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The Swiss commodities sector: current situation and outlook

Federal Council report

Contents

Executive summary

Switzerland is a leading global commodities trading hub. In view of the public interest around this sector and its significance for domestic and foreign policy, the Federal Department of Foreign Affairs (FDFA), the Federal Department of Finance (FDF) and the Federal Department of Economic Affairs, Education and Research (EAER) published a background report[1] on commodities establishing the basic policy objectives of the Federal Council for this sector. The Federal Council is committed to ensuring that Switzerland, including the commodities sector, is a competitive business location that is also strong on integrity. This led it to adopt 17 recommendations in the 2013 background report. Following the publication of three status reports (2014, 2015 and 2016) on the implementation of these recommendations, the Federal Council in the present report has undertaken a fresh assessment of the situation today. In view of progress achieved but also persisting challenges and emerging trends, the report outlines various policy options to further consolidate Switzerland's position and mitigate certain risks. To this end, 16 new recommendations have been formulated.

The commodities sector continues to play a very important role for the Swiss economy. In 2017, revenues from commodity trading accounted for about 3.8 per cent of Swiss GDP. A key factor in Switzerland's appeal as a business location is the regulatory and political environment. Commodity trading centres such as Singapore, London and Dubai now offer stiff competition to Switzerland. This report is based, among others, on a study[2] by the consulting firm Oliver Wyman commissioned by the Federal Administration. The study concludes that while Switzerland continues to be an attractive location for now, this position is under constant pressure given the attractiveness of e.g. Asian trading centres and London. Switzerland could therefore lose significance in the coming years. Consequently, Switzerland must ensure that an attractive and reliable policy framework for the overall business environment remains in place and is further strengthened.

There continue to be challenges for the commodities sector related to human rights, the mobilisation of local resources to fund development and environmental conservation – more so for trading firms that are also engaged in natural resource extraction. The Federal Council expects all companies operating in or out of Switzerland to demonstrate integrity and responsible conduct with regard to respect for human rights as well as environmental and social standards, both within the country and abroad. Switzerland will continue to work towards getting countries and companies to effectively implement the international standards pertaining to Corporate Social Responsibility (CSR).

The report spotlights developments that have been substantiated since the publication of the background report, as well as new trends that have since emerged in the commodities sector and their impacts for Switzerland:

- The production of commodities continues to take place primarily in medium to high income countries, although the industry is gaining ground in developing countries. While the commodities sector has a high revenue potential, many developing countries find it difficult to harness the potential wealth and are confronted with numerous social and environmental challenges.
- Two trends can be identified in value chains, both in Switzerland and other countries: increasing vertical integration and offshoring to Asian markets. Value chains in the commodities sector are complex and involve numerous actors. More and more

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1 FDFA, EAER and FDF (2013): Background Report: Commodities.

2 Oliver Wyman (2017): *The Swiss Commodity Trading Sector: Competitiveness and Integrity*.

companies, foremost among them multinational enterprises (MNEs), are attempting to simplify these value chains through vertical expansion and integration of intermediaries. Regarding the shift in markets, the first decade of the 21st century was characterised mainly by the rise of China as the "workbench of the world". This also had fundamental impacts on energy and supply policy at a global level. It is a logical corollary that commodities trading would follow this trend. At the same time, Europe is losing its advantage of being located between the Asian and North American time zones, and similarly the United States is also losing relevance overall.

- A number of regulatory developments at the international level are relevant for the regulatory environment in Switzerland. In many areas, international standards and national legislation have been newly formulated or further developed. These include transparency regulations, CSR and due diligence obligations, financial and tax regulations as well as regulations on resource extraction and environmental protection. Significant progress has been achieved with regard to transparency. At the same time, many countries continue to be reluctant – including jurisdictions that are important for natural resource extraction and/or trade.
- Achieving the Sustainable Development Goals (SDG) and the objectives of the Paris Agreement hinges on the development of clean technologies and infrastructure. This will require vast quantities of diverse raw materials. Moreover, digitalisation and changes in mobility are likely to lead to a growing demand for resources such as non-ferrous and refined metals as well as other minerals (e.g. cobalt, copper, zinc, nickel and lithium). These changes will benefit commodity hubs that are located close to the centres of production or centres of consumption, and also companies that have the ability to rapidly position themselves.
- New technologies that are sometimes labelled as "disruptive", such as blockchain or distributed ledger technology (DLT) and their applications, also have an impact on the commodities sector. They have the potential to be highly useful in international trade transactions because they increase the efficiency and transparency of transactions for all participants. At the same time, such developments can also have a destabilising effect on established structures in this sector (including in Switzerland) or on actors who do not adapt in time.

The present report corroborates the approach of the Federal Council vis-à-vis the commodities sector, which – in keeping with the overall objectives of the federal government – is targeted at augmenting the competitiveness and integrity of Switzerland as a location for business and investment. The report identifies areas for action to strengthen Switzerland's efforts and positioning, and to mitigate risks. This has resulted in 16 new recommendations. Five of these recommendations seek to increase competitiveness and innovation in Switzerland in view of current technological developments and growing international competition among business locations. Seven measures are directed at strengthening integrity and sustainability by promoting global standards and commitment to their implementation, given the challenges with regard to human rights and environmental protection. The last four measures concern a general framework for action. This is geared towards improving the analytical framework, dialogue with stakeholders and coordination of all activities relating to the commodities sector.

1) Strengthening competitiveness and innovation

Switzerland does not, as a rule, pursue specific policies for individual industry sectors. Its economic policy is directed towards shaping the macro business environment. This environment needs to be further improved. The recommendations specifically contain some general measures relevant for the commodities sector, such as the introduction of a tonnage tax, review of regulatory easing as well as elements of innovation, education and research. The latter elements pertain to creating a favourable climate for the development of a digital ecosystem (including the use of DLT and blockchain technology) as well as supporting training for young professionals. These recommendations are intended to strengthen the competitiveness and innovation capabilities of Switzerland in the long term.

2) Strengthening integrity and sustainability

A number of concrete recommendations have been made to promote and strengthen global standards for natural resource extraction and trade as well as their implementation. In the CSR sector this includes a continued commitment to the dissemination and effective implementation of CSR standards and the guidelines for implementing the UN Guiding Principles in the Swiss commodities sector. Switzerland must also continue with efforts under its development cooperation programmes in resource-rich countries to directly address this problem. A further recommendation is to give greater consideration to environmental aspects in extractive activities in order to improve the environmental transparency of production flows and strengthen corporate environmental responsibility.

3) Strengthening the analytical framework, dialogue and coordination

In view of the significance of the commodities sector in Switzerland, the report highlights the necessity of improving the analytical framework and the availability of relevant quantitative data. Official assessments of the commodities sector should be published regularly. This would allow for better estimates regarding the size of the sector, its development and contribution to the Swiss economy. One specific recommendation concerns the creation of a working group within the Federal Administration for defining the conceptual basis of these statistics. Lastly, the interdepartmental platform of the Federal Council should be asked to continue and intensify the dialogue with cantons, industry and civil society, as well as coordination within the federal government, including its international network.

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List of abbreviations

AMLA	Anti-Money Laundering Act
ASM	Artisanal small-scale mining
BEPS	Base Erosion and Profit Shifting
BRI	Belt and Road Initiative
CGMT	Interdepartmental coordinating group on combating money laundering and the financing of terrorism
CSR	Corporate Social Responsibility
CTR III	Corporate Tax Reform III
DLT	Distributed Ledger Technology
EITI	Extractive Industries Transparency Initiative
FMIA	Financial Market Infrastructure Act
FATF	Financial Action Task Force
GDP	Gross Domestic Product
IGF	Intergov. Forum on Mining, Minerals, Metals and Sustainable Development
IMF	International Monetary Fund
IRP	International Resource Panel
NRGI	Natural Resource Governance Institute
OECD	Organisation for Economic Cooperation and Development
RGI	Resource Governance Index
RMI	Responsible Mining Index
SDG	Sustainable Development Goals
TRAF	Tax Reform and AHV Financing
TP 17	Tax Proposal 17
UNEA	UN Environment Assembly

1 Introduction

1.1 Mandate

On 27 March 2013 the Federal Council took note of the background report on commodities, which outlines the economic significance of the commodities sector for Switzerland as well as the related challenges and opportunities. The report made 17 recommendations towards improving the overall business environment and addressing sector-specific risks, including those related to corruption, human rights and reputation. Ever since the publication of these 17 recommendations, the Interdepartmental Platform on Commodities has submitted three status reports on the implementation of the recommendations (2014, 2015 and 2016).[3] At the time of the third report, the Platform was tasked by the Federal Council to complete a fresh assessment of the commodities sector by November 2018 and especially to identify the need for action by the government with regard to competitiveness, integrity, environment and other aspects.

The present assessment of the Federal Council is based on existing analyses and studies commissioned for this purpose. Specifically, the Interdepartmental Platform commissioned the study entitled 'The Swiss Commodity Trading Sector – Competitiveness and Integrity'.[4] Discussions with representatives from civil society and the private sector, parliamentary procedural requests on the issue, debates of the Federal Assembly and developments in multilateral bodies were also taken into consideration.

The present report seeks to assess the current situation of the Swiss commodities sector and to analyse economic and political developments at the international level, including a comparison with other commodity hubs such as Singapore, London, USA and Dubai. At the same time, it endeavours to identify current trends and the implicit challenges that Swiss policymakers must address in order to create a favourable business environment and to support industry integrity and corporate responsibility in line with the overall objectives of the federal government. The present report outlines potential areas for action and new recommendations for responding to emerging trends and challenges, taking into account the progress achieved since 2013.

1.2 Context: progress since 2013

The Federal Council was satisfied with the progress reflected in the three reports on the status of implementation. Some recommendations were implemented, others are being implemented in stages. An overview in tabular format of the implementation status of the 2013 recommendations can be found in Appendix 5.1 of this report. The most important areas of progress since 2013 are summarised below.[5]

On the parameter of attractiveness as a trading hub, the following progress was made:

- In international forums, notably the G20 and OECD, Switzerland has advocated a level playing field for competing with other business locations.
- Ongoing efforts towards ensuring an attractive corporate tax regime that is in accordance with international standards, initially through the third series of corporate

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3 The background report and the three status reports are available at www.sif.admin.ch > Financial market policy and strategy > Commodity trading and finance > Documentation

4 Oliver Wyman (2017): *The Swiss Commodity Trading Sector*: *Competitiveness and Integrity*, available at www.sif.admin.ch > Financial market policy and strategy > Commodity trading and finance > Documentation

5 For a detailed description of progress achieved refer to the three status reports on the implementation of the recommendations.

tax reforms (CTR III) and Tax Proposal 17 (TP 17), and later through the draft Federal Act on Tax Reform and AHV Financing (TRAF).
- In 2016, the Federal Council adopted the report 'New Growth Policy 2016-2019' to promote continued and sustainable growth in Switzerland. The report proposed 14 measures for creating a better business environment (see Section 2.2.1 for sector-specific aspects).
- The Federal Customs Administration oversees the crossborder movement of goods. The transformation programme DaziT was launched on 1 January 2018 to simplify and fully digitalise customs procedures. Various customs procedures will continue to be based on the principle of self-assessment.

Both within the country and abroad, Switzerland has worked for greater transparency in product and financial flows in the commodity sector, for instance:
- through implementation of the Financial Market Infrastructure Act (FMIA), which also regulates the market for commodity derivatives;
- through the Federal Act on the Freezing and the Restitution of Illicit Assets held by Foreign Politically Exposed Persons, which regulates the freezing, recovery and restitution of dictators' assets in those cases that cannot be resolved through the Federal Act on International Mutual Assistance in Criminal Matters (IMAC);
- through the consultation initiated in June 2018 on amending the Anti-Money Laundering Act (AMLA), which proposes measures for better protection against the misuse of companies and trusts during their establishment, management and administration;
- through Switzerland's commitment to the implementation of the minimum standards of the OECD Base Erosion and Profit Shifting (BEPS) project;
- through entering into several double taxation agreements, including with developing countries; by ratifying the Convention on Mutual Administrative Assistance in Tax Matters of the European Council and the OECD and by signing the multilateral agreement of the relevant authorities on the automatic exchange of financial account information; by instituting the automatic exchange of financial account information – on the above-mentioned basis – with a growing number of signatory states;
- through the proposal to reform the law on companies limited by shares, which would introduce transparency provisions for commodity companies with regard to payments to state-owned agencies;
- through providing financial support to and having a seat on the board of the Extractive Industries Transparency Initiative (EITI), an international initiative comprising governments, commodity companies and civil society organisations, that promotes transparency and accountability in the commodities sector by disseminating and implementing a transparency standard;
- through Switzerland's active commitment to enhancing transparency in commodity trading in its political discussions with other countries and through its contributions to the thematic dialogue of the OECD Development Centre for greater transparency in commodity trading;
- through publishing Switzerland's gold trade statistics categorised by country.

Progress was similarly achieved in the area of Corporate Social Responsibility (CSR) and implementing the UN Guiding Principles for Business and Human Rights (UN Guiding Principles), notably:

- through adoption of the CSR position paper and the action plan of the Federal Council in 2015[6], that informs companies and their stakeholder groups about the objectives and expectations of the federal government with regard to CSR and provides an overview of the CSR activities of the federal government from 2015-2019;
- through adoption in 2016 of a National Action Plan (NAP) for implementing the UN Guiding Principles. The NAP spells out the expectations of the Federal Council vis-à-vis companies with regard to human rights. 50 policy instruments are used to describe how Switzerland intends to implement the UN Guiding Principles between 2016-2019 (several instruments pertain to the commodities sector, e.g. supporting the voluntary principles for security and human rights, and human rights risk mitigation in gold mining);
- through ongoing support provided by Switzerland for the implantation of the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas[7];
- through the guideline on implementing the UN Guiding Principles in the Swiss commodities sector[8], which was jointly developed by the cantons, civil society and the private sector. In accordance with the OECD instruments, it provides practical recommendations for complying with due diligence obligations across the entire value chain (this is the first initiative to bring in best practices for the implementation of the UN Guiding Principles in the commodity sector);
- through the report fulfilling Postulate 14.3663 of the Foreign Affairs Committee of the Council of States (FAC-S) on 'Access to remediation'[9] in which the Federal Council analysed measures adopted by other countries and decided on measures in Switzerland to allow or improve effective access to remediation for persons whose human rights were violated by a company in a host state (these measures are to be taken up during the revision of the NAP).

With regard to environmental CSR, the following progress has been achieved:

- ratification of the Paris Agreement by Switzerland and the country's intensive participation in the formulation of the 2030 Agenda and the Sustainable Development Goals (SDGs), which are primarily intended to mobilise the private sector;
- Switzerland's commitment towards strengthening international environmental governance in the commodities sector, contributing to which is the work undertaken under the Green Economy 2013 action plan and its further development for 2016-2019[10];
- support extended by Switzerland to the UNDP, UNECE and OECD in this sector. Mainly at Switzerland's initiative, the work of UNEP's International Resource Panel

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[6] Federal Council (2015): CSR: Positionspapier zur gesellschaftlichen Verantwortung der Unternehmen, available at: www.csr.admin.ch

[7] OECD (2016): Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, available at http://mneguidelines.oecd.org/mining.htm

[8] *The Commodity Trading Sector : Guidance on Implementing the UN Guiding Principles on Business and Human Rights*, available at www.eda.admin.ch > Foreign policy > Peace and human rights > Human rights policy > Business and human rights > Commodities and human rights.

[9] Federal Council (2018): Unternehmen und Menschenrechte: Vergleichende Analyse der gerichtlichen und aussergerichtlichen Massnahmen, die den Zugang zu Wiedergutmachung ermöglichen; in response to Postulate 14.3663 FAC-S of 26 November 2014, available at: https://www.newsd.admin.ch/newsd/message/attachments/53768.pdf.

[10] FOEN (2013): Green economy: reporting and action plan; FOEN (2016): Green Economy - Federal measures for a resource-conserving, future-proof Switzerland at www.bafu.admin.ch > Topics > Economy and consumption > Information for specialists > Green Economy > Political mandate.

(IRP)[11] is aimed at defining political approaches to strengthen governance in the commodity sector. The United Nations Environment Assembly (UNEA) specifically tasked the panel to regularly report on trends and future outlook in the use of natural resources.

