are far more affected than industrialized countries by the potential consequences of desertification, by the rise of the sea level or by climatic change. Poverty, industrialization and population growth further affect the environment. Moreover, with regard to the environment, a globalization of the present Western life style is inconceivable.

Modern means of communication and transportation, the growing mobility of goods, services, capital and manpower, together with an increasingly international division of labor promote and require a globalization of the economy. In contrast to the dynamic development of the private sector, the task of multilateral organizations to provide an institutional legal framework for this process has become increasingly difficult. In numerous industrialized countries the fears provoked by growing unemployment are feeding protectionist currents. If the successful conclusion of the Uruguay Round does not succeed in containing these tendencies, many developing countries will be affected precisely at a time when they will have improved the conditions for their export economy – often at a high social cost. What is more, the states of Eastern and Central Europe and the former Soviet Union now compete with them on the OECD markets.

12 The end of the “Third World”

The developing countries nowadays are at very different stages of development. States like South Korea, Chile or Mexico exhibit characteristics of industrialized countries, while the poorest developing countries – such as Nepal, Mali or Haiti – are still confronted with the most basic political, economic and ecological problems.

Between these extremes, every possible form exists. In large countries like India, Brazil or China, both the characteristics of ultra-modern industrialized states and those of poor developing countries may be found. The disparities between countries and regions, but also often within the same country or society, may increase further in the coming years. This is likely to bring unequal development, or even a polarization between winners and losers. The expression “Third World” has lost its meaning as a generic term for all developing countries.

The development efforts made during the last three decades have not produced consistent results. It is true that numerous developing countries have improved their political system and their economic policy. In the areas of health and education, the differences between North and South have clearly

decreased, even though the widespread AIDS epidemic may jeopardize the improvements achieved in the poorest areas of Africa and South America. Food production has tripled during the same period. Never before have the living conditions of so many improved in such a short time.

On the other hand, over a billion people live in absolute poverty, i.e. their income is not sufficient to cover their basic needs - mainly food, clean water, clothing and shelter. Numerous developing countries lack responsible, development-oriented governments committed to improving the welfare of the population and capable of using the scarce resources efficiently, and of creating a clear economic and political context for setting priorities. In sub-saharan Africa, development is stagnating. It is predicted that by the year 2020, the world population will grow from 5.4 to 8 billions. Rural exodus and migratory flows over borders and continents will endanger the social stability in many regions.

13 The new interdependence between North and South

Population growth, poverty, the debt burden and economic stagnation translate into growing unemployment, criminality, environmental destruction and an exodus from rural regions. These problems reinforce each other and have effects beyond national borders and into the future. Poverty and industrialization can bring about global ecological problems that will also affect future generations. The over-exploitation of tropical forests already demonstrates this. Poverty, demographic growth and rural exodus in the South cause increasing migratory flows and may compromise social stability in the North. Conversely, the industrialized countries directly influence the prospects of developing countries through their policies in various domains: interest rates, capital flows and exchange rates, but also policies with respect to immigration, labor markets and industry, as well as trade and environment.

14 The need for a coherent policy towards the South

This all implies that Switzerland must reconsider its relations with the developing countries in a complex and ever changing environment. Development cooperation is no longer the only consideration, but rather the totality of Switzerland's political, economic and social relations with these states. The traditional dichotomies between environmental and economic policies, between economic and migration policies, between trade and development policies, between domestic and foreign policies can no longer be applied to solve the impending problems. What is required is a "coherent policy towards the South". For the formulation of such a policy it is first necessary to highlight potential contradictions between short-term national interests and the longer term goals of Swiss development policy. Contradictions then need to be clearly tabled in the political decision making process.

This kind of policy cannot be implemented without the Swiss population accepting that our long-term welfare also depends on the fate of the South. The present "Guidelines North-South" contribute to a better understanding of this interdependence.

15 The "Guidelines North-South" and Switzerland's foreign policy

On November 29, 1993 the Federal Council presented a "Report on Switzerland's Foreign Policy in the 1990's" which formulates the strategic objectives of Switzerland's foreign policy:

- Safeguarding and promoting peace and security,
- Commitment to human rights, democracy and the rule of law,
- Promotion of general prosperity,
- Enhancement of social equity,
- Protection of the environment.

