

**GLOBAL COMMODITIES FORUM**

**7-8 April 2014**

**Towards greater transparency in Switzerland's  
commodity business –where we stand  
and the way forward**

by

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Berne Declaration

The views expressed are those of the author and do not necessarily reflect the views of  
UNCTAD.



# Towards greater transparency in Switzerland's commodity business - where we stand and the way forward

UNCTAD, 8.04.2014  
Olivier Longchamp



# About Berne Declaration

- Independent Swiss NGO working on Business & Human Rights
- Funded by 23'000 individual members
- Key question: what can Switzerland do to support and not to hinder development and respect for human rights abroad?

# 2011

# COMMODITIES

SWITZERLAND'S MOST DANGEROUS BUSINESS

BERNE DECLARATION (ED.)

PREFACE BY KARIN LISSAKERS, THE REVENUE WATCH INSTITUTE

**BILANZ**

- ★★★★★ Gesamt
- ★★★★★ Erkenntniswert
- ★★★★★ Stil
- ★★★★★ Nutzwert

FT

FINANCIAL  
TIMES

The book has stirred a debate in Switzerland about the future of the commodities industry (...)

## Trends Wirtschaftsbücher

### Bestseller

#### 1. (-) Erklärung von Bern

##### Rohstoff

Salis, Fr. 34.80

*Fakten zum gefährlichsten  
Geschäft der Schweiz.*

#### 2. (3.) René Zeyer

##### Cash oder Crash

Orell Füssli, Fr. 19.90

*Wie die Banker ihr Fachkauder-  
welsch als Waffe einsetzen.*

#### 3. (1.) Beat Kappeler

##### Wie die Schweizer

Wirtschaft tickt

Prof. Emmanuel Fragnière,  
Commodity Trading Diploma Course,  
Geneva

“This book will certainly have an electric  
shock effect“

} **getAbstract**  
compressed knowledge

getAbstract-Bewertung

★★★★★★ (9)

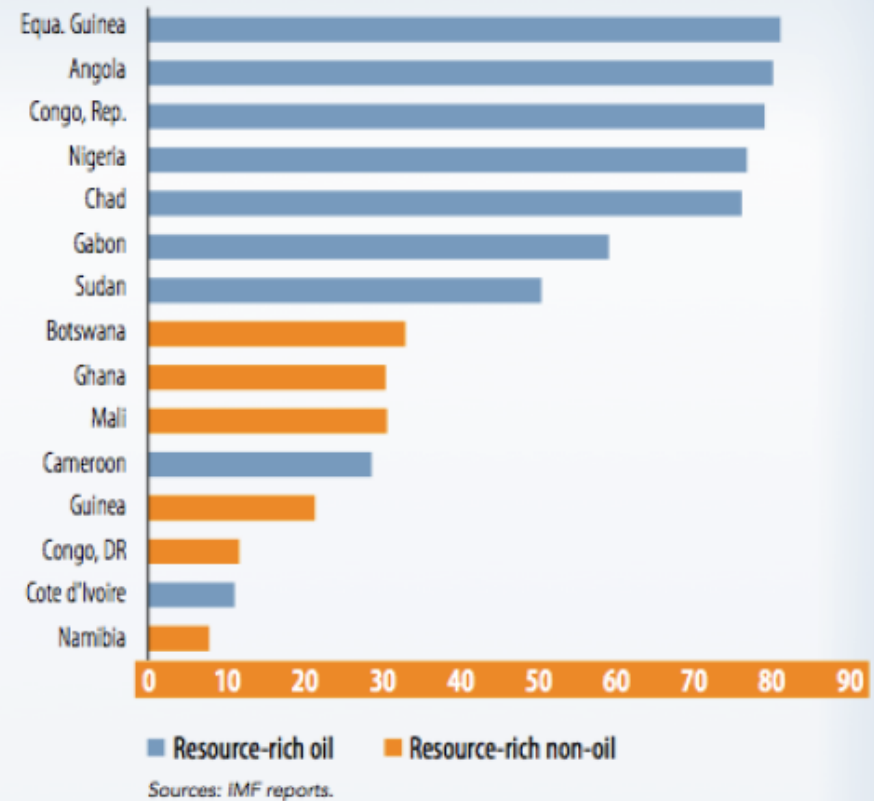


# The resource curse and the Swiss commodity sector

# Commodities, hard facts

- About two thirds of mineral and energy commodities traded worldwide are produced in developing countries
- Some of the poorest countries in the world depend on commodities
- Today, 69% of the world population living in extreme poverty can be found in commodity-dependent developing countries