There have been important developments at the international level since the background report was published (2013). Apart from the adoption of the SDGs (2030 Agenda) and the Paris Agreement, the adoption of the Addis Ababa Action Agenda on development financing is also noteworthy. These three reference documents contain important provisions on commodities, particularly for mobilising local resources to finance development. Under its development cooperation policy, Switzerland is also committed to achieving better governance in the commodities sector at the multilateral level and in resource-rich countries. Examples of Switzerland's efforts include:

- Switzerland's active participation in the global process for formulating the 2030 Agenda and the SDGs, as well as for a strong vision of policy coherence for sustainable development (PCSD);
- financial support for global programmes such as the Extractives Global Programmatic Support (EGPS) of the World Bank and Managing Natural Resource Wealth (MNRW) of the International Monetary Fund (IMF), which support governments and to some extent civil society in developing countries to formulate and implement policy (resource governance);
- implementation of the Better Gold Initiative for Artisanal and Small-Scale Mining (ASM) in Peru, Colombia and Bolivia, which promotes sustainable value chains for gold from small-scale mining;
- financial support for the Responsible Mining Index (RMI) – an evaluation of the world's 30 largest mining companies on the parameters of their social and environmental practices as well as their economic contribution;
- support for several research projects for strengthening resource governance, notably through a partnership with the Natural Resource Governance Institute (NRGI);
- direct measures to promote good governance (taxation reform, budget planning, responsible supply chains) in Ghana, Peru, Mozambique, Mongolia, Bolivia, Niger, Mali, Burkina Faso and Chad.

Since 2013, the federal government has also focused on a constructive dialogue between commodity firms, civil society organisations and Swiss universities. This dialogue has taken the following concrete shape:

- regular roundtables with all stakeholders;
- participation in the foundation council of the Swiss Research Institute on Commodities (SRIC) for promoting aspects relevant to human rights in teaching and research related to the commodities trade;
- launch of two long-term interdisciplinary research projects on issues of global resource governance within the framework of the Research for Development (R4D) partnership between the SDC and the Swiss National Science Foundation.

Since 2013, the Interdepartmental Platform on Commodities, which is headed in rotation by the State Secretariat for Economic Affairs (SECO), the FDFA and the State Secretariat for International Finance (SIF), has established itself as an effective instrument for sharing information and for coordinating the approach of the Federal Administration. The Platform has

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[11] UN Environment, www.resourcepanel.org.

contributed to greater policy coherence on commodity-related issues and facilitated a coordinated and more intensive dialogue with civil society and the private sector.

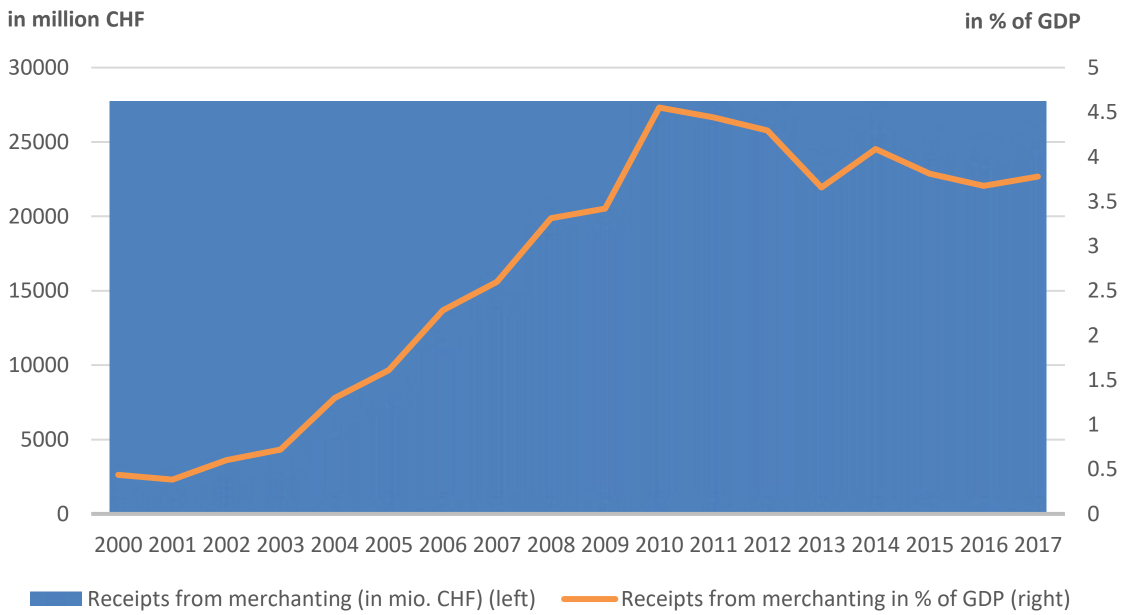
2 The Swiss commodities sector

2.1 Significance of the sector for Switzerland

With about 500 commodity trading companies, Switzerland is among the largest trading hubs for oil and petroleum, metals, minerals and agricultural products (soft commodities). In 2016, trading volumes of the five largest companies in Switzerland (Vitol, Glencore, Trafigura, Gunvor and Mercuria) amounted to 18 million barrels of crude per day, which accounts for close to 20 per cent of global demand.[12] The most traded commodities in Switzerland are fuels, minerals and metals (iron, copper, gold). A considerable portion – 30-35 per cent – of global agricultural commodity trade is also handled by companies in Switzerland.[13]

Commodities trading is of major significance for the Swiss economy. According to the most recent estimates, over three billion tons of commodities with a value of close to CHF 960 billion are traded in Switzerland.[14] In 2017, revenues from transit trade in Switzerland, which largely comprises revenues from commodities trading, amounted to over CHF 25 billion, i.e. about 3.8 per cent of Switzerland's GDP (SNB, Fig. 1). As Fig. 1 illustrates, this share has barely changed since 2013.

Figure 1: Revenues from transit trade



Source: SNB, internal calculation.

The Swiss commodities sector is very heterogeneous. Trading firms in Switzerland range from very small companies (with fewer than 10 employees) to large multinational corporations with a workforce running into several hundreds. Through vertical process integration, such

[12] Sheppard D./ Hume N. (2016): ExxonMobil eyes setting up large-scale trading division, in: Financial Times (FT), 27.10.2016, available at https://www.ft.com/content/b13d6c02-9c32-11e6-a6e4-8b8e77dd083a.

[13] Jungbluth N. / Meili C. (2018): "Pilot-study for the analysis of the environmental impacts of commodities traded in Switzerland", ESU-services Ltd., available at: http://esu-services.ch/projects/trade/.

[14] Ibid.

companies have increasingly expanded their activities along the entire value chain, right down to the extraction of raw materials (see Section 3.2). A further feature of this sector is the diverse range of commodities that are traded in Switzerland.[15] The main products apart from oil and gold are agricultural commodities, metals and minerals (see Fig. 2).

Figure 2: Estimated trade volumes in Switzerland

	Unit	**Commodities traded**	Commodities traded, Min.[1]	Commodities traded, Max.[2]	*Total production / consumption*	*Share of production traded*[3]	*Amount traded*[4]	*Best guess share CH*[5]
		CH[6]	CH	CH	*GLO[7]*	*GLO*	*GLO*	*CH*
Commodities, energy sources	Mio. t	**2129**	-	-	*20 559*	*28 %*	*5856*	
- crude oil	Mio. t	**744**	443	744	*4400*	*43 %*	*1900*	*39 %*
- diesel (Middle distillates)	Mio. t	**183**	109	183	*1769*	*30 %*	*522*	*35 %*
- petrol (light distillates)	Mio. t	**167**	100	167	*1620*	*30 %*	*478*	*35 %*
- natural gas	Mio. Nm3	**379**	19	379	*3547*	*31 %*	*1084*	*35 %*
- coal	Mio. t	**467**	158	467	*7460*	*18 %*	*1334*	*35 %*
Commodities, ores and metals	Mio. t	**998**	-	-	*2640*	*63 %*	*1664*	
- iron ore	Mio. t	**930**	47	930	*2280*	*68 %*	*1550*	*60 %*
- copper	Mio. t	**9**	4	9	*23*	*64 %*	*14*	*60 %*
- bauxite	Mio. t	**46**	27	46	*274*	*28 %*	*77*	*60 %*
- aluminium	Mio. t	**14**	8	14	*63*	*37 %*	*23*	*60 %*
- gold	Tsd. T	**2,1**	0,1	2,1	*3,2*	*1,0*	*3,2*	*67 %*
Commodities, agricultural goods	Mio. t	**137**	-	-	*1003*	*30 %*	*304*	
- coffee	Mio. t	**3**	1	3	*8*	*71 %*	*5*	*53 %*
- ·cocoa	Mio. t	**1**	1	1	*4*	*80 %*	*3*	*35 %*
- cereals (wheat)	Mio. t	**78**	47	110	*735*	*25 %*	*183*	*43 %*
- sugar	Mio. t	**26**	1	30	*171*	*35 %*	*59*	*44 %*
- vegetable oils (palm oil)	Mio. t	**27**	16	27	*63*	*77 %*	*48*	*56 %*
- cotton	Mio. t	**2**	0	2	*23*	*24 %*	*6*	*28 %*
Total	Mio. t	**3076**	979	3111	*22 440*	*32 %*	*7286*	*42 %*
Total, turnover for trade	Mrd. CHF	**961**	426	979	-			

[1] Min – *Minimum from available data*
[2] Max – *Maximum from available data*
[3] Share of global production traded worldwide (in per cent)
[4] Volumes traded globally
[5] Share of global volumes estimated to be traded from Switzerland
[6] Switzerland
[7] Global

Source: Jungbluth N. and Meili C. (2018), p. 21

[15] IHRB (2017): The Swiss Commodities Trading Industry: A Mapping Study, p. 11-13, available at https://www.ihrb.org/focus-areas/commodities/swiss-commodities-trading-mapping-study .

Figure 2 provides a snapshot of the volumes of individual products traded in Switzerland. The figures are derived from estimates based on global production and take into account that only a portion of global production is traded internationally, and of this, in turn, only a portion is handled by Swiss companies. The second factor is based mainly on data from associations, which was adjusted using data from individual companies.

With regard to tax revenues from the commodity sector, only selected data is available from various sources. This data, however, indicates that the sector has a significant footprint in the regional economy in the cantons. Clusters have developed around trading and extraction companies, including banks specialised in trade finance, inspection companies, shipping companies and other logistics providers, insurance companies, law firms, escrow agents and consultancy firms. Apart from Geneva (20% of tax revenues[16]), Zug (about 10% of tax revenues[17]) and the Canton of Ticino, revenues from this sector come mainly from the Canton of Vaud and Zurich due to their geographic proximity and varied links to the clusters. The industry cluster also creates synergies for the regional economy and indirectly generates a considerable number of jobs. Finance for international commodity trading through specialised banks is a major segment. In 2016, funding for the commodity trade in Switzerland was estimated to be USD 61.8 billion (versus e.g. USD 19.6 billion in the UK and USD 15.6 billion in the United States).[18] Digital developments give rise to further potential synergies for the sector.[19] Section 3.5 examines this aspect more closely.

The significance of the sector and its contribution to value creation in the Swiss economy can be estimated on the basis of revenues from transit trade. However, it is difficult to attribute a more precise figure to the economic significance of the industry – number of companies, jobs and tax revenues, especially in the cantons – because commodity firms are not registered as a separate category in the Swiss commercial register or in the General Classification of Economic Activities (NOGA).[20] In a survey on balance of payments conducted by the Swiss National Bank (SNB) among companies subject to reporting requirements, the number of employees working e.g. in the transit trade (150 companies) amounted to about 24,000 in 2016. However, data on the number of employees reflects employment across the entire company, not just of the organisational entity that is active in transit trade. The size and economic significance of the sector can currently only be broadly estimated. Existing estimates also tend to display marked deviations.[21] Section 4 deals in greater detail with areas identified for action.

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16 Canton of Geneva (2015): Stratégie économique cantonale 2030. Band 2: État des lieux et analyse, p.56.

17 Swiss Trading and Shipping Association, https://stsa.swiss/knowledge/center

18 Oliver Wyman (2017), p. 15.

19 Ibid. p. 19

20 See Federal Council (2013): Background Report: Commodities, p 11; or response of the Federal Council to motion 13.3327: Allgemeine Systematik der Wirtschaftszweige. Ergänzung um die Rohstoffbranche.

21 Two analyses from 2017 are worth noting. The University of Geneva together with the Swiss Trading and Shipping Association (STSA) estimated the number of commodity trading firms to be 496 (Eggert N. / Ferro-Luzzi G. / Ouyang D. [2017]: Commodity Trading Monitoring Report (available at https://stsa.swiss/application/files/9714/8967/9844/IHRB_The_Swiss_Commodities_Trading_Sector_-_A_Mapping_Study_March_2017.pdf). The NGO Public Eye estimated the figure to be 544 firms (Public Eye [2017]: Swiss Commodity Trading Sector, database, available at: www.publiceye.ch/fileadmin/files/documents/Rohstoffe/Public_Eye._Switzerland_Commodity_Trading_Sector.xlsx). The first study assumes 35,000 jobs in the sector, the second approximately 7,500.

2.2 Policy framework at the national level

This section discusses the legal and economic environment at the national level and highlights issues that are currently dominating the political debate around the commodity sector.

2.2.1 Legal context and ongoing developments with regard to legislation

The Federal Council does not pursue a sectoral policy for commodities. Its policies are directed towards creating an enabling environment for the entire business location, including the commodity sector. Over and above this, certain initiatives are specifically targeted at the commodity sector, particularly in the areas of CSR, transparency and financial flows. Given the very high international mobility of commodity trading firms, the Federal Council has adopted a combination of binding regulations and voluntary legal instruments. At the same time, it prefers an internationally coordinated approach and keeps a watch on current trends. The objective is to support the sustainable development of Switzerland's commodity sector and also to foster a dialogue between the government and the industry.

Taxation of companies and multinational enterprises

Corporate taxation is an important aspect in creating a favourable environment for companies doing business in Switzerland. The Federal Act on Tax Reform and AHV Financing (TRAF; formerly TP 17) is intended to put in place a competitive tax environment and the draft law has a key role in making Switzerland an attractive location for business. The TRAF is to replace the existing taxation regime, which is no longer in line with international standards. It focuses on a balanced approach and on the financial impacts for the federal government, cantons and communes. The TRAF is further intended to restore legal certainty and enable companies active in Switzerland to plan with confidence. The Federal Council adopted the dispatch on 21 March 2018, and the Federal Assembly approved the draft law in the final vote on 28 September 2018. On 28 September 2018 the Federal Council also decided that should a referendum on the draft proposal be necessary it will take place on 19 May 2019. The draft law will enter into force on 1 January 2020.

During the course of consultations on CTR III, Parliament debated the introduction of a tonnage tax, under which the taxable profits of shipping companies would be calculated as a lump sum based on the net tonnage of their ships.[22] Following the rejection of CTR III in the referendum on 12 February 2017, the Federal Council immediately initiated the TRAF, and this has the highest priority. The intention is that further proposals for reforming corporate taxation, such as the introduction of a tonnage tax, will be taken up once the TRAF has been adopted.

Lastly, Switzerland has made a political commitment to implementing the minimum standards of the OECD project on Base Erosion and Profit Shifting (BEPS project) by participating in the Inclusive Framework on BEPS. Multinational enterprises (including trading companies) are required to provide information on a country-by-country basis regarding turnover, taxes paid as well as the most important business activities of the MNE’s parent entities (BEPS Action 13, implemented through the Federal Act on the Automatic International Exchange of Country-by-Country Reports from Multinational Enterprises, CbCRAA)[23]. If a tax administration issues

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[22] This measure is of interest mainly for deep-sea shipping since the application of an internationally recognised standard (net tonnage) offers simple and reliable methods of taxation that make manipulation impossible.

[23] For further details see: https://www.efd.admin.ch > Topics > Taxes > International taxation > BEPS (Base Erosion and Profit Shifting).

an advance tax ruling (ATR) that identifies a risk with regard to base erosion or profit shifting, such rulings are subject to the spontaneous exchange of information (BEPS Action 5)[24]. The automatic exchange of country reports and the spontaneous exchange of information on tax rulings are expected to result in more transparent taxation of multinational enterprises.

Financial transparency and anti-corruption regulations

A series of measures are targeted at enhancing the transparency of financial flows in the Swiss commodities sector. Trading companies headquartered in Switzerland are subject to binding regulations depending on their operations, just like companies in other sectors. Thus companies active in commodity derivatives trading, for instance, are subject to the Financial Market Infrastructure Act[25] (FMIA). The FMIA requires financial and non-financial market participants to account for specific derivatives transactions and to report their derivatives transactions to a trade repository. However, the Federal Council in 2018 extended the transition period for reporting derivative transactions for small non-financial counterparties (including commodity trading companies).[26]

With regard to combating money laundering, Switzerland is implementing the standards of the Financial Action Task Force (FATF). For the commodities sector the Anti-Money Laundering Ordinance applies to exchange-traded commodities for the account of others, OTC or off-exchange traded commodities for the account of others (if the commodities are so highly standardised that they can be easily liquidated) and to proprietary trading in precious metals.[27]

Finally, it is envisaged that Switzerland will implement regulations similar to those applied by the EU for the transparency of payments to governments in the production of commodities. On 23 November 2016, the Federal Council adopted the dispatch on revising the law on companies limited by shares. An expert assessment by the Swiss Institute of Comparative Law (SICL) states that the provisions for transparency in the commodities sector proposed in the law are largely in line with the EU directives.[28] There are some minor divergences, particularly in the scope of application. With reference to the obligation for controlled subsidiaries to publish reports by the parent company and the publication modalities, the Swiss law mentions only minerals, oil and gas, but not other commodities. The National Council approved the Federal Council draft on 15 June 2018, while slightly amending the statutory offence.