These objectives apply to all areas of our foreign policy, i.e. both to the relations with our European neighbours and to those with developing countries. The "Guidelines North-South" have been formulated on the basis of the report on foreign policy. They pursue identical objectives and are based on the principle of safeguarding Switzerland's interests on a long-term basis.

Implementation of these objectives is neither conceivable nor feasible without the support of the Swiss public. It must become clear that short- and long-term, national and international interests must be weighed against each other. There is no question of abandoning Switzerland's interests. However, in a world characterized by interdependence and change, we must continually redefine our interests within a long-term and global context in order to safeguard them by appropriate measures.

2

**Guidelines for a development policy
of the 1990's**



21 Safeguarding and promoting peace and security, human rights, democracy and the rule of law

Human rights, democracy, the rule of law and freedom in peace are values that have been given central importance by the Swiss State; they are universally valid. These principles are also essential for developing countries in order to achieve political stability. They reduce the probability of violent conflicts occurring within a country or between states. They enable the society, the state and international donors to invest the time, energy and financial resources for mastering the economic, social and ecological challenges. They increase welfare and make emigration less attractive. In this sense, the improvement of basic political conditions in developing countries also contributes to securing our own long-term future.

211 Promoting good governance

Swiss federal authorities apply the OECD standards of "good governance". Switzerland has collaborated actively in the formulation of these principles, designed to promote human rights, democracy and the rule of law in the developing countries. This implies positive measures (e.g., support of local human rights organizations, support during elections, educational measures in the administrative and legal areas, strengthening of legal and administrative structures etc.), a policy dialogue with our partner countries concerning the basic conditions required for effective cooperation and, in certain cases, direct conditionality making assistance dependent on the fulfillment of specific political or economic conditions.

212 Positive measures to promote human rights, the rule of law and democratic processes

The programs and projects of Swiss development cooperation are evaluated with regard to their compatibility with human rights criteria and to their influence on the advancement of the rule of law. Further, positive measures aiming at reinforcing human rights, the rule of law and democratic processes are increasingly integral to development cooperation.

213 Acknowledging conflicting objectives

Contradictions may arise between, on the one hand, domestic policy objectives in favor of job security and economic growth through government export promotion measures, and development policy objectives in favor of democracy and human rights on the other hand. These contradictions must be brought out into the open and resolved through dialogue. In the risk assessment preceding the granting of an ERG (export risk guarantee) for exports to the least developed countries, it is necessary to put more emphasis on criteria related to the political order and the respect of human rights in the recipient country. Whenever possible, internationally coordinated action should be sought.

214 Improving international legal assistance

Measures designed to block transfers of capital obtained illegally are to be reinforced. The Federal Council is presently revising the Legal Assistance Law in order to accelerate legal procedures. At the international level, Switzerland advocates a harmonization of legal provisions. This should prevent flight capital from taking advantage of the disparity in regulations applied in the world financial centers. Further, the Federal Council is evaluating other concrete measures that could be applied to fight corruption through international collaboration.

215 Reducing the excessive military spending of developing countries

Switzerland supports positive measures (for instance demobilization and civil reintegration programs) to promote security and peace and to reduce military expenditure in partner countries. In the political dialogue with the recipient country – be it bilateral or multilateral – and especially within the international coordination mechanisms of the World Bank and the UNDP ("consultative groups"; "round tables"), Switzerland clearly advocates a reduction of excessive military expenditure, so that the largest possible share of the limited financial resources can be used for economic and social development.

The revision of the current Swiss War Material Law should include a provision which allows war material export licenses only in cases which in no way contradict the fundamental principles of Switzerland's foreign policy. In this sense, any decision should be based on first insuring that the export in question does not jeopardize the maintenance of peace as well as the respect of human rights and that the authorization does not contradict the principles of Switzerland's development policies or its efforts in the area of development cooperation. Switzerland also intends to work at the multilateral level towards the harmonization of national export legislation restricting excessive exports of war material that may hinder development.

216 Promoting and safeguarding peace

Switzerland will contribute more actively to the international efforts for safeguarding and advancing of security and peace by increasingly participating in actions in favour of peace. Among other things it will create a Swiss UN contingent (1). It aims to expand its financial and human contribution in the areas of preventive diplomacy, crisis management, arms control and disarmament. Switzerland will be more involved in CSCE and the

(1) The formation of a Swiss UN contingent has been rejected by Swiss voters on June 12, 1994.