FIGURE 14: Government revenue from natural resources in 2011 (% General government revenue)

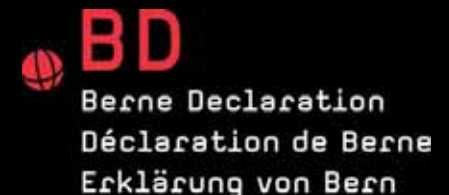


Source: [World Bank, Africa Pulse No. 6](#), October 2012



«Although resource-rich countries have seen a strengthening of economic growth over the past decade or so, poverty rates have fallen slowly. Some countries such as **Angola, DRC or Gabon** have actually witnessed an increase in the percent of the population living in extreme poverty. Overall, the decline in poverty rates in resource-rich countries has generally lagged that of the region's non-resource rich countries.»

Africa's Pulse, Vol. 6, October 2012





# Examples of countries that are heavily dependent on traders

- totally/ almost totally
  - Congo-Brazzaville
  - South Sudan
  - Nigeria

- somewhat
  - Angola
  - Gabon
  - Equatorial Guinea
  - Cameroon

● Source: Ribadu Report/ Nigeria



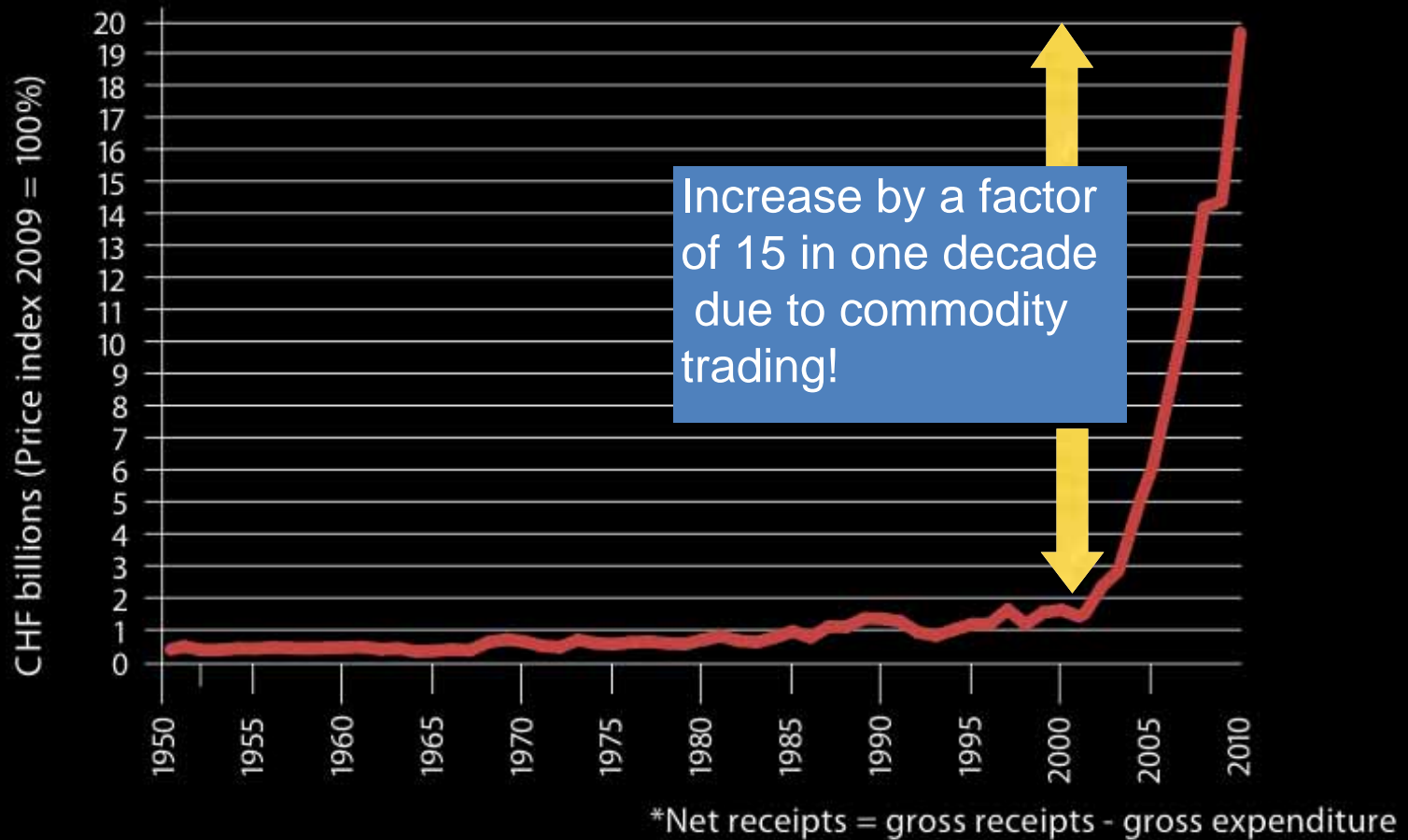
# Switzerland's role



Financial Times 26.3.13

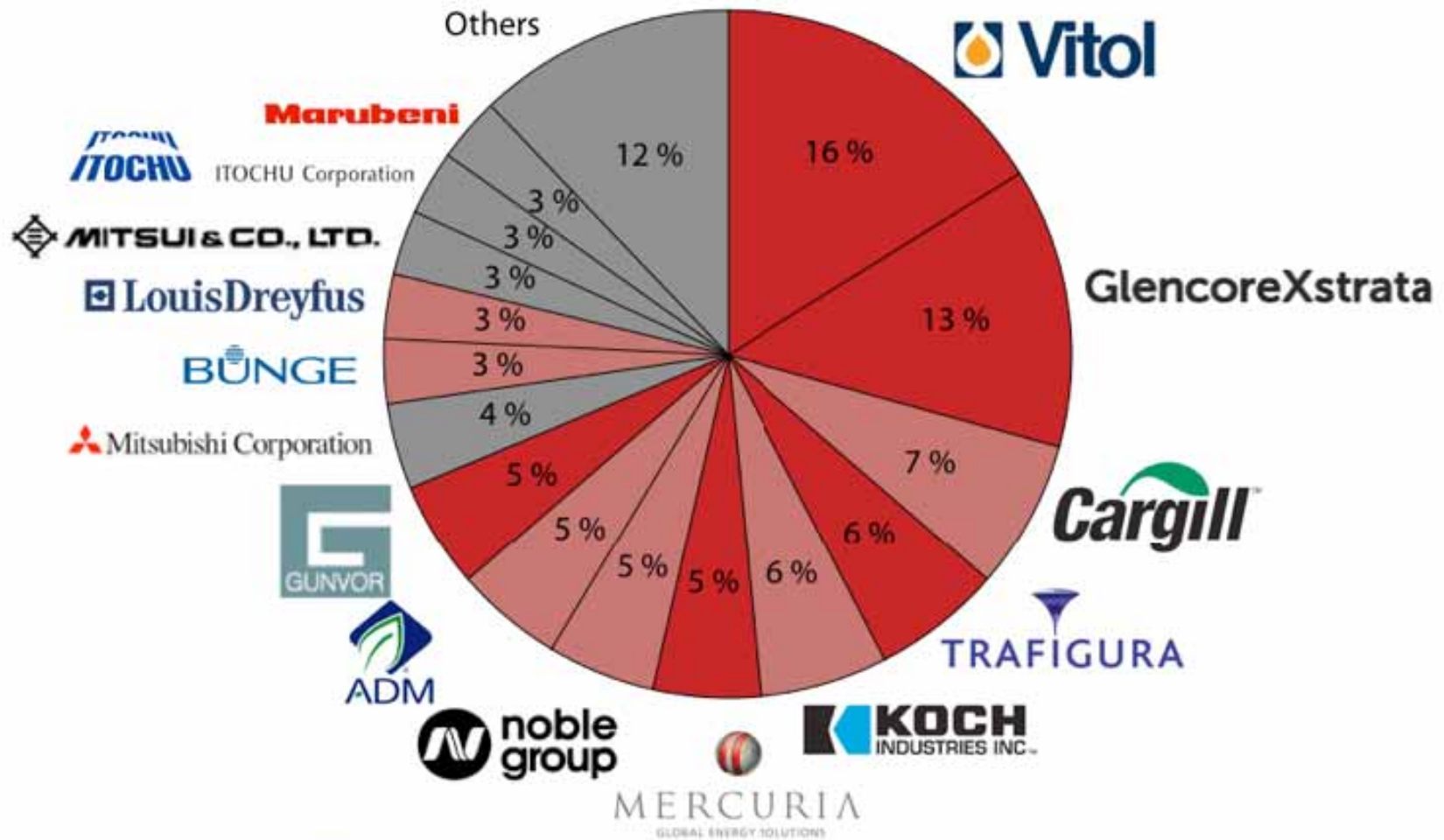
## GROWTH IN TRANSIT TRADE, 1950 TO 2010