For fighting corruption, the international conventions for combating corruption (UN, OECD), to which Switzerland is a signatory, prohibit bribing foreign public officials. Switzerland participates in various mechanisms to monitor the implementation of the provisions laid down in these conventions, for instance regular country assessments under which it receives recommendations, as in March 2018 under Phase 4 of the peer review of the OECD Working

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24 For further details see: www.sif.admin.ch > Multilateral relations > Exchange of fiscal information > Spontaneous.

25 Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA; SR 958.1).

26 For the press release see: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-72174.html

27 The Postulate Seydoux 17.4204, which was adopted by the Council of States on 7 March 2018, tasks the Federal Council with examining the effectiveness of the dispositive law on combating money laundering, and specifically to examine if oversight by the banks that finance commodity trading is effective in lowering the risk of money laundering.

28 Directive 2013/34/EU OJ. L 182 dated 29.6.2013, p. 19 (Accounting Directive) and Directive 2013/50/EU OJ. L 294 dated 6.11.2013, p. 13 (amendment of the Transparency Directive).

Group on Bribery.[29] Swiss legislation is consequently in line with these international legal instruments. A company that has not taken "all required and reasonable organisational measures" to prevent the bribing of public officials or private individuals can be criminally prosecuted and punished. The State Secretariat for Economic Affairs (SECO) updated its brochure on 'Preventing corruption – Information for Swiss businesses operating abroad'[30] in 2017 to create even greater awareness among companies about this issue.

Corporate social and environmental responsibility

As mentioned in the CSR Action Plan and in the National Action Plan (NAP), the Federal Council expects that all companies operating in or out of Switzerland will demonstrate integrity and responsible conduct with regard to respect for human rights as well as environmental and social standards, both within the country and abroad. This applies to the entire value chain.[31] Compliance with internationally accepted standards is especially important for companies that operate in fragile states with deficient governance and inadequate legislation. It was also in this context that the above-mentioned guidelines for implementing the UN Guiding Principles were developed specifically for the commodities sector.

The main issue currently dominating the debate on respect for human rights and environmental protection is the popular initiative "For responsible businesses – protecting human rights and the environment" (the "Initiative"), submitted in October 2016.[32] The Federal Council appreciates the key concerns of the initiative, however it is of the view that the initiative goes too far, especially on questions relating to liability law (reversal of burden of proof, assumption of guilt). The Federal Council considers it self-evident that Swiss companies must fulfil their responsibilities with regard to human rights and the environment, even in their operations abroad. It favours an internationally coordinated approach based on already available instruments, particularly action plans that have been adopted (the NAP, the CSR Action Plan and the measures recommended in the "Green Economy"[33] report). These actions already address the demands of the Initiative to a large extent.[34] In its dispatch of 15 September 2017,

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29 OECD (2018): Implementing the OECD Anti-bribery Convention. Phase 4 Report: Switzerland, available at: www.newsd.admin.ch/newsd/message/attachments/51804.pdf

30 SECO (2017): *Preventing corruption – Information for Swiss businesses operating abroad*, available at www.seco.admin.ch > Services & publications > Publications > Foreign trade > CSR and Fight against corruption

31 For example, private security firms based in Switzerland that operate abroad must, according to federal law, abide by the International Code of Conduct for Private Security Providers (ICoC) with respect to the private security services they provide abroad. The association, ICoCA, is a multi-stakeholder initiative led by Switzerland and has developed a system for certification, for monitoring and for processing complaints in accordance with the UN Guiding Principles. This is helpful for private security clients to adequately comply with their due diligence obligations, especially in minerals extraction and in the commodities sector in general.

32 The initiative requires companies that have their registered office, operational headquarters or principal place of business in Switzerland to conduct regular due diligence regarding the impacts of their business activities on human rights and the environment, and to report on the results. Should a Swiss company violate human rights or environmental standards, it must pay for the damage, even if this damage is caused by a foreign subsidiary. This implies that Swiss companies would be liable for the actions of companies they financially control without being directly involved in their operative business.

33 See FOEN (2016): Green Economy - Federal measures for a resource-conserving, future-proof Switzerland, under which the action plan for 2013 under the same name has been continued, available at www.bafu.admin.ch > Topics > Economy and consumption > Information for specialists > Green Economy.

34 In its Dispatch, the Federal Council specified that it will regularly review the implementation of these action plans and adapt the instruments if required. However, if the existing measures by companies do not meet the expectations of the Federal Council, it reserves the right to consider further measures or even legally binding instruments. The dispatch on the popular initiative "For responsible businesses – protecting human rights and

the Federal Council proposed to Parliament to present the Initiative for a popular vote without a counter-proposal and to recommend its rejection. On 15 June 2018, the National Council decided to make an indirect counter-proposal to the Initiative.[35]

Enabling economic environment

The Federal Council adopted the New Growth Policy 2016-2019 on 22 June 2016 to improve the general economic environment for all sectors and companies, including the commodities sector. With the reform package of 14 measures[36], the Federal Council will continue to promote economic growth, safeguard jobs and ensure prosperity for the country in the long term. Measures such as facilitation of imports, creation of an enabling environment for the digital economy, maintaining and increasing market access for Swiss companies to export markets, especially to the EU, as well as scaling down administrative burdens are also highly relevant for maintaining the competitiveness of the Swiss commodities sector.

2.2.2 Political environment

The commodities issue is also part of the public and political debate. At the same time, the political environment influences the attractiveness and reliability of locational factors. In its reports, the Federal Council has reiterated several times that the commodities sector plays an important role for the Swiss economy and that a key objective is for Switzerland to continue being a globally relevant commodities trading hub. Within Parliament there has been ongoing interest in this issue, expressed primarily through various procedural requests. These parliamentary procedural requests relate mainly to the linkages in the international commodities business and questions on international tax policy, combating corruption and money laundering in the context of commodities transactions, the role of multinational enterprises based in Switzerland, global environmental issues and also the role of the extractive industry for peace and in conflict situations. Usually the concerns reflect the repercussions of international developments on policy and legislation in Switzerland. Annex 5.2 contains a list of parliamentary procedural requests on commodities trading submitted since 2015.

The media have similarly taken up issues relating to the commodities sector. Since 2012, Presence Switzerland has conducted an annual analysis of national and international media coverage on commodities in Switzerland and identified the key topics. There has been a decline in the volume of reports in the leading international media since 2016, and this trend continued in 2017 (see Annex 5.3). In recent years, reporting has focused mainly on the economic activities and growth of commodity trading firms and commodity markets. There was much more coverage of the Paradise Papers disclosures involving the activities of Swiss commodity companies in the Swiss media than in the foreign media, as well as regarding

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the environment" of 15 September 2017 is available (in German) at: https://www.admin.ch/opc/de/federal-gazette/2017/6335.pdf.

35 The proposed regulation envisages a due diligence obligation of the management to ensure compliance with provisions for the protection of human rights and the environment as well as a liability provision in accordance with the principles of employer's liability (Art. 55 CO). For further clarifications on the indirect counter-proposal adopted by the National Council, compare the draft for revision of the Act on companies limited by shares, p. 207-216 (https://www.parlament.ch/centers/eparl/curia/2016/20160077/N11%20D.pdf) as well as the explanatory report ((https://www.parlament.ch/centers/documents/de/bericht-rk-n-16-077-2018-05-18-d.pdf) (in German).

36 The Federal Council arrived at a preliminary interim conclusion at the end of 2017. A majority of reform measures are on track. The following have been implemented: maintaining the bilateral approach with the EU, measures in the area of the digital economy and reduction in the administrative burden. This has also improved the business environment for the commodities sector.

allegations made by the Swiss NGO Public Eye that even Swiss commodity firms are engaged in selling high-sulphur fuels (dirty diesel) no longer permitted in Europe to African countries. However, the most frequent reports in the foreign media as also in Switzerland are about developments on commodity markets or the business operations of commodity trading companies.

2.3 Swiss commodity trading hub in comparison with other international locations

The Oliver Wyman study commissioned by the Interdepartmental Platform on Commodities, shows that in comparison with other commodity hubs such as the UK, USA, Singapore and Dubai, the stand-out features for Switzerland are a balanced profile and the perception by many market participants that it is one of the leading global trading centres. At the same time, there have been a number of developments in recent years that pose a challenge to Switzerland's current position in the international ranking. As described in Section 2.1, a significant industry developed in Switzerland given the traditional association with commodities and the positive framework for commodities trading. The sector has benefited from highly specialised financial, legal and consulting services.

Some important pull factors for the commodities sector are good access to highly skilled talent and specialised training programmes[37]. Employees in Switzerland benefit from a flexible working environment and high average wages. In conjunction with the strong Swiss franc and low rates of private taxation, this makes Switzerland attractive for foreign workers as well. The cost of living is slightly higher in Switzerland than in the UK or the US, but lower than in Singapore. Overall, Switzerland offers a high quality of life and is very well placed internationally in the Mercer ranking[38]. Consequently, Switzerland is not just attractive to highly qualified foreign employees but also their families.

An attractive taxation policy is an important factor, and the forthcoming tax reform is intended to preserve this advantage. Switzerland also offers efficient and high-quality infrastructure. The Federal Council is committed to ensuring that an attractive economic policy framework continues to create a positive macro environment (see Section 2.2.1). The differentiating factors for the commodities trade in Switzerland include its geographic location between the American and Asian time zones as well as direct market coverage of Europe, the Middle East and Africa. Switzerland also enjoys the advantage of proximity to the ports in the Amsterdam, Rotterdam and Antwerp (ARA) region, which are important for commodities shipment in Europe.

Finally, a key location factor is Switzerland’s political, legal and economic stability. However, as the study mentions, Switzerland’s political stability is seen to be deteriorating by a section of the industry owing to various initiatives, such as the 'Stop Mass Immigration’ initiative or the 'Responsible Business' initiative. According to the study, uncertainty regarding Switzerland’s ‘liberal image’ has grown steadily in recent years.

The United Kingdom has benefited thanks to its highly skilled workforce, good geographic location, with similar economic parameters as Switzerland. It is Switzerland’s biggest competitor in Europe. Brexit and the associated uncertainties could result in major challenges for Switzerland, particularly with regard to a level playing field.

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37 The University of Geneva offers a Masters course in commodity trading. See https://internationaltrading.unige.ch/index.php/master.

38 See Mercer (2018): Quality of Living Ranking, available at https://www.mercer.com.

Outside of Europe, the United States and Singapore are among the biggest competitors for the Swiss commodity market. The US has a large domestic market. The local presence of commodity firms, especially in the Texas region, has resulted in there being a large skilled talent pool. In addition, the US has privileged access to financial markets thanks to numerous hedge funds and private equity groups in the New York region.

Singapore as well as Dubai are important competitors primarily due to the strongly developing regions in Asia and the concomitant shift of trading volumes to the east. Additional factors with regard to Singapore are the rapid growth in the financial services sector and the considerable efforts made by the city state to develop an attractive local commodities cluster. Thus, for example, Singapore offers specific tax rates for certain commodity companies.[39] Against this backdrop, Europe and consequently Switzerland look likely to lose their relative market share. More detailed information on this trend can be found in Section 3.2.

While currently no large-scale and systematic offshoring trends can be identified, the Oliver Wyman study shows that mainly independent commodity traders have reduced their presence in Switzerland in favour of the US, Dubai and mainly Singapore (see Section 3.2). As mentioned earlier, one reason for this trend is the shifting of trade flows towards Asia. However, a further factor is cost. Key functions are being offshored without shifting company headquarters, leading to the loss of important jobs in Switzerland. Another serious factor is the perception mentioned earlier of a decline in the political stability and reliability of the overall business environment in Switzerland.

The competitiveness of the Swiss commodity sector in the long term will depend on whether Switzerland is able to provide a competitive legal, economic and political framework in the future.

39 See the Global Trader Programme: https://ie.enterprisesg.gov.sg/Trade-From-Singapore/Global-Trader-Programme.

3 Global developments, emerging trends and challenges

The third section of this report contains an assessment of the commodity sector at a global level. It describes current developments and trends in the international commodities trade and outlines the expected challenges and possible implications for Switzerland.

3.1 Global commodities production and trade: developments and challenges for resource-rich countries

The 2013 background report listed challenges in the area of resource extraction and trade, such as geopolitical shifts in the global commodities industry, challenges with regard to human rights, good governance, integrity of government institutions and the "resource curse" phenomenon. These challenges have evolved over time. Some have become more acute, others have weakened, and new dynamics have developed.

3.1.1 Significance of the commodities sector for developing countries

The production of minerals today is heavily concentrated: a mere ten countries produce over 70 per cent of the globally extracted output of minerals, metals and mineral fuels (2016).[40] China alone – the largest producer by far in this sector – produces about 24 per cent of all minerals (without fuels) and about 56 per cent of cement. According to the same source, Asia accounts for 58 per cent of minerals production and 5.4 per cent is from Africa (2016). According to the World Bank, Africa has about 30 per cent of the world's mineral deposits, 10 per cent of global oil reserves and 8 per cent of global natural gas reserves.[41]

Although low-income countries had a share of just 2 per cent[42] in the global value of minerals, metals and mineral fuels production in 2016, mining and related activities are of great economic significance for such countries. An additional factor is that certain minerals from such less-developed countries are of strategic importance. Some examples: 76 per cent of tantalum (used mainly in electronic components), 61 per cent of cobalt, 30 per cent of tin, 15 per cent of titanium and 10 per cent of copper are produced in least developed countries.[43]

The significance of the commodities sector for developing countries has increased again in recent years. According to an UNCTAD[44] report, 91 developing countries were dependent on commodity exports in 2014-2015. In 2009-2010 the figure was 82 countries. The extraction, processing and trade in natural resources are consequently an important potential source of income for a number of developing countries. Mineral deposits in Africa are therefore attracting foreign direct investment in exploration and in the expansion of mines.[45] In practice, however, it is seen that developing countries are usually unable to benefit from their potential wealth. On

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40 International Organizing Committee for the World Mining Congresses (2018): World Mining Data 2018, available at http://www.world-mining-data.info/?World_Mining_Data___PDF-Files_-_2018_new%21. The ten most important producer countries are: China, USA, Russia, Australia, India, Saudi Arabia, Indonesia, Brazil, Canada and Iran.

41 See: http://www.worldbank.org/en/topic/extractiveindustries.

42 *World Mining Data 2018*.

43 Ibid.

44 A country is categorised as commodity dependent if over 60% of its total exports are commodity exports. UNCTAD (2016): State of Community Dependence, available at http://unctad.org/en/PublicationsLibrary/suc2017d2.pdf.

45 Guj, P. et al. (2017): 2017) available at: Transfer Pricing in Mining with a Focus on Africa.

the contrary, they are affected by severe social and environmental problems.[46] There are also positive examples that demonstrate that successful utilisation of natural resource reserves can be combined with long-term economic growth and job creation.

3.1.2 Risks and opportunities in the commodities sector for countries with natural resource reserves

Co-existence of different forms of production

A key feature of global natural resource extraction and trade is that in most resource exporting (developing) countries, different forms of production co-exist for a number of mineral and fossil resources. More or less formalised, industrial-scale mining is found alongside informal and often illegal artisanal small-scale mining (ASM). This situation is observed in the extraction of diamonds, gold, precious stones and also tungsten, cobalt, tin and tantalum. ASM has witnessed strong growth in the last 20 years. It is characterised, on the one hand, by its direct financial significance for large numbers of people, but also by the precarious consequences: high danger of accidents, environmental pollution to the extent of destroying the natural resource base, human rights violations (child labour, exploitation of workers) and health risks. Added to this are phenomena such as land dispossession, corruption, smuggling, drug use and prostitution. According to estimates, the lives of around 150 million people in the global South are affected. For many, ASM is the only way out of poverty or constitutes an important component of income. Many Swiss companies, for instance those operating in fragile contexts in the gold or cobalt trade, tend to buy from industrially operated mines mainly in order to avoid risks to reputation, since the danger of direct human rights violations is lower in such mines. However, the trend to avoid ASM companies does not help to improve the working conditions of the mine workers. ASM finds other market avenues, which can lead to conflict and illegal activities. Swiss consumers and companies should be encouraged to source commodities from ASM that practise responsible production. This is also the objective of the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, which Switzerland supports.