UN with regard to conflict prevention and crisis management. For the Federal Council it is still important that Switzerland becomes a full member of the UN, so that it may exercise full rights of decision-making within those committees and organizations that play a relevant role in the safeguarding of security and peace. Switzerland supports collective regional organizations working for peace outside Europe by encouraging measures that will stimulate trust and security.

22 Promoting welfare

In the past, the economic policy of many developing countries has been characterized by overvalued exchange rates and high inflation, budget deficits and external indebtedness, subsidies granted to non-profitable state-owned enterprises and protected markets, by dependency on unfavourable terms of trade and on international price and interest rate fluctuations. Nowadays, practically all governments have started implementing the necessary structural adjustment measures.

Only a new repartition of tasks between the state on the one hand, and civil society and the private sector on the other hand will ensure the sustainability of the reform process. It is the state's responsibility to create the basic conditions for fostering private initiative, a sustainable equitable growth and the efficient use of international development aid.

It is also in our interest that the reforms undertaken by the developing countries succeed. Only sustainable economic growth will make it possible to create the required jobs and income and to offer the population of the South a perspective for the future and alternatives to emigration. Sustainable growth is a prerequisite for an effective reduction of poverty and population growth, and for the protection of the environment.

221 Improving the basic conditions for sustainable growth in the developing countries

Until they have achieved sustainable economic growth, the poorest developing countries will remain dependent on long-term assistance from foreign sources. They lack the necessary human and financial resources in many areas. Countries in the medium income bracket will continue to require our support for improving their economic and social infrastructure and for effectively protecting their environment. Therefore, our development aid must be further increased, both qualitatively and quantitatively. Considering Switzerland's long-term interests and its responsibility within the international community, the Federal Council aims to raise, if possible, the volume of official development assistance by the end of the century to 0.40 per cent of the gross national product.

Swiss development cooperation aims above all at improving the productive base, by fostering agriculture and food security, together with industrial and crafts production and the development of appropriate technologies. In particular, it will give financial support to socially feasibly structural adjustment programs. This support will also include the strengthening of scientific research capacities, especially in the agricultural domain, the improvement of transport infrastructures and, above all, the promotion of economic diversification (informal sector, small industries, new export-oriented areas of activities) and of the private sector in a broad sense.

Switzerland is continuously looking for ways to further increase the effectiveness and efficiency of development cooperation. We insist in particular on improved coordination with other donor countries and on the development of synergies between the different instruments we use in development cooperation. Development efforts will be sustainable only if our partners are made responsible for their own development ("empowerment"). In this sense, we also encourage our partners to pursue long-term objectives, to which the beneficiaries must commit themselves financially.

International policies concerning primary commodities are at a dead end: stabilization agreements did not succeed in preventing the major price fluctuations and the continuous deterioration of the terms of trade for the developing countries. Switzerland will actively participate in the reconceptualization of these policies led by UNCTAD and the World Bank. The Swiss program for the compensation of export-losses of developing countries ("Swiss STABEX") is being evaluated, particularly with regard to its ability to further structural change in the developing countries.

In many of the poorest developing countries, the unbearable burden of debt service remains a great obstacle on the path to development. Within its debt relief program, Switzerland implements bilateral measures and supports relevant multilateral efforts. Within the "Paris Club" (regrouping the most important creditor countries) it supports the implementation of realistic debt rescheduling plans for the poorest and most indebted countries.

Corruption is endemic in many countries. Donor countries and multilateral institutions are undertaking great efforts to verify the utilization of their funds. Switzerland supports the efforts made by the OECD to compile codes of conduct concerning the fight against corruption in the industrialized countries.

222 Supporting the non-governmental sector in developing countries

The withdrawal of the state from the productive sector implies that the private sector has to take on the main responsibility for sustainable development. Switzerland therefore wants to create a context favourable to initiatives coming from small and medium enterprises, from workmen and farmers. It supports the creation and development of social organizations such as farmers' associations and professional organizations. It is involved in professional training and supports small and medium enterprise development. These measures should provide individuals with the possibility of building a future in their own country and with an alternative to unregu-

lated migration. However, one must point out potential conflicts between an increasing investment in preventive measures in migrants' countries of origin on the one hand, and more general objectives of development policy on the other hand. These conflicts can be put into perspective on the basis of the principle that uncontrolled migration is not a solution for either developing or industrialized countries.