(NET RECEIPTS \*)



Source: SNB

## Largest independant commodity traders according to revenues\*\*



■ strong Swiss-Link (headquarters or operational center)  
■ Swiss-Link (regional or global trading desk)

1,900 bn USD (\*\*)



# Typical profile of Swiss commodity traders

- privately held, management-owned
- multinational structure
- traditionally active in trading, increasingly in production as well
- risk-taking, particularly active in conflict zones



# Transparency regulation\*

\* More to be found here: <http://www.evb.ch/en/p25021948.html>



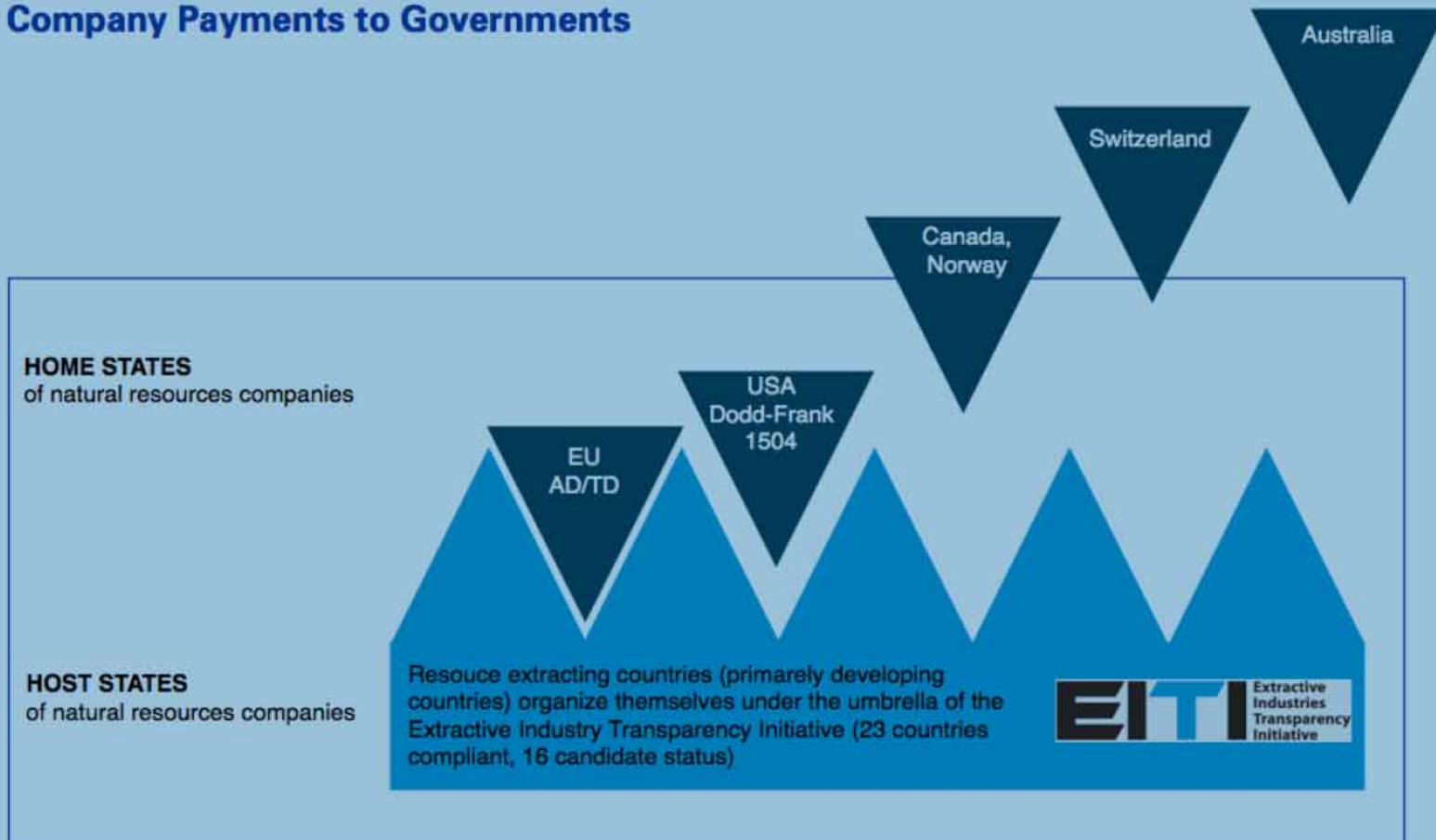
- Transparency of the payments paid by companies to governments enables the people of countries rich in natural resources to call their governments to account. It is a first step towards putting an end to the resource curse and the misappropriation of public assets.
- Transparency of payments includes all financial transactions between a commodity company and a public entity (e.g. licences, taxes, royalties, etc.)
- Transparency of payments is not a solution to certain problems such as redistribution of wealth or weak governance because it does not tackle the causes of these ills.
- The international framework is developing. Although some important producer countries do not apply EITI-rules, some host states have begun passing additional complementary legally-binding requirements.



**BD**

Berne Declaration  
Déclaration de Berne  
Erklärung von Bern

## International Transparency Framework regarding Company Payments to Governments



The American and European legislation on transparency of payments does not cover the major activities of Swiss commodity companies.

*Overview of regulatory approaches*