Human rights, governance and combating corruption

The extraction of natural resources has direct impacts for local populations. These occur during extraction, building of infrastructure, securing mine operations or during resettlement programmes, and can lead to serious human rights violations, contamination of soil and water bodies, negative impacts for hygiene and sanitation, loss of income and a general deterioration in living conditions. Various studies have analysed these challenges in detail.[47] Overall, the

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[46] For governance factors in resource-rich developing countries in the context of the international commodities trade using gold as an example, see: Natural Resource Governance Institute (NRGI) (2017) *Governance and Trade Patterns of Gold Producers, Resource Governance Index*, Briefing July 2017, available at https://resourcegovernance.org/analysis-tools/publications/governance-and-trade-patterns-gold-producers-2017-resource-governance.

[47] For a study commissioned by the confederation on the human rights-related risks of gold mining and trade see: EBP Schweiz: Expert Study on the Swiss gold sector and related risks of human rights abuses available at: https://www.dfae.admin.ch > Foreign policy > Peace and human rights > Human rights policy > Business and human rights > Commodities and human rights.

studies have determined that natural resource extraction results in an above-average incidence of human rights violations.[48]

In a number of important export countries with low to average incomes, there is lack of governance. This prevents natural resource extraction (minerals and metals) from contributing effectively to sustainable development.[49] Several OECD studies have shown that the commodities sector is highly prone to corruption, both at the mining stage (e.g. in awarding mining concessions) and also during trading (market access, very high/low transfer pricing).[50] The risk is higher because often public sector companies or foreign officials are involved, because the potential profits are very high and because such transactions are not always transparent (especially the sale of state-owned enterprises).[51]

Fragile and conflict situations lead to specific challenges and risks for natural resource extraction and trade. OECD[52] studies have determined that the majority of the 58 fragile contexts are found in sub-Saharan Africa (35), followed by the Middle East and North Africa (9), Asia/Oceania (10) and Latin America/the Caribbean (4). 20 of the 58 contexts regarded as fragile possess large natural resource deposits. In such fragile contexts, especially, natural resources tend to be a curse rather than a blessing for the countries and their populations in terms of economic success as well as conflict frequency and war. Simultaneously, this instability undermines the potential for profits and ultimately impacts the decisions of international investors, who, according to certain studies, largely pass the additional costs back to the exporting countries.[53]

The most important challenges relating to respect for human rights were listed during the preliminary work[54] of the multiparty working group that was tasked with preparing the guidance for implementing the UN Guiding Principles in the Swiss commodities sector (see Section 1.2). The OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, the OECD's Due Diligence Guidance for Responsible Business Conduct, and the OECD's Due Diligence

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48 Kamminga, Menno T. (2015): Company Responses to Human Rights Reports: An Empirical Analysis (February 2, 2015). Business and Human Rights Journal, vol. 1, issue 1, pp. 95-110, 2016. Available at: https://ssrn.com/abstract=2559255.

49 According to the *Resource Governance Index* 2017, out of 55 oil-producing countries that were assessed, only three countries were categorised as good, while 44 were graded as weak, poor or failing. Of 13 gold-mining countries, no country was assessed as good, two were satisfactory and 11 were weak, poor or failing. The index includes data on commodity extraction and the utilisation of the revenues from about 90 commodity-producing and exporting countries and assesses the dimensions of value realisation, revenue management and the enabling environment.

50 OECD (2014): OECD Foreign Bribery Report. An Analysis of the Crime of Bribery of Foreign Public Officials, Paris; OECD (2016): Corruption in the Extractive Value Chain. Typology of Risks, Mitigation Measures and Incentives. OECD Publishing, Paris.

51 FEDPOL (forthcoming): « Rapport d'évaluation des risques: la corruption comme infraction préalable », p. 21.

52 The OECD currently regards 58 (partly cross-border) regions as fragile contexts. OECD (2018): States of Fragility Report, available at https://read.oecd-ilibrary.org/development/states-of-fragility-2018_9789264302075-en#page210.

53 On the significance and challenges of minerals extraction for fragile states see: OECD (2018): States of Fragility Report, p. 187ff. https://read.oecd-ilibrary.org/development/states-of-fragility-2018_9789264302075-en#page210. On the challenges for international companies, see, for example, Peck, S. and Chayes, S. (2015): The Oil Curse. A Remedial Role for the Oil Industry; Carnegie Endowment, available at http://carnegieendowment.org/files/CP_250_Peck_Chayes_Oil_Curse_Final.pdf.

54 IHRB (2017): *The Swiss Commodities Trading Industry*: a Mapping Study, Institute for Business and Human Rights, available at: www.ihrb.org > Focus Areas > Commodities.

Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas are suitable instruments for promoting CSR for commodity firms.

International taxation issues

Apart from governance problems, many exporting countries also exhibit low mobilisation of their tax base from the commodities sector. Shortcomings in national fiscal policy, legislation and enforcement play a role, as well as elements of international tax law (base erosion and profit shifting). For many resource-rich developing countries, natural resource reserves are an important source of state revenues. Base erosion and profit shifting combined with inadequate tax administration in these countries, however, undermine the economic opportunity.

While base erosion and profit shifting do not just impact natural resource extraction and trade, resource-rich countries are especially vulnerable because foreign multinational companies play a dominant role in this sector.[55] For instance, the corporate structure of multinational mining enterprises operating in Africa can erode the tax base of those countries because the profits are shifted abroad. Often, the operations of the subsidiaries of multinational enterprises are reduced to merely routine activities, for which fewer qualified workers and fewer assets are required. Only a few mining companies are fully vertically integrated. Often they export crushed or sifted ore (e.g. iron ore and coal) or base metals and other concentrates or intermediary products after coarse processing to iron and steelworks or marketing and distribution platforms. Mining companies are increasingly offering high-value and specialised cross-border services and products and/or financing. This often happens in cooperation with other companies that belong to the same group.

Combating base erosion and profit shifting by MNEs has become a key issue for the international community. Action 13 of the BEPS project mentioned in Section 2.2 (review of transfer price documentation) envisages the automatic exchange of country reports. The country report is intended to facilitate evaluation by the tax authorities of the main risks related to transfer pricing and also other risks related to base erosion and profit shifting. This is a minimum standard, which all OECD and G20 countries have committed to (see also Section 2.2 on the BEPS project).

On the other hand, many commodity-exporting countries are not in a position to undertake reliable and independent monitoring of the nature and quality of their exportable commodities and hence find it difficult to assess the selling price. Apart from lacking knowledge of international tax law, tax authorities in resource-rich countries often also do not have the necessary expertise to assess in detail the terms of commercial transactions entered into either between state-owned enterprises and commodity traders or between private mining companies and commodity traders. Consequently, these countries are often not in a position to prevent potentially negative fiscal impacts related to resource extraction and trade. The Platform for Collaboration on Tax, which comprises the OECD, the IMF, the World Bank Group and the United Nations, is working on developing toolkits on taxation for developing countries. The OECD is also working together with the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) to develop two further toolkits. These initiatives

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[55] For details refer to International Taxation and Extractive Industries, IMF, 2017 IMF (2017): International Taxation and Extractive Industries, Daniel P., Keen M., Świstak A. and Thuronyi V., as well as Guj, P. et al. (2017): Transfer Pricing in Mining with a Focus on Africa, available at: http://documents.worldbank.org/curated/en/801771485941579048/pdf/112346-REVISED-Dated-Transfer-pricing-in-mining-with-a-focus-on-Africa-a-reference-guide-for-practitioners-Web.pdf

address tax incentives for investors in the mining sector on the one hand, but also the excessive interest deductions in this sector. The objective is to build and improve capacities among tax authorities in resource-exporting countries.

3.1.3 Impact of resource extraction on the environment

Relevant analyses and reports are available on the impact of resource extraction on the environment.[56] Mining companies have some scope to directly influence production conditions and consequently the environmental impacts, while trading companies have an indirect influence through their buying decisions.

The production of minerals and the growing demand for certain mineral resources (including rare earths, see Section 3.4) is having increasingly severe impacts on the environment and on ecosystems in producing countries. The consequences of extracting non-renewable resources such as metals and ores are particularly grave. Mining (extracting, processing and disposal) frequently leads to erosion, loss of biodiversity, water scarcity and contamination of soil and groundwater.[57] Mining activities also result in production residues that are largely toxic and cannot be recycled. Contaminated sites increase because high quality mineral deposits are gradually depleted and increasingly inferior ores are extracted. Newly discovered reserves that are difficult to extract can only be tapped by causing higher environmental risks (e.g. deep sea drilling for fossil fuels, fracking of shale gas). Abandoned contaminated sites containing a number of toxic substances pose a threat to the environment as well as the health of local populations, making the sustainable development of the affected region impossible. Similarly, the safety of tailing management facilities in operational or abandoned mines poses a big challenge.

For commodity trading the challenge lies primarily in the purchase of commodities and in the business links with the service enterprises (logistics companies, financial services companies). The traceability of traded commodities is often difficult. Switzerland-based commodity trading companies (energy commodities, metals and ores, agricultural commodities) are also part of complex value chains. Several agricultural commodity trading houses are participating in projects for improving the production chain. Instruments such as the OECD guidelines and its Due Diligence Guidance for Responsible Business Conduct for MNEs contain recommendations on CSR and impact on the environment.

3.2 Developments in value chains

The commodities sector is characterised by complex value chains involving multiple actors and various intermediate stages in different locations. In this respect, two global trends are emerging: greater vertical integration of companies and a relocation of activities to Asia.

3.2.1 Greater vertical integration

The activities of the commodities sector traditionally comprise the production of raw materials (extraction of energy products and minerals, production of renewable resources and agricultural commodities) and trading (in energy products, minerals and agricultural commodities). Commodities traders act as intermediaries between producers, other traders,

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56 International Resource Panel (forthcoming): Mineral Resource Governance in the 21st Century: Gearing extractive industries towards sustainable development.

57 Dolega P., Degreif S., Buchert M. and Schüler D. (2016): Outlining Environmental Challenges in the Non-Fuel Mining Sector (22 September 2016) Strade Policy Brief 04/2016, Oeko-Institut e.V.;reviewed by Jan Kosmol (German Environment Agency).

the industry and consumers. As a result, they generally operate at various locations all over the world. This field of activity involves value chains involving numerous actors. More and more companies, particularly multinationals, therefore prefer to simplify production chains by vertically expanding activities and integrating intermediaries. Among other things, these developments accompany changes in the financial sector (e.g. development of financing instruments) and in the field of technology (e.g. development of blockchain-based platforms, see Section 3.5). In addition to these trends towards vertical integration and digitalisation of the sector, the position of large corporations is tending to become stronger. These companies are sufficiently flexible and can make the necessary investments to adapt to this new environment. This may lead to difficulties for smaller companies, which would also pose a challenge to the Swiss commodities sector.

3.2.2 Increasing market shift to Asia

A key aspect of globalisation is the development of global value chains. These days, most complex products are manufactured from raw materials and semi-finished products originating from all over the world. The first decade of the 21st century was marked above all by the rise of China as the "world's workbench". China's accession to the WTO in 2001 represents this change, both symbolically and in real terms. This also entailed increased outsourcing and relocation of production (processes) to China, and investment by western companies.

This in turn led to increased demand for a broader range of raw materials in China.[58] Various observers are expecting a commodities boom in connection with the *Belt and Road Initiative* (BRI), for example. An important component of the ambitious visions are the challenges associated with financing the infrastructure projects, which also incorporate commodity-related projects. This involves risks and potential, which could have a global impact on the international commodities business.

Thanks also to the increasing institutional integration within the scope of ASEAN[59] (*ASEAN Economic Community*) and the efforts to improve infrastructure in Southeast Asia, the last few years have seen extensive diversification of value chains. This has seen some of the production processes previously based in China being relocated to countries in Southeast Asia (especially Indonesia, Thailand and Vietnam). Partly due to the still relatively complex logistics in the region, commodities trading hubs such as Singapore, Hong Kong and Dubai are likely to benefit from this move.

This involves fundamental energy and supply policy implications on a global level. It is a logical consequence that commodities trading has followed this shift. At the same time, Europe, with its locational advantage situated in the middle between Asia and North America in terms of time zones, has become less important, and the United States as a whole is becoming less relevant. Whether this shift will lead to a sinicisation of trade remains to be seen.

Finally it should be noted that this relocation to Asia could also have an impact on the standards for corporate social responsibility, especially given the growing significance of countries that are not members of the OECD and have not adopted its standards. As it assumes increased regional or even global foreign policy and economic influence, China could bolster its position in regional and global policy areas, and could take on a key role in defining or strengthening standards in the field of raw material extraction and commodities trading. Overall it will be

[58] It should also be noted that China will have a significant influence on the supply and demand of certain minerals that are crucial to new and/or green technologies (see Section 3.4).

[59] *Association of Southeast Asian Nations*

important to monitor closely China's development as a producer and consumer of raw materials.

3.3 Evolution of the regulatory environment outside Switzerland

Payment and contract disclosure

The EU directives 2013/34/EU and 2013/50/EU[60,61] require large companies operating in raw materials extraction to disclose the payments they make to governments. In 2016, the Swiss Institute of Comparative Law analysed how individual Member States (Germany, France, the Netherlands, Sweden and the UK) transposed the guidelines into national law.[62] Most of the EU Member States surveyed adopted the guidelines very closely and often word for word. However, the provisions do not cover commodities trading. In Canada and Norway there is an obligation for extractive companies to disclose payments they make to governments, the content of which is geared towards the EU obligation. The European Commission and the UK are currently evaluating their reporting arrangements. Hong Kong has enacted a comprehensive obligation to publish payments to governments, as well as social and environmental factors, but this only applies to IPOs or "significant transactions".[63]

There has also been a growing trend towards increased transparency in contracts and licences in the extractive sector in recent years, both in terms of content and negotiation processes. On the basis of analyses at country level, the 2017 *Resource Governance Index* (RGI 2017) found that provisions on the disclosure of contracts and licences were in place in 22 of the 89 countries analysed. Within the EITI it is apparent that contract transparency has become established practice in 29 of the 51 implementing countries – for at least some of those contracts and their provisions. The EITI has set up a working group for greater transparency of payments to governments, which includes participants from Swiss industry.[64] The working group adopted a *Guidance Note on Reporting on first trades in oil* in July 2017, on the basis of which several countries are conducting pilot studies on the disclosure of trade movements in the oil sector with financial support from Switzerland.

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60 Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EG of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC of the Council (Text with EEA relevance)

61 Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC (Text with EEA relevance)

62 E-Avis ISDC 2017-01: Transparency provisions in the commodities sector in the EU, Germany, Denmark, France, the Netherlands, Sweden and the UK, status: 5 August 2016, available at: https://www.isdc.ch/media/1324/2017-01-transparenz-rohstoff.pdf.

63 E-Avis ISDC 2017-08: Transparency provisions in the commodities sector in the EU, Hong Kong, Canada and the United States, status: 31 January 2014, available at: https://www.isdc.ch/media/1362/e-2017-08-13-205-transparenz-rohstoff-gz.pdf.

64 IHRB (2017): Mapping study, p. 14. The working group comprises BP, DFID, GNPC, NNPC, Mercuria, the Natural Resource Governance Institute (NRGI), RCS Global, SKK Migas, SECO, Shell, Statoil, STSA, Swissaid, Trafigura, Ecopetrol, Philia, Total and Vitol.

These developments show that progress has been made in achieving greater transparency in payments to governments. Many countries, including important players in raw material extraction and commodities trading, are keeping out of these discussions or even relaxing regulations for companies in the sector. For example, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* adopted by the United States on 21 July 2010, contains similar provisions to the EU in Section 1504; however, the implementing provisions on Section 1504 (and, as far as can be ascertained,[65] those on Section 1502 regarding conflict minerals from Congo) were repealed by Congress. These provisions therefore never entered into force and there is currently no reporting obligation in place in the United States.

Corporate social responsibility and duty of care

Further global developments in the commodities sector can be observed in the field of CSR. Within the framework of the *OECD Guidelines for Multinational Enterprises* and the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas,*[66] the OECD is working increasingly with Asian countries along with African and Latin American states. In China and India in particular, it is helping draw up government-backed industry standards, for example on gold, that are consistent with the OECD guidance. It works with local actors such as government and industry associations to sensitise companies to the issue of sustainable supply chains in the commodities sector.[67] In addition, the OECD published a set of guidelines in May 2018 – *Due Diligence Guidance for Responsible Business Conduct* – containing due diligence recommendations for companies in all sectors.[68] These guidelines are consistent with the UN Guiding Principles on Business and Human Rights and it can be assumed that given their broad international recognition, they will be the main instrument guiding corporate due diligence.

On 17 May 2017 the EU adopted a regulation on supply chain due diligence obligations for EU importers of minerals from conflict-affected and high-risk areas.[69] The regulation implements the OECD *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. The most important provisions will apply from 1 January 2021.