At present, Swiss development cooperation is designing a new instrument to stimulate private investments in the South - and in particular in countries with medium income - without an increase in indebtedness. The objective is to encourage partnerships between the private sector in Switzerland and the private sector in developing countries. This new instrument should integrate the traditional means of economic cooperation (mixed credits, trade and investment promotion, technology transfer) and facilitate a comprehensive needs assessment, while combining technical and financial support.

223 Opening the markets of the North to products from the developing countries

Developing countries largely depend on the establishment of an open multilateral trade system. Only through growth in their export earnings can they independently finance an increasing portion of their needs, create jobs and open the future for their growing population. It is thus in our own interest to give developing countries better access to our markets. Even though this type of liberalization may have a short-term influence on the Swiss labor market, protectionist policies do not provide long-term solutions to unemployment.

The Uruguay Round will have positive consequences for numerous developing countries. Potential gains in export revenue have been estimated at about US\$ 65 billion annually, which corresponds to more than the entire official development assistance granted by OECD countries in 1992 (US\$ 60 billion). Developing countries will benefit from the reduction of custom duties, the progressive abolition of import restrictions for textiles and the

abolition of quotas and other quantitative restrictions in the agricultural sector. However, this liberalization creates new potentials only for those countries and enterprises that will be able to profit from them. Countries unable to do so will require additional support to increase their competitiveness and gradually grow out of their role as mere aid recipients.

23 Increasing social equity

Social inequity, hunger and poverty are still among the most pressing problems today. Our solidarity is necessary to solve them, not only for humanitarian reasons, but also because they represent primary causes of population growth, destruction of the environment and migratory flows. They create tensions which endanger peace and security. Switzerland has therefore a vital interest in contributing to improving the social conditions in developing countries.

231 Fighting against poverty and promoting social equity

Development cooperation remains the most important instrument within our foreign policy to fight against poverty and for more social equity worldwide. Yet, aid efficiency and international coordination must still be improved. Immigration, refugee and development policies must be harmonized, so that people may remain in their areas of origin and reach better living standards.

Through a policy dialogue with recipient countries, Switzerland wishes to promote economic and social policies aimed at alleviating poverty. It supports the social policies of recipient countries through adequate measures in the educational, health and demographical sectors, and in particular in the fight against the spread of AIDS.

One of the objectives defined by the UN Conference on Least Developed Countries should be reached during the 1990's: Development assistance granted to those poorest countries that have given priority to the fight against poverty should reach at least 0,15% of the GNP. Likewise, the share of official development assistance allocated to social development should have significantly increased by the year 2000.

With regard to its participation in the Bretton Woods institutions, in regional development banks and funds and in UN organizations, Switzerland advocates the focusing of activities towards poverty alleviation. It is further committed to taking even greater account of the social and ecological costs of structural adjustment.

232 Reducing demographic growth

Switzerland's contribution to demographic policy formulation must be reinforced, first of all as a part of multilateral programs and, second, through bilateral activities. The measures related to demographic growth and birth control must respect the autonomy and the cultural values of developing countries. They should form an integral part of health and education programmes. Improving the status of women and giving them access to employment, health and educational facilities are of utmost importance.

233 Promoting a coherent and internationally coordinated humanitarian assistance

The growing number of conflicts in many regions has increased the demand for humanitarian emergency assistance. The strengthening of international coordination must make it more efficient in the future. Swiss and international organizations must work towards a careful clarification of responsibilities and an efficient coordination of local interventions. The intensification of the policy dialogue with our international partner organizations will therefore be of central importance.

Humanitarian assistance should not lead to new dependencies. As far as possible it must be a support towards self-help and it must lead as soon as possible to reconstruction assistance. It is imperative that it be harmonized with other instruments of foreign policy. Food aid should focus on food security and, as far as is organizationally and economically feasible, should promote agricultural production by purchases in the affected region.

In crisis and war zones, security must be guaranteed first of all by seeking solutions at the regional level. However, the granting of asylum in the industrialized countries may be contemplated as a last resort. In this context, Switzerland advocates a balanced burden sharing at the international level.

24 Protecting the natural environment

The UN Conference on Environment and Development (UNCED, June 1992) has clearly shown that our planet will only survive if both developing and industrial countries adopt a development model that is sustainable and compatible with the environment. To reach this aim, important adjustments are required both in the North and in the South; the transition to a model of sustainable development can succeed only if it is based on a close cooperation between industrialized and developing countries. One of the challenges central to the future of development policies will be to create, both in the North and in the South, the social and political will to change our way of life and the way we consume limited natural resources.