	Comprises not only extractive activities, but also <i>trading activities</i>	Comprises not only listed companies, but also large unlisted companies
USA	Partially (export)	x
EU	x	√
Appropriate for Switzerland	√	√

Hence, it would not make sense to adopt equivalent rules. Swiss legislation should go further to:

- Include trading activities.
- Apply to non-listed companies.



## What's the state of play in Switzerland?

• **Autumn 2012.** A motion “Transparency of payments made by commodities companies” was placed before the National Council. In its response on the 10.11.12, the Federal Council “welcome[d] the objective of the motion to increase transparency” but nevertheless expressed its preference to wait and see how other countries intend to handle transparency and so rejected the motion.

• **End of March 2013.** The Swiss government published the “[Background Report: Commodities](#)”. Recommendation 8 of the report states that: “The consequences of a potential introduction of transparency requirements – similar to those of the USA and the EU – for the Swiss commodity sector should be examined – and the drafting of a consultation draft should be considered”.

• **April 29<sup>th</sup> 2013.** The Foreign Affairs Committee of the National Council decided with 17 votes to 6 in favour of a [motion](#) which requires the Federal Council to examine a draft transparency law covering the whole Swiss commodity sector (both listed and non-listed companies, extractive and trading activities), and to examine how Switzerland could support a global transparency standard.

• **June 11<sup>th</sup> 2013.** Parliament [passed](#) this motion with 93 to 77 votes. The responsible department is in the process of executing this mandate. A report is expected in **June 2014**.