In the EU, large public-interest entities[70] with more than 500 employees have to include a non-financial statement in their management report, in accordance with the Directive of 22 October 2014 on the disclosure of non-financial Information (RL 2014/95/EU). Where relevant and

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[65] The latest status is that a legal amendment was approved in November 2017 which *could* make it possible to repeal Section 1502 (https://www.whitecase.com/publications/alert/house-committee-approves-bills-would-repeal-conflict-minerals-and-mine-safety). The legal amendment has not yet been passed by the US Senate, however.

[66] OECD Responsible Business Conduct portal: http://mneguidelines.oecd.org/guidelines/ and http://mneguidelines.oecd.org/mining.htm

[67] OECD (2018): Annual Report on the OECD Guidelines for Multinational Enterprises 2017, p. 33-35, available at: www.oecd.org > Topics > Investment > Guidelines for multinational enterprises > Annual reports on the OECD Guidelines for Multinational Enterprises.

[68] OECD Responsible Business Conduct portal: http://mneguidelines.oecd.org/duediligence

[69] On 8 June the EU Regulation 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas entered into force. (ABl. L 130 of 19.5.2017, p. 1). The most important provisions will apply from 1 January 2021.

[70] Large undertakings are undertakings which on their balance sheet date exceed at least two of the following three criteria: a) balance sheet total: EUR 20,000,000; b) net turnover: EUR 40,000,000; c) average number of employees during the financial year: 250. From this group of large undertakings, only those with an annual average of more than 500 employees on two consecutive balance sheet dates are included.

proportionate, the companies also have to include information on their supply chain in the report. The non-financial statement should contain information relating to at least respect of human rights, employee-related matters, environmental issues and anti-corruption matters. The EU Directive provides for a possibility for the companies concerned to forgo reporting on individual issues provided they explain why this is the case (comply or explain). The guideline is also relevant to Swiss groups whose subsidiaries operate in the EU and fall under the scope of the Directive.

The deadline for transposition of the EU Directive was 6 December 2016.[71] France went a step further and adopted a draft bill on 27 March 2017 that contains an explicit due diligence obligation and liability provision for multinational corporations.[72]

In June 2014, the UN Human Rights Council (HRC) adopted Resolution A/HRC/26/L.22 to deploy an intergovernmental working group to develop an international legally binding instrument to regulate the activities of transnational corporations and other business enterprises with regard to human rights. The resolution was tabled by Ecuador and adopted by 20 votes to 14, with 13 abstentions. The industrialised countries, including the EU Member States represented on the HRC, voted against the resolution. Switzerland followed and played a part in the discussions on the project from the outset. In its view, however, priority should be given to implementation of the UN Guiding Principles, which constitute an international consensus and a widely recognised standard, including in the private sector. The Federal Council therefore advocates an internationally coordinated process based on voluntary measures.

Financial market regulation

The tighter regulations and increased sensitivity of global banks since the 2008 financial crisis also affect commodities trading. Some banks have reduced or completely abandoned their financing activities in commodities and commodity trading.[73] These trends are primarily the result of tougher requirements regarding capital, liquidity and transparency, which make the financing of commodities trading less profitable for banks. This particularly affects small traders, whose financing potential has decreased, and commodity-producing emerging countries, whose access to the international financial system may be jeopardised. By pulling out, US and European banks have left a gap, which has primarily been filled by Asian banks. These developments particularly affect China's position, which is reflected, for example, in the recently-listed Renminbi crude oil futures and the opening of the subsidiary of the Agricultural Bank of China in Geneva.

In the Basel III reforms, adopted in December 2017, the Basel Committee on Banking Supervision (BCBS) revised existing capital requirements and introduced additional liquidity

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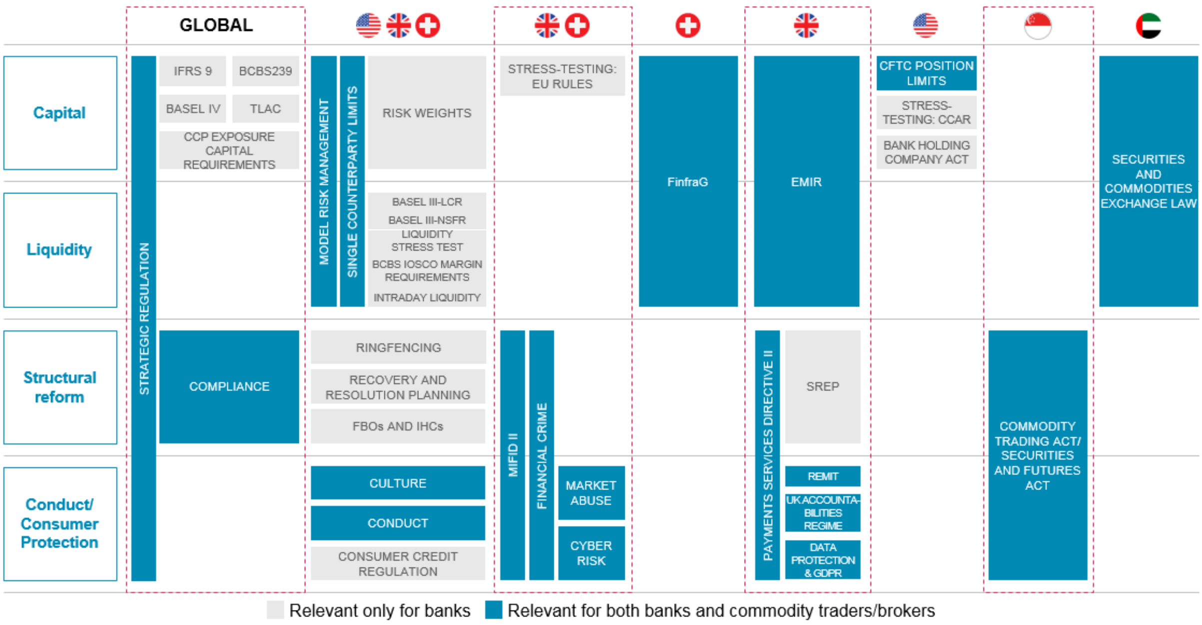
71 The status of transposition of Directive 2014/95/EU by EU Member States in national law can be accessed at www.eur-lex.europa.eu> National transposition. Directive 2014/95/EU of 22 October 2014. Cf. also opinion of Swiss Institute of Comparative Law (SICL), Lausanne of 30 April 2017, implementation of Directive 2014/95/EU (CSR Directive), available at www.isdc.ch > Dienstleistungen > Informationen zum ausländischen Recht online (in German only).

72 *Loi nº 2017-399 on the duty of care of parent and subcontracting companies.*

73 See e.g. OW (2018), p 18; IFC (2017): De-Risking and Other Challenges in the Emerging Market Financial Sector. IFC Insights, p. 44-47, available at: https://www.ifc.org/wps/wcm/connect/3d215edb-55da-4097-982c-e90409d6621a/IFC+2017+Survey+on+Correspondent+Banking+in+EMs+final+September+1.pdf?MOD=AJPERES; FSB (2018): FSB Action Plan to assess and address the Decline in Correspondent Banking: Progress Report to G20 Finance Ministers and Central Bank Governors Meeting of March 2018, p. 8, available at: http://www.fsb.org/wp-content/uploads/P160318-2.pdf.

regulations. The corresponding regulations are designed to strengthen the stability of the international financial system and lead to globally consistent rules. Based on industry assessments, the capital and liquidity requirements under Basel III do not take adequate account of the low-risk, short-term nature of trade financing as it is mainly conducted in Switzerland[74] and increase the costs of trade finance business for banks. It is therefore feared that the relevant costs will be passed on and that the bank-financed trade finance volume will be further reduced. Ultimately this could also result in increased costs for the real economy. These developments pose a serious challenge to the Swiss industry, where bank financing prevails, unlike its competitors which are financed at more competitive costs via the financial markets. Due to profitability considerations, these developments could particularly affect small traders, which could lead to a consolidation of the commodities sector. The Swiss authorities are aware of these challenges. This identified need for action is discussed further in Chapter 4. The industry will also have to pay attention to appropriate diversification of types of financing. However, the higher costs of bank financing may also mean that the focus shifts to more risky forms of financing via hedge funds and unsecured loans from large commodity traders. Figure 3 provides an overview of the financial regulations that are crucial to commodities trading by international comparison.

Figure 3: Overview of the most important financial market regulations



Source: Oliver Wyman (2017) (Oliver Wyman proprietary data and analysis, 2017), p. 52.

Tax developments for multinationals

The accession of additional countries to the *Inclusive Framework on BEPS* (Inclusive Framework) shows that international efforts to increase transparency and ensure a level playing field in the taxation of multinational companies are making progress. At present, 116 countries and jurisdictions – including developing countries and commodities trading hubs

[74] Trade finance can be split into short-term and long-term trade finance. While short-term trade finance finances the physical trade of commodities (*Transactional Commodity Trade Finance*), long-term trade finance (*Commodity Project Finance*) finances complex, more risky extraction projects. The revised standard approach to credit risks does not adequately distinguish between these two activities.

such as Singapore, Hong Kong and Dubai in addition to Switzerland – participate in the Inclusive Framework on BEPS to implement and monitor the BEPS results, and have committed to implementing the minimum standards arising from the BEPS project. Peer reviews will be conducted to check whether they are being complied with. Switzerland continues to advocate a level playing field, so it welcomes this expansion of the Inclusive Framework.

Mining legislation and its application in commodity-exporting countries

Governments in commodity-exporting countries have various tools at their disposal to attract investment in the commodities sector and therefore to contribute to economic development. However, if these tools are not efficiently designed and applied, the contribution of the commodities sector to growth is limited and the environmental and social impacts are often negative. In various resource-rich developing and emerging countries, a number of trends can therefore be observed that appear to be aimed at securing appropriate revenues from the production and marketing of raw materials for these countries and their populations. But the ramifications of such measures are sometimes controversial. These measures include:

1. An increased government stake in natural resources companies

For example, Indonesia's divestment rules stipulate that foreign mining companies have to offer an increasing stake in their local businesses to Indonesian shareholders (particularly public institutions) five years after they start production.

2. Improved training, increased use of local workforces and suppliers, and regulations for better protection, inclusion and profit sharing in local companies and entities (e.g. local development funds)

For example, Ghana adopted provisions in 2014 that imposed certain percentage targets on investors regarding investment, working hours, procurement of local goods and job creation. In addition, there is a mandatory minimum local equity participation of 5% for international companies wishing to be granted exploration and development licences.

3. Increased processing and finishing of extracted raw materials in the country of origin rather than direct export of raw products

One example of this is Tanzania, which imposed an immediate ban on the export of all metallic mineral concentrates and ores in 2017. The ban aims to ensure that value-adding smelting and refining activities are carried out locally within Tanzania and therefore to promote employment opportunities and increased technology transfer. This policy saw Tanzania join the ranks of a group of other countries (including Indonesia, Kyrgyzstan and Mongolia) that are consciously striving for or realising mineral processing in their own countries.

Developments in environmental regulations

The harmonisation of international environmental standards is crucial for companies operating internationally. Many public and private voluntary multi-stakeholder initiatives on the environmental consequences of mining have been developed but have not always proven effective.[75] The multitude of instruments, which make it more difficult for companies

[75] IRP 2018 (forthcoming): Mineral Resource Governance in the 21st Century: Gearing Extractive Industries towards Sustainable Development. Studies have highlighted significant problems that reduce the effectiveness of these initiatives or in some cases counteract them: a lack of buy-in by key actors, a lack of monitoring and

(particularly mining companies) to decide which to adopt and which aspect of sustainability to focus on, run the risk of a certain "initiative fatigue".[76] In addition, there are often detailed national regulations for raw material extraction in place (e.g. leadership and development including environmental impacts), but which are not always effectively implemented, especially in resource-rich countries with poor governance. A number of principles and provisions in multilateral environment agreements or principles of customary law contain specific requirements for raw material extraction[77]. These include, for example, the UNECE conventions[78] and the Minamata Convention on mercury, which is used mainly in gold mining.[79] However, at present there is no comprehensive international environmental agreement for raw materials extraction that takes account of current challenges.

3.4 Changes in demand for raw materials due to new technologies and projects

In order to achieve the SDGs and the targets of the Paris Agreement, technologies and infrastructure will be needed that require large quantities of many raw materials. As part of the digital revolution and growing mobility, increased demand for raw materials such as smelted non-ferrous metals and other ores (cobalt, copper, zinc, nickel, lithium etc.) is expected in the coming years (see Fig. 4). These mineral ores are now essential components in many consumer goods (smartphones, tablets) and batteries, such as those installed in electric vehicles and other technical devices and equipment.

The study by Oliver Wyman also points to this trend: this development will benefit trading hubs that are located close to production sites and distribution centres and companies that can rapidly position themselves accordingly.[80] A number of companies have recognised the demand to be expected on the basis of these trends and are already planning considerable investments for increased production of cobalt, nickel and zinc so they can defend their market position and meet the demands of industry.[81]

The changes in the markets and in the business activities of companies could also have an impact on production conditions (e.g. a return to more small-scale mining operations, greater

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compliance, focus on non-priority or specific aspects that prevent a more global view of the problems, proliferation of standards, inadequate change theory, etc.

76 WEF (2015): Voluntary Responsible Mining Initiatives: A Review. White Paper, World Economic Forum, p. 6.

77 Dalupan, C. G. (2005): Mining and Sustainable Development: Insights from international law, in: International Comparative Mineral Law and Policy.

78 See also UNECE and responsible mining, https://www.oecd.org/environment/outreach/UNECE%20and%20responsible%20mining%206.6.17%20rev.pdf

79 One measure is the obligation of exporters to inform prospective destination countries about substances containing mercury. This is designed to increase the transparency of trade and to facilitate protective measures by states. As mercury combines easily with other heavy metals, it is employed in particular for gold mining in non-automated, manual artisanal mining operations, where workers are poorly protected from the noxious vapours. The Convention provides for national action plans in affected countries.

80 Oliver Wyman (2017): The Swiss Commodity Trading Sector: Competitiveness and Integrity, p. 74.

81 For example, Glencore is planning major investments to increase production of cobalt, nickel and zinc. Glencore (2018) 2017 Annual Report http://www.glencore.com/investors/reports-results/2017-annual-report. Glencore is in talks with companies such as Volkswagen, Tesla and Apple regarding the supply of cobalt and intends to increase the production of cobalt to 63,000 tonnes a year in 2020 compared with 27,000 tonnes in 2017. Sanderson H. (2017b) “Glencore to double cobalt production as it negotiates deals with Tesla, Apple, VW”, in FT (12.12.2017), can be viewed at https://www.ft.com/content/af90e269-8e98-3ba0-ba7f-9d64b6bcd4a1.

environmental impacts, volatile prices). Figure 5 shows the sharply rising price trend in forward contracts involving zinc, cobalt and nickel, as well as in the price of lithium over the past two years.[82] Studies show that the extraction of primary metals will largely be able to meet global demand for raw materials in the coming decades.[83] In order to satisfy increased demand, major investment will have to be made in the development and expansion of new mines, which will result in a greater environmental impact. It is in Switzerland's interest for domestic companies to have continued access to raw materials from other countries and for environmental standards to be implemented in a coherent manner.