241 Formulating a sustainable development model for Switzerland

The mode of consumption of industrialized countries and their excessive exploitation of resources are responsible for a significant share of global environmental degradation and can not be seen as a model for developing countries. Therefore, Switzerland must also strive to make its own development sustainable. One of the necessary steps is the ratification and implementation of international agreements, particularly of the Conven-

tions on Climate and Biodiversity. Additionally, a multisectorial national plan of action based on UNCED's Agenda 21 is being prepared for Switzerland's transition towards sustainable development.

Switzerland is formulating strategies for qualitative growth, in order to safeguard the quality of life while reducing the wasting of limited resources. It is preparing measures based on the principle of the polluter-payer and on the internalization of external costs which are being carried until now by the entire community.

Switzerland encourages a rational use of natural resources, including energy and promotes their recycling and regeneration. Within the program "Energy 2000", it maintains its efforts to stabilize, before the year 2000, the consumption of fossil energy and CO₂ output at the 1990 level. The CO₂ output will be subsequently reduced, together with the output of greenhouse gases that are not yet covered by the Montreal Protocol.

Switzerland supports the efforts made by the private sector to promote sustainable development, particularly by defining appropriate framework conditions.

242 Promoting an international breakthrough for sustainable development

Switzerland participates actively in the follow up of the Rio Conference (UNCED). It is specifically involved in seeing that the Commission for Sustainable Development created by the United Nations becomes an efficient instrument of coordination, control and action. Within the international development finance institutions (World Bank, regional banks, UN organizations), Swiss representatives advocate procedures that promote sustainable development. They demand in particular that project approval be preceded by an adequate environmental impact assessment.

The Swiss programs of bilateral development cooperation will support the efforts made by the poorest developing countries in order to achieve sus-

tainable development. To this end, the volume of official development assistance must be increased and priorities must be defined following the demands of sustainable development. Particular attention should be paid to further improving human resources (education, public health) and to strengthening the developing countries' own capacities, so that they may learn to use their natural resources effectively. Priority must be given to the development of mountain areas, to the protection and sustainable use of tropical forests, of soils and drinking water and to waste reduction.

Switzerland promotes research cooperation with developing countries on global environmental questions by establishing research partnerships between Swiss universities and research institutions in the South. In the environmental area, it also supports technological cooperation between the private sectors of developing and industrialized countries.

243 Harmonization of environment, trade and development policies

Environmental, trade and development policies must be harmonized as far as possible. In the context of multilateral negotiations Switzerland therefore works towards an appropriate integration of economic, ecological and development objectives in international agreements on trade, communications, transport and energy.

Swiss consumers have become increasingly conscious of the links between trade, development and environment; they demand better information on the origins and production methods of goods from developing countries. Switzerland thus participates in multilateral efforts aimed at reaching as much transparency as possible concerning the origin and conditions of production of certain "eco-relevant" goods (e.g., tropical wood). For instance, our country is considering introducing the use of voluntary labels for tropical wood and for other imported products fulfilling specific standards of sustainable production.

With regard to national environmental measures or trade restrictions, Switzerland is set to avoid measures with negative effects on the economy – and in the long-term on the ecology – of developing countries (“eco-protectionism”). Developing countries that, for financial and technical reasons, are not yet in the position to fulfill adequate environmental standards must be assisted in the improvement of their production and processing methods.

244 Coordinating economic, trade, foreign and development policies at the international level

Traditional bilateral development cooperation will continue to play a major role in the Swiss development policy of the foreseeable future. Simultaneously, we must acknowledge the limitations of Switzerland’s influence, as it contributes less than two percent of the total international development assistance. Given the increase of cross-border problems, it becomes imperative that small states like Switzerland coordinate their approaches with those of other donor countries and with the recipient countries. Multilateral organisms have thus become the main forum for negotiating coherent positions. A strengthened Swiss involvement in the international organizations is therefore unavoidable. Multilateral channels must be used more often, especially where Switzerland has a particular influence and voting rights. Priority must be given to a coherent coordination of aspects relevant to development within trade and economic policies, agricultural and labor market policies as well as within migration and immigration policies; this coordination will meet with less resistance in Switzerland if it is coordinated with other states in the course of a multilateral process.



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