Figure 4: Estimated development of demand for raw materials for emerging technologies (2013–2015)

Metal	**Demand 2013 / Production 2013**	**Demand 2035 / Production 2013**	**Emerging technologies**
Lithium	2%	385%	Lithium-ion batteries, lightweight airframes
Heavy rare earth elements (Dy/Tb)	85%	313%	Magnets, electric cars, wind power
Rhenium	98%	250%	Super alloys
Light rare earth elements (Nd/Pr)	79%	174%	Magnets, electric cars, wind power
Tantalum	38%	159%	Micro-capacitors, medical technology
Scandium	17%	138%	SOFC fuel cells
Cobalt	4%	94%	Lithium-ion batteries, XTL
Germanium	39%	81%	Fibre optics, IR technology
Platinum	0%	60%	Fuel cells, catalysts
Tin	50%	42%	Transparent electrodes, solders
Palladium	8%	47%	Catalysts, desalination of seawater
Indium	29%	45%	Displays, thin-film photovoltaics
Gallium	25%	37%	Thin-film photovoltaics, IC, WLED
Silver	22%	32%	RFID
Copper	1%	29%	Electric motors, RFID
Titanium	4%	18%	Desalination of seawater, implants

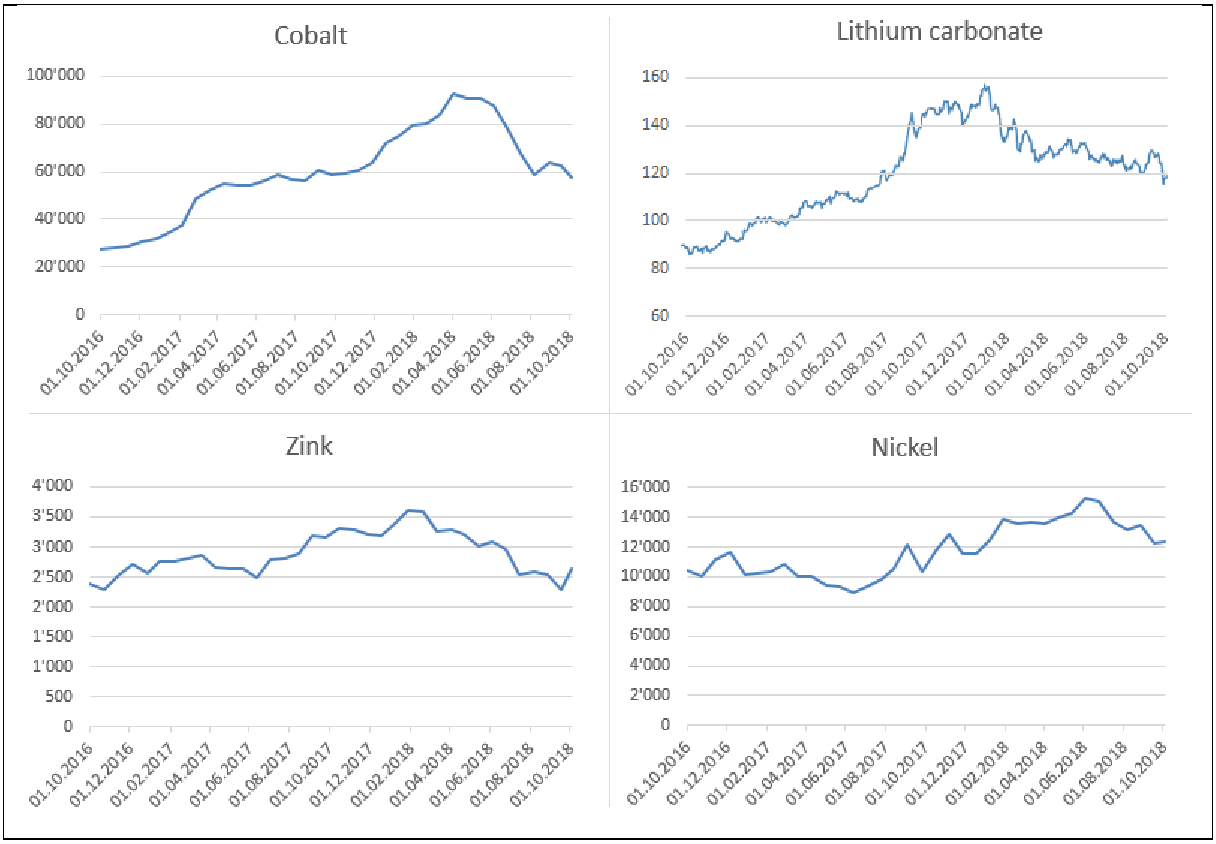
Source: Marscheider-Weidemann et al., 2016[84], p. 15; IRP (forthcoming) *Mineral Resource Governance in the 21st Century*, p. 88.

[82] In August 2017, the London Metal Exchange LME announced that it would be introducing a lithium futures contract, which is likely to result in increased transparency in this booming market (Sanderson H. (2017a) "LME considers starting lithium contract to tap electric car boom", in FT (29.08.2017), can be viewed at https://www.ft.com/content/24c36964-89af-11e7-bf50-e1c239b45787).

[83] Dolega, Peter, Stefanie Degreif, Matthias Buchert, Doris Schüler. (2016): Outlining Environmental Challenges in the Non-Fuel Mining Sector Strategic Dialogue on Sustainable. Raw Materials for Europe (STRADE) No. 04 / 2016, 22 September 2016.

[84] Marscheider-Weidemann, F., Langkau, S., Hummen, T., Erdmann, L., Tercero Espinoza, L., Angerer, G., Marwede, M. & Benecke, S. (2016): Raw materials for emerging technologies 2016. – DERA raw material information 28, Berlin, can be viewed at https://www.isi.fraunhofer.de/content/dam/isi/dokumente/ccn/2016/Studie_Zukunftstechnologien-2016.pdf.

Figure 5: Price development of cobalt, zinc and nickel in USD per tonne (*cash buyer*) and of lithium in percentage points (October 2016 – October 2018)



Sources: LME (cobalt, nickel and zinc)/Tradingeconomics (lithium)

The deposits of some of these raw materials are mainly found in countries where rule of law systems are inadequate. For example, 65% of global production comes from the Democratic Republic of the Congo. This poses certain challenges for raw materials companies, for example with regard to compliance with environmental standards. Moreover, it is predominantly Asian companies that operate in the sector. In light of this, all stakeholders face major challenges.

It is important to follow the developments closely and work towards ensuring that these market developments also benefit resource-producing countries and their populations. Swiss companies need to secure their international positioning as responsible and competitive actors in the long term. Particularly in fragile contexts where there are latent or open conflicts, not only state actors (e.g. through development agencies), but also multinationals need to develop radically new perspectives, approaches and procedures.[85]

[85] For thoughts on the oil sector with regard to the stabilisation of fragile contexts on the basis of market economy logic, see e.g. Sarah Peck and Sarah Chayes. (2015): The Oil Curse: A Remedial Role for the Oil Industry, Carnegie Endowment, available at http://carnegieendowment.org/files/CP_250_Peck_Chayes_Oil_Curse_Final.pdf

Although these developments are crucial to fossil fuel phase-out, they also entail the risk of unstable supply chains for Switzerland. Current studies show that besides recycling and substitution, sustainable mining and robust raw materials governance will be essential in the foreseeable future to secure the supply of metals and ores that are necessary for the manufacture of consumer goods and for achievement of the SDGs and the objectives of the Paris Agreement.[86]

3.5 Development of digitalisation: "commotech"

New, so-called disruptive technologies such as *distributed ledger technology* (DLT) and *blockchain technology*[87] and their applications also affect the commodities sector. They have significant potential regarding the efficiency and transparency of international trading processes for all parties, but may also lead to fundamental changes in the sector which would see some players become less important.[88]

The continued widespread use of paper documents in cross-border trade is associated with two major problems: they can be forged and are time-consuming to process. DLT/blockchain technology with standardisation and digitisation of documents on a centralised platform that is accessible to all parties for authentication could remedy this. This would considerably reduce costs and margins of error, and would improve the transparency of the value chain. The authenticity of documents would therefore be guaranteed and any subsequent changes to the transaction history would be precluded. DLT/blockchain technology offers the major advantage for all involved of being able to reconcile individual details (e.g. payments, location, status) in real time. Ultimately, the use of *smart contracts* could also shorten the length of processes and therefore allow better liquidity management by automating certain phases of the transaction.

A number of locations are proactively supporting the introduction of such projects to enhance their competitiveness. Switzerland, with its well-developed fintech sector and numerous blockchain companies, also has potential in this area. For example, synergies with Swiss innovation projects could contribute to the development of a digital ecosystem for commodities trading. A number of major players and consortia in Switzerland are developing projects to apply DLT/blockchain in commodities trading (such as platforms for financing, real-time transaction monitoring and secure exchange between all parties).[89] However, as yet there is no joint industry project to create a national platform to improve the attractiveness of Switzerland as a business location.

Thus, on the one hand this is about offering good framework conditions for the development of these technologies and on the other promoting dialogue between all stakeholders. These prospective courses of action are presented in the conclusions.

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[86] World Bank (2017): The Growing Role of Minerals and Metals for a Low-Carbon Future; IRP (2017): Green Technology Choices: The Environmental and Resource Implications of Low-Carbon Technologies; Ali et al. (2017): Mineral supply for sustainable development requires resource governance, Nature.

[87] The terms *distributed ledger technology* (DLT) and blockchain technology are often used synonymously. In this report, DLT is used to describe technologies that allow information to be stored and synchronised in a decentralised ledger. Blockchain is one possible form in which data can be arranged in such a *distributed ledger*: data (e.g. transactions) are combined in a block and linked to the previous block. In this way, data can be stored and cannot be changed later.

[88] Oliver Wyman (2017), p. 6.

[89] For project examples, see Agefi (2018): Commodities: The Dawn of a New Era.

4 Conclusions and recommendations

Important progress has been made since the publication of the Background Report: Commodities in 2013. A number of challenges remain, however.

Analysis of the current situation in the Swiss commodities sector, the international and global challenges and Switzerland's role shows that a comprehensive and policy coherence view is essential, which incorporates various policy areas, such as economic promotion, corporate law, corporate taxation, development cooperation, corporate social responsibility, anti-corruption and environmental protection. In particular, functional relationships and value chains must also be taken into account, ranging from commodity-exporting countries and countries where raw materials are refined and industrially processed, to countries with strong consumer demand.

A fundamental requirement is that Switzerland campaigns at international level for a global level playing field both in the development and implementation of regulatory standards. The Federal Council expressed this view in the 2013 Background report on commodities and has reiterated it many times since in other dispatches and reports.[90] The Federal Council believes it is important to continue to champion a competitive and integrated commodities trading centre in line with the federal government's objectives.

The objective is to maintain Switzerland's prominent position as a competitive and socially and environmentally responsible trading centre and to sustainably secure the significant contributions in added value that the commodity companies make to Switzerland's overall economy. Switzerland should continue in its efforts to ensure that overall political, economic and legal conditions make it an attractive and reliable location for doing business in all sectors, including the commodities industry. At the same time, Switzerland works at multilateral level through its development cooperation activities to promote sustainable development in commodity-producing countries and good governance in raw material extraction and trade.

To realise such a comprehensive and coherent policy that safeguards Switzerland's interests and assumes its international responsibility, the Federal Council sees the following prospective courses of action:

- measures that bolster the competitiveness and innovative capacity of Switzerland as a business location;
- measures that strengthen integrity and sustainability through the promotion of global standards and the obligation to implement them;
- measures that reinforce the analytical framework, dialogue and coordination.

4.1 Bolster competitiveness and innovative capacity

The regulatory and political environment is crucial to the attractiveness of Switzerland as a business location. Switzerland faces stiff competition from commodities trading centres such as Singapore, London and Dubai. The analysis shows that Switzerland's competitive position is constantly changing and that its competitiveness must be actively promoted by strengthening the general business environment. It is also important that the special features

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90 For example in the NAP, the CSR action plan, the 2017 IFF report, the 2017 dispatch on the corporate social responsibility initiative and the 2016 dispatch on Switzerland's international cooperation.

of the Swiss commodities sector are taken into account when implementing financial market regulations (heterogeneity; significance of banks in financing commodities trading).

The analysis underscores the importance of innovation, research and training to ensure attractive framework conditions for companies in the longer term and to make Switzerland one of the world's leading and most innovative commodities trading centres. Switzerland should therefore support favourable conditions for the development of a digital ecosystem with DLT/blockchain applications that enhance competitiveness and international interconnectedness.

Another important aspect in bolstering the competitiveness and innovative capacity of Switzerland as a business location in the long term is the promotion of vocational training for young professionals and competence centres in commodities trading.

Recommendations:

1. The introduction of a tonnage tax system should be examined.
2. When evaluating the implementation of Basel III, Switzerland should also look at whether and how the special features of the Swiss commodities trade finance sector should be taken into account.
3. In the upcoming revision of the FMIA, which is to be reviewed from 2019 on, potential administrative simplifications for small non-financial counterparties should be examined, for example in the reporting duty.
4. Switzerland should create favourable conditions for the development of a digital ecosystem including DLT/blockchain applications which enhance its competitiveness and international interconnectedness as a business location.
5. Through involvement in steering groups such as those at the SRIC and ETH, Switzerland should support research activities in the field of commodities and multidisciplinary training courses that promote access to highly-qualified specialists in the longer term.

4.2 Strengthening integrity and sustainability

It is key that Switzerland continues to actively promote the integrity and corporate social responsibility of Swiss commodities trading companies. It should ensure a level playing field for the sector.

At international level Switzerland should continue its efforts to develop, promote and improve global standards and ensure implementation within multilateral, intergovernmental and multi-stakeholder processes. In particular, it should ensure that emerging nations and commodities trading countries comply with these standards so they remain credible reference values. Specifically, these include the multilateral instruments to combat corruption and illegal and illicit financial flows, as well as standards on CSR and human security.

Switzerland should continue its efforts to disseminate and effectively implement the CSR standards. The Federal Council expects companies operating in or from Switzerland to act with integrity and responsibility with regard to human rights and social and environmental standards in Switzerland and abroad along the entire value chain. An important element of this strategy is the guide on implementing the UN Guiding Principles with practical recommendations for monitoring the human rights obligations of commodities trading companies, as well as the National Action Plan on Business and Human Rights (NAP) and the

CSR Action Plan. Furthermore, Switzerland should utilise policy dialogue and the Universal Periodic Review (UPR)[91] to promote the UN Guiding Principles, the Voluntary Principles on Security and Human Rights and responsible governance of mining resources in its partner countries.

In view of the SDGs and Paris Agreement targets, Switzerland should also pursue its commitment to multilateral initiatives to improve environmental transparency in the commodities sector and to strengthen environmentally responsible corporate management. Strengthening the environmental governance of the sector should help reduce environmental risks (e.g. in connection with the growing demand for metals and minerals for the manufacture of batteries) and create favourable conditions for investment to alleviate environmental impacts.

Efforts to reduce the risk of money laundering in the sector should also be continued. The coordinating group on combating money laundering and the financing of terrorism (CGMF) also examines money laundering risks in the commodities sector as part of its mandate. In addition, the effectiveness of checks on money laundering risks carried out by financial intermediaries is being reviewed for commodities trading within the scope of the Seydoux Postulate (17.4204).

As part of its development cooperation activities, Switzerland also supports developing and transition countries in their efforts to improve framework conditions and capacities in governance. This is crucial to allow resource-rich developing countries to utilise their potential in a more sustainable way and to help ensure that the value created is distributed more fairly. Particularly in fragile contexts, this contributes to stability, security, peace and economic development. These efforts include strengthening the rule of law and democratic control mechanisms, encouraging transparency and accountability in revenues and expenditure in raw materials extraction and trading, mobilising these resources to benefit the population, and promoting sustainable value creation in the mining sector.

Recommendations:

6. In terms of corporate responsibility, Switzerland should campaign for increased application of due diligence, particularly within the scope of implementation of the OECD Guidelines for multinational enterprises, the *OECD Due Diligence Guidance for Responsible Business Conduct*, the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* and the UN Guiding Principles on Business and Human Rights.
7. Switzerland should pursue its efforts to develop, disseminate and effectively implement responsible governance of states and companies. It should continue its activities within the EITI, including the development of standards on transparency of payments to governments in commodities trading and the adoption of these standards by the OECD. It should pursue its commitment to the Voluntary Principles on Security and Human Rights, in particular by promoting the accession of private security service providers of commodities companies to the International Code of Conduct (ICoC).

[91] Mechanism of the Human Rights Council to improve the human rights situation in all United Nations Member States.

8. A multi-stakeholder group spearheaded by the Federal Administration should promote application of the guidance on implementation of the UN Guiding Principles in the Swiss commodities sector in line with the instruments of the OECD. Switzerland should also advocate the standards propagated in the guidelines at international level and in organisations such as the OECD.
9. To promote respect for human rights and sustainable production in the gold sector, Switzerland should espouse greater transparency and traceability of goods flows, as envisaged in the measures in response to the Recordon Postulate (15.3877).
10. In response to the Seydoux Postulate (17.4204), the effectiveness of existing checks by financial intermediaries and compliance with due diligence obligations by banks in commodities trading should be reviewed and appropriate proposals made where necessary.
11. Switzerland should pursue its efforts in development cooperation and cooperation with Eastern Europe with resource-producing countries, in particular by
    - implementing measures on commodity-related governance and on the creation of sustainable value chains in programmes with bilateral priority countries and in regional and global programmes, and
    - continuing and strengthening cooperation in the commodities sector between state development cooperation, the private sector and other, non-state actors on the ground and in Switzerland.
12. In order to reduce the environmental impacts of raw materials extraction and trading activities and to enhance environmental transparency and environmentally responsible corporate governance, Switzerland should:
    - pursue its commitment to the development of international environmental guidelines for the extractive industry through participation in the United Nations Environment Programme (UNEP) and based on the work of the IRP, OECD, EU and UNECE, and
    - work to reinforce the environmental aspect of existing international initiatives and standards via the work of the OECD, the *Group of Friends of Paragraph 47* and the UNECE.

4.3 Reinforce the analytical framework, dialogue and coordination

On account of the relevance of the local commodities sector, it should also be ensured in the longer term that sufficient statistical information is available. Up to now this has been insufficient to obtain a clear picture of the industry, and the associated value creation and jobs. To improve the analytical framework, work should be undertaken to publish official data or estimates on the development of the sector. In this respect, it should be noted that this probably means moving away from internationally agreed nomenclature, which impedes comparison at international level. In addition, Switzerland should assume its responsibility as an important actor in international commodities trading by helping to ensure improved basic information and more in-depth analyses at global level, and contribute to a better understanding of the global challenges and potential solutions.

To identify and discuss opportunities, challenges and innovative solutions or potential reputational risks for Switzerland at an early stage, dialogue with the cantons, industry and NGOs should be intensified. Swiss embassies in resource-rich countries and in rival trading hubs should also be more heavily involved in the federal government's raw materials policy.

The interdepartmental platform on commodities should continue to ensure the flow of information on the Swiss commodities sector, centralise and harmonise external contacts and coordinate the measures of the Federal Administration in the interests of a coherent Swiss raw materials policy.

Recommendations:

13. Official estimates should be published on a regular basis on the size of the commodities sector and its contribution to the economy. A distinction should be drawn here between the commodities trading sector in the strict sense and the associated clusters. An administration working group should be deployed to draw up the conceptual bases for these statistics by the end of 2019. Defining the sector in the strict sense should be the priority.
14. Switzerland should continue to participate actively in in-depth research to strengthen the factual foundations and analytical framework of the commodities sector as a whole in order to promote dialogue with all stakeholders and reinforce good governance in the sector.
15. The dialogue with the cantons, industry, NGOs and the science community should be intensified to discuss opportunities, challenges and innovative solution approaches. The embassies in resource-rich countries or trading centres are to be regularly informed about the relevant developments. Conversely, they provide head offices with information on local developments as part of their reports and serve as points of contact for Swiss companies. The developments in the political and media public debate in Switzerland and abroad should continue to be monitored in order to identify potential reputational risks for Switzerland early on.
16. The interdepartmental platform on commodities should continue to ensure the flow of information within the Federal Administration, promote synergies between the various sectoral policies, and identify national and international developments at an early stage. Two years from now it should draft a public report on implementation of the individual recommendations and an assessment of the current situation.

5 Annexes

5.1 Progress in implementation of recommendations from 2013

Recommendation	Wording	Implementation status
Attractiveness as a business location		
1	a) Switzerland should continue in its efforts to ensure that overall political, economic and legal conditions make it an attractive and reliable location for doing business in all sectors, including the commodities industry. The objective is to maintain Switzerland's prominent position as a competitive, transparent, and socially responsible trading centre and to sustainably secure the significant contributions in added value that the commodity companies make to Switzerland's overall economy b) In the dialogue with the EU on corporate taxation, a solution should be found that preserves Switzerland's tax competitiveness as a business location, maintains budgetary balance in the cantons and the Confederation, and, at the same time, increases international acceptance.	a) Recommendation of a permanent nature. Content included in new recommendations. b) TP17 should make a significant contribution to the attractiveness of Switzerland as a business location and replace existing tax regimes that are no longer consistent with international standards.
2	Switzerland should, as a matter of principle, implement existing multilateral standards for the commodities industry. When introducing its own regulatory provisions, care should be taken to ensure that the measures have been agreed upon multilaterally so that they do not negatively influence overall conditions for companies based in Switzerland compared with those in competing business locations. At the international level, Switzerland should work actively both in the drafting and in the implementation of regulatory standards to make sure that they create the conditions for a level playing field worldwide.	Recommendation of a permanent nature. Content included in new recommendations.

Transparency		
3	With regard to the IOSCO Principles for the Regulation and Supervision of Commodity Derivatives Markets, the FDF, working together with FINMA, should conduct an analysis as to whether any action is required. Their findings should be taken into account where possible in the revision of the regime governing off-exchange traded derivatives (OTC derivatives) currently being undertaken. In implementing the reforms of the OTC derivative markets, care should be taken to ensure where possible that hedging transactions by commodity traders are not rendered more difficult and that Swiss commodity companies are not prejudiced in their economic interests to any greater extent than their counterparts in the EU or the USA.	Recommendation on FMIA implemented.
4	The regime for combating illegal financial flows should be reviewed on a regular basis and, where necessary on the basis of new risks that may arise as a result of unlawfully acquired funds from commodities trading, be adapted accordingly. As part of the ongoing revision of implementation of the revised FATF recommendations, measures are proposed to further strengthen the regime in place for combating money laundering so that money-laundering abuses within the commodities industry can also be prevented.	The regime has been regularly reviewed (e.g. national report on the risks of money laundering and terrorist financing, report on illicit financial flows from developing countries, FATF country report and follow-up); content included in new recommendations.
5	Switzerland should actively support the discussion in the OECD on possible ways of curbing tax avoidance and review implementation of the results in Switzerland. In that context, it is also important that fundamental legal principles be respected and that a level playing field in competition in the domains of taxation and subsidies be assured.	Political obligation and implementation of the BEPS standards. Content included in new recommendations.
6	The G20 initiatives to increase transparency with regard to prices and quantities in the physical commodities markets should be supported in multilateral forums.	Given the drop in commodities prices up to 2015, interest in the issue of commodities within the G20 has generally waned.

7	Switzerland should strengthen its commitment to the Extractive Industries Transparency Initiative (EITI), and actively work to enhance the influence of the EITI. In particular, Switzerland should express its support, in principle, for the proposals for reforming the EITI that are currently being discussed. These relate, among other things, to reporting requirements on financial flows on a project-specific basis and on sales by national oil companies to commodities trading companies (including those domiciled in Switzerland). At the same time, the proposals aim, while taking into account the potential sensitivity of certain business information, to promote the transparency of government contacts through the disclosure of extraction agreements between governments and commodity companies.	The foundations have been laid. Continue to implement the recommendation.
8	The consequences of a potential introduction of transparency requirements – similar to those in the USA and the EU – for the Swiss commodity sector should be examined – and the drafting of a consultation draft should be considered. Moreover, Switzerland should advocate internationally a global standard that foresees transparency requirements that are clearly understandable and as similar as possible for all companies active in the extraction of resources.	Active support of the EITI, the bill submitted to the Swiss parliament in December 2015 on the revision of company law.
Corporate responsibility and government responsibility		
9	a) Switzerland should continue to actively promote international initiatives for increasing the transparency of product flows – such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas – and should implement the standards adopted. In addition, Switzerland should launch this year, as planned, the “Better Gold Initiative” for the creation of a value chain for the fair and sustainable extraction and trading of gold. b) Switzerland’s foreign gold trade statistics should be broken down on a country-by-country basis in order to increase transparency in this domain. Concrete proposals for the publication of statistics should be worked out by the working group appointed by the FDF.	Recommendation implemented. Continue to implement OECD Guidance. Continue to support Better Gold Initiative.

10	Switzerland should continue in its commitment to promote corporate social responsibility and intensify the multi-stakeholder dialogue being conducted by the FDFA and the EAER on the UN Guiding Principles on Business and Human Rights. In line with Postulate 12.3503, "A Ruggie Strategy for Switzerland", a review of the existing regime should be conducted, the gaps identified, and measures needed for implementation of the UN Guiding Principles defined. Swiss companies should, in keeping with the principles of corporate social responsibility, exercise due diligence with regard to human rights and the environment – particularly when operating in fragile states – and institute measures to minimise risks, contributing thus to the positive image of the companies themselves and of Switzerland as a business location. Switzerland should advocate corporate responsibility within both resource extraction and commodities trading.	The foundations have been laid. The Federal Administration commissioned the study "UN Guiding Principles on Business and Human Rights – Status of implementation by the federal government and Swiss companies". The report on the findings will be submitted to the Federal Council in late 2018.
11	A working group, in cooperation with representatives of the stakeholders involved (specifically the cantons, as well as companies and NGOs) should prepare proposals for corporate social responsibility standards (including implementation mechanisms) for the commodity trading industry. Based on those proposals, consideration should be given to the submission of initiatives and international guidelines – designed, specifically, also to deal with ecological effects – before the appropriate international bodies.	Guidelines on implementation of the UN Guiding Principles drawn up by a multipartite working group. The promotion of their application in the raw materials sector in Switzerland and internationally is the subject of a new recommendation.
12	Based on the results of the comparative study of other legal regimes, a review should be conducted to determine whether the international legal environment is such that there is a need for Switzerland to take legislative action.	Recommendation of a permanent nature. Content included in new recommendations.

Development policy		
13	Switzerland should continue in its existing bilateral and global commitment to development cooperation and cooperation with Eastern Europe for the promotion of good governance and should intensify its efforts in specific areas, such as those of democratic monitoring mechanisms, government capacity building, and efficient management of resource extraction revenues. This will fundamentally strengthen the abilities of resource-producing countries to reduce such risks as money laundering, corruption, the flight of capital, and tax avoidance.	Recommendation of a permanent nature, implemented through various projects and activities. Content included in new recommendations.
Double taxation agreement and transfer prices		
14	In keeping with the current policy of the Federal Council, the conclusion of TIEAs with developing countries should be taken into consideration, whereby, however, in the presence of economic interests, and for the prevention of double taxation, the conclusion of DTAs is to be given preference. DTAs and TIEAs are fully effective only where the partner country possesses the requisite government capacities.	Recommendation partially implemented. Implementation needs to be continued.
Reputational risks		
15	Developments both in the political debate and in the public debate in the media, in Switzerland and abroad, should continue to be monitored so that potential risks to Switzerland’s reputation or to its attractiveness as a business location can be recognised early. Specifically, Swiss representations abroad should devote greater attention to the issue in their reports and contribute to the gathering of more detailed information. In addition, measures should be taken to strengthen efforts to inform the public on Switzerland’s commitment to preserving the integrity and the competitiveness of the country's commodities industry.	Recommendation of a permanent nature. Content included in new recommendations.

Dialogue with actors outside the Federal Administration and the interdepartmental platform		
16	Contacts between the Departments, in their respective domains of responsibility, with the cantons as well as the industry (companies and industry associations) and NGOs, should continue, and be intensified, with the objective of identifying opportunities and risks and discussing common approaches to addressing these issues.	Recommendation of a permanent nature. Content included in new recommendations.
17	The interdepartmental platform on commodities should continue to exist in order to assure the proper flow of and concentration of information within the Federal Administration, to monitor and provide early recognition of international and national developments, and to coordinate dialogue with the cantons, the industry, and NGOs. It takes care of reporting.	Recommendation of a permanent nature. Content included in new recommendations.

5.2 Parliamentary procedural requests

No.	Title	Type	Party	FC opinion	Status	Date of submission
15.3390	Switzerland as a hub for the trade of commodities listed in Renminbi	Motion	FDP	Rejected	Closed	04.05.2015
15.3684	Transparency in commodities trading. Next steps	Interpellation	BDP		Closed	18.06.2015
15.3858	Commodities trading companies based in Switzerland and financing of criminal and terrorist organisations. What action is the Federal Council taking?	Interpellation	SP		Closed	16.09.2015
15.3877	Gold trade and human rights abuses	Postulate	Green party	Accepted	Accepted	21.09.2015
15.5464	Dirty Gold from Burkina Faso in Switzerland?	Question	SP		Closed	15.09.2015
16.3794	Clarify and reduce the environmental impact of Switzerland's commodities sector	Postulate	SF/SP	Rejected	Closed	29.09.2016
17.1080	Paradise Papers. Switzerland must take the necessary action	Urgent question	Green party		Closed	30.11.2017
17.3249	Corporate social responsibility. How do we prevent the best being the enemy of the good?	Interpellation	CVP		Pending	17.03.2017
17.3352	Is Switzerland still a hub for mercury trade?	Interpellation	Green party		Closed	29.09.2017
17.3398	Combating child labour. The role of Swiss companies	Interpellation	SP		Pending	07.06.2017
17.3584	Corporate social responsibility initiative. Creating additional space for reflection	Interpellation	CVP		Pending	16.06.2017
17.3803	Gold trade and processing in view of the Minamata Convention on Mercury. Does Switzerland intend to resolve its conflicts of interests?	Interpellation	Green party		Pending	28.09.2017
17.3821	The right to self-determination in raw material extraction in Colombia and Switzerland's role in the Colombian peace process	Interpellation	SP		Closed	28.09.2017
17.3822	Does the Better Gold Initiative work as a pioneer in ensuring transparency and responsibility?	Interpellation	SP		Pending	28.09.2017
17.3995	Paradise Papers. National action plan to counter illicit financial flows	Postulate	SP	Rejected	Pending	30.11.2017

17.4103	Supporting responsible companies	Interpellation	BDP		Closed	13.12.2017
17.4153	Placing on the market of raw materials extracted contrary to international law. What the federal government can do	Postulate	SF/SP	Rejected	Closed	14.12.2017
17.4161	Trade in precious stones and gemstones and Switzerland	Postulate	SP	Rejected	Closed	14.12.2017
17.4204	Is banking supervision sufficient to contain the risks of money laundering in the commodities sector?	Postulate	CVP	Rejected	Accepted (07/03/2018)	14.12.2017
17.4244	Proprietary trading of commodities companies that are subject to the Anti-Money Laundering Act	Motion	SF/SP	Rejected	Pending	15.12.2017
17.5358	Business dealings of the company Gunvor in Congo	Question	SP		Closed	13.09.2017
17.5359	Gold from Eritrean mines in Switzerland	Question	SP		Closed	13.09.2017
18.303	Exclusion of palm oil and its by-products from the free trade negotiations with Malaysia and Indonesia	Cantonal initiative	Geneva		Preliminary examination	27.02.2018
18.3365	Guidelines to prevent crises, handle conflicts and promote peace	Postulate	SP		Pending	16.03.2018
18.5491	Human rights risks in the gold sector. Did the report end up in a drawer somewhere?	Question	Green party		Closed	12.09.2018
18.5492	Better Gold Initiative. Is implementation sufficient to counter human rights risks?	Question	Green party		Closed	12.09.2018

5.3 Media analysis

2017 Reporting year
The topics of commodities trading and gold trading in leading international and national media

1. Introduction

This media analysis examines reporting on the topics of "commodities trading" and "gold trading" in leading foreign and Swiss media. The analysis looks at general reporting on the two topics as well as specific reporting in relation to Switzerland. It has been compiled by Presence Switzerland on behalf of the Human Security Division since 2013 and is updated annually.

2. Commodities trading

2.1 Reporting on "commodities trading" in leading international media

The growing importance of commodities trading is reflected in a long-term increase in **general international media coverage** on the topic. Both actors and hubs in international commodities trading face increased media attention (cf. Fig.1 blue columns). However, the intensity of media coverage on commodities trading is heavily dictated by events. The highest level reached to date was in **2011/12,** when the flotation of Glencore and the merger with Xstrata made many headlines. By comparison, a decline has been observed since **2013**, although media interest has remained fairly high in recent years. In **2014** the main topics were the gradual withdrawal of Western banks from commodities trading, the ongoing decline in oil prices and the impact of sanctions against Russia on commodities trading. In **2015**, coverage focused on falling commodities prices and the resulting difficulties for commodities companies. **Since 2016** there has been a decline in the volume of reporting, which continued in **2017**. In these years, too, reports focused on the economic development of commodities trading companies and commodities markets.

Seen from a longer-term perspective, there is a trend towards increased **media coverage on "commodities trading" relating to Switzerland** (cf. Fig. 1, red columns). This rise is primarily linked to an increase in news stories on international commodities groups based in Switzerland (e.g. flotation of Xstrata in 2002, foundation of Mercuria in 2004, acquisitions by Glencore, fines against various companies, flotation of Glencore in 2011 and the merger of Glencore and Xstrata in 2012). In this context, there were regular reports on the rise of Switzerland as a commodity trading hub from 2008 onwards. Since the peak in 2011, however, the volume of coverage has been steadily decreasing. In **2013** coverage was also dominated by business news on Swiss commodities companies and reports on the death of Marc Rich. And in **2014**, most of the coverage in international media focused on the business performance of commodities companies based in Switzerland. There was occasional criticism of a lack of transparency in the Swiss commodities trading centre, particularly in relation to the publication of a report by the US think tank the Center for Global Development[92].

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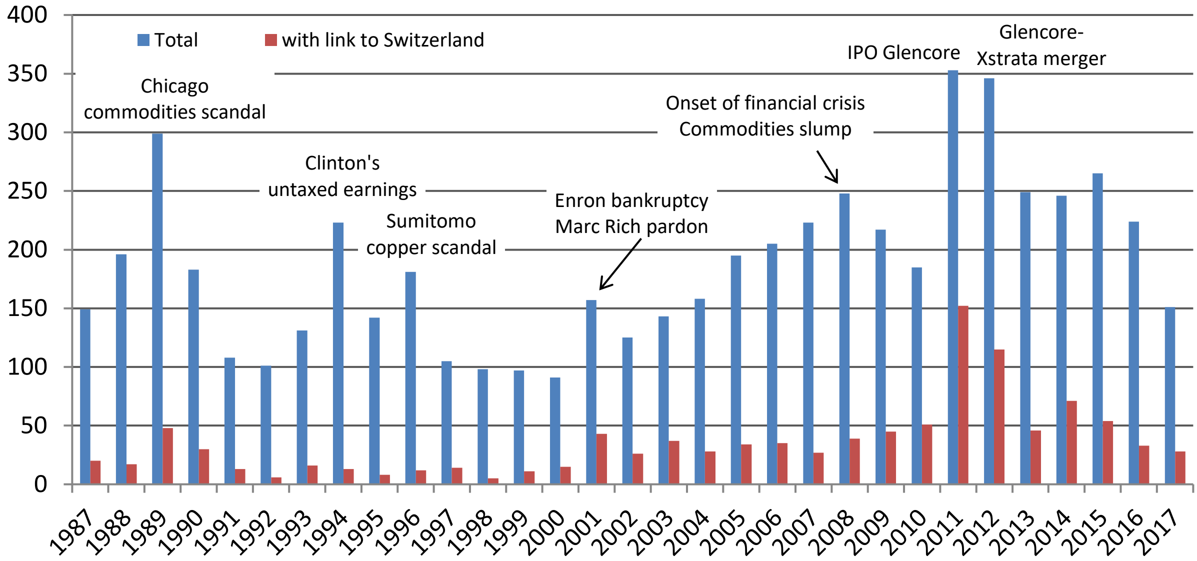
[92] UK daily *The Independent* proved particularly critical, publishing several articles by Jim Armitage on Switzerland's role in commodities trading in 2014.

Since **2015** there has been a further decline in the volume of reporting on commodities trading in relation to Switzerland. In 2015 the focus was on the business performance and economic difficulties of Swiss commodities trading firms, above all Glencore. In **2016** the leading international media included in the study mainly reported on the investments and business deals of Swiss commodities trading companies. Glencore also regularly featured in these reports. In September 2016, various foreign media reported on the allegations of Swiss NGO Public Eye claiming that various organisations including Swiss commodities trading companies had been exploiting lax regulatory standards in Africa to sell highly sulphurous fuels that are no longer permitted in Europe to West African states ("Dirty Diesel"). In **2017** Glencore was again the focus of foreign media, this time primarily in connection with the revelations from the Paradise Papers. The suspected involvement of Glencore in major corruption cases related to mines in the Democratic Republic of the Congo, which was uncovered in the Paradise Papers, made headlines in November.

*Fig. 1: Coverage **in leading international media on "commodities trading"** overall (blue) and with a link to Switzerland (red) over time; number of media reports per year (1987-2017), black line = trend*[93]



Content-wise, international reporting on commodities trading was dominated by **fact-based, broadly neutral economic reports** on the development of the commodities markets and the performance of individual companies in those markets. Other topics remained in the background, however. Media reports dedicated to **court cases, human rights and environmental issues** were proportionately much smaller, representing between just 1% and 18.5% of annual coverage (cf. Fig.2 purple columns).

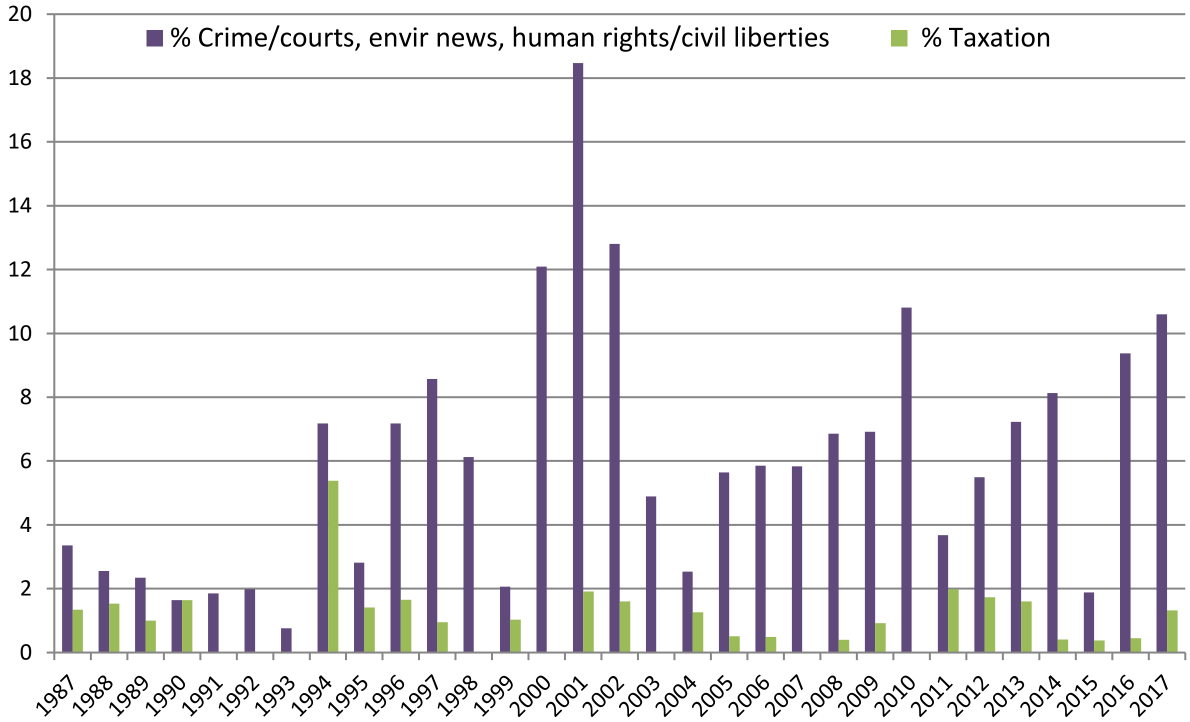
Following a cluster of reports on these issues between 2000 and 2002 (in the context of the pardon of M. Rich) and in 2010 (conviction of Trafigura due to illegal disposal of toxic waste), proportionally fewer column inches were dedicated to these topics between 2011 and 2013. The slight increase observed in **2014** was based on several separate court cases involving persons from the commodities trading sector that were uncovered that year. One example is

93 All articles containing the **keywords "commodities trading" in selected leading international media** in the US, UK, Germany, Austria, France and Italy were taken into account: (N=22; The Washington Post, The Wall Street Journal, The New York Times, Los Angeles Times, Chicago Tribune, USA Today, The Times, The Economist, The Independent, The Guardian, Frankfurter Allgemeine Zeitung, Der Spiegel, Süddeutsche Zeitung, Focus, Der Standard, Die Presse, Le Monde, Le Figaro, Les Echos, Il Corriere della Sera, La Stampa, Il Sole 24 Ore,). Sources: Dow Jones-Factiva.

the investigation launched by the US Department of Justice of G. Timochenko, a confidant of Vladimir Putin and co-owner of the commodities trading firm Gunvor, for suspected money laundering. In **2015** there were barely any reports on court cases, human rights and environmental protection issues in connection with commodities trading in leading international media. In **2016** the proportion of such reports was again significantly higher. The main reason was the arrest of Turkish-Iranian businessman Reza Zarrab for gold smuggling and money laundering in his role as an oil and gas trader. In **2017** the intensity of reporting on court cases, human rights and environmental protection issues increased once again. The heightened media interest is due to repeated calls for environmental and social standards in raw materials extraction and a number of unrelated court cases involving commodities traders.

Reporting on **tax issues** is marginal and has remained at a low level over time (cf. Fig. 2, green columns). Between 2011 and 2013 tax issues featured again more heavily, mainly in connection with obituaries for Marc Rich in 2013. Since then, media interest in tax evasion in the context of commodities trading has returned to a low level.

*Fig. 2: Percentage of articles on selected topics in coverage in **leading international media on "commodities trading"** over time (1987-2017)*

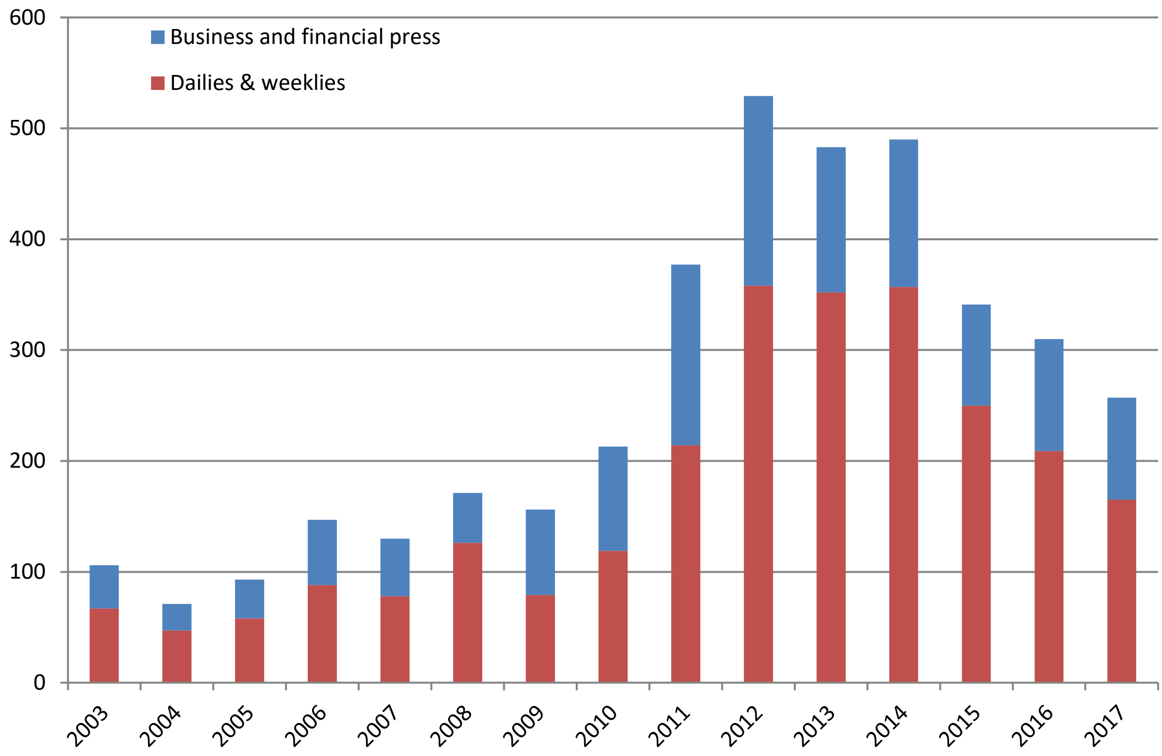


2.2 Reporting on "commodities trading" in Swiss media

Unlike in foreign media, Swiss media interest in commodities trading increased strongly from 2010 (cf. Fig. 3). The intensity of media coverage on the topic reached a temporary peak in **2012,** and remained high in **2013** and **2014**. There has been a marked decrease in the volume of coverage compared to previous years **since 2015**.

A comparison of media types shows that the interim rise between 2010 and 2014 can be mainly attributed to an increase in reporting in dailies and weeklies. Meanwhile, the share of business and financial press only saw a moderate increase. The topic of commodities trading thus appeared to be of increasing interest to a broader media audience in Switzerland. This widespread interest has declined again in recent years.

*Fig. 3: Reporting on **"commodities trading" in Swiss media** by media type over time, number of media reports per year (2003-2017)*[94]



In **2016** coverage focused in particular on the allegations of Swiss NGO Public Eye claiming that Swiss commodities trading companies were selling fuels containing high levels of sulphur that are no longer permitted in Europe to African states ("Dirty Diesel"). The revelations from the Paradise Papers around the suspected involvement of Glencore in major corruption cases related to mines in the Democratic Republic of the Congo dominated Swiss media coverage much more heavily than foreign media coverage in **2017.** Other opaque Glencore business dealings, such as oil production in Chad, which according to aid organisation Swissaid is partly responsible for the desolate state of the country and is facilitating corruption, received media attention.

By far the most frequent topic of coverage both in Switzerland and abroad is the development of the commodities market and the business performance of Swiss-based commodities companies. Reports linked to **court cases, human rights and environmental protection issues** only make up a small proportion, ranging from 2% to 12% of annual media coverage (cf. Fig. 4, purple columns).

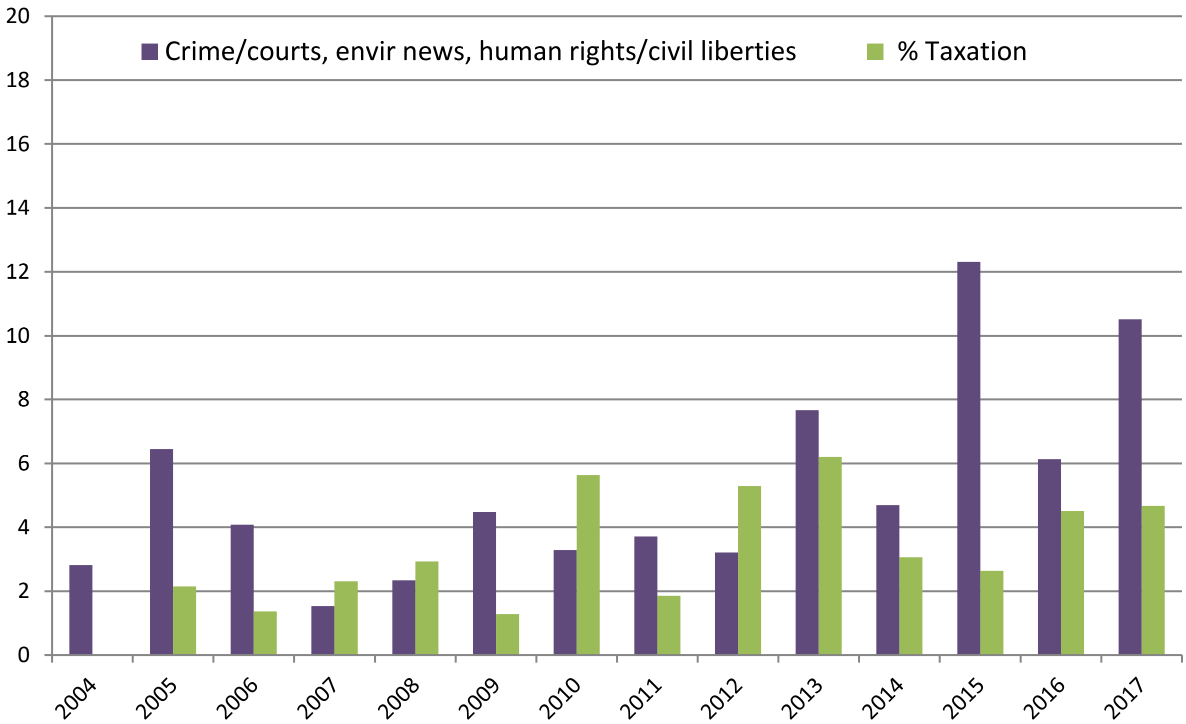
In **2015** there was a sharp rise in the relative share of articles on controversial aspects of commodities trading, to 12%. The reason for the higher proportion of articles on controversial topics is the report of the interdepartmental coordinating group on combating money laundering and the financing of terrorism (CGMF), commissioned by the Federal Council and published in 2015, which warned that Switzerland runs the risk of being used as a platform for

94 All articles containing the **keywords "commodities trading" in selected Swiss print media** were taken into account (N=18; Aargauer Zeitung (since 2010), Basler Zeitung, Berner Zeitung, Blick, Bündner Tagblatt, Finanz und Wirtschaft, HandelsZeitung, Neue Zürcher Zeitung, Oltner Tagblatt (until 2010), Solothurner Zeitung (until 2009), St. Galler Tagblatt, Swiss News (until 2013), The Local (since 2014) Tages Anzeiger, L'Hébdo, Le Temps, SonntagsBlick, Sonntagszeitung, Schweizer Bank/La Banque Suisse, L'Agéfi Suisse). Sources: Dow Jones-Factiva

money laundering by actors in the commodities trading sector. Following the all-time high reached in 2015, the relative share of reports on court cases, human rights and environmental protection issues returned to the level of previous years in **2016**. In **2017** coverage on the controversial aspects of commodities trading increased again. This can be attributed to calls by policymakers for greater transparency in commodities trading following the revelations regarding Glencore's business practices in the Democratic Republic of the Congo uncovered in the Paradise Papers.

Reporting on **tax issues** also temporarily increased in Switzerland (cf. Fig. 4, green columns): In **2013** and **2014** coverage focused on the handling of millions in taxes paid by Glencore Xstrata CEO Ivan Glasenberg in a number of Zurich communes, and the potential consequences of debated proposals to resolve the tax dispute with the EU for commodities trading companies. In **2015** and **2016** coverage on tax issues shifted its focus to the potential consequences of corporate tax reform III (referendum in February 2017) for Switzerland as a commodities trading hub. The debate during the referendum held in February **2017** on corporate tax reform III continued to influence reporting on commodities trading in Swiss media for the rest of that year.

Fig. 4: Percentage of articles on selected topics in coverage in ***Swiss media on "commodities trading"*** *over time (2003-2017)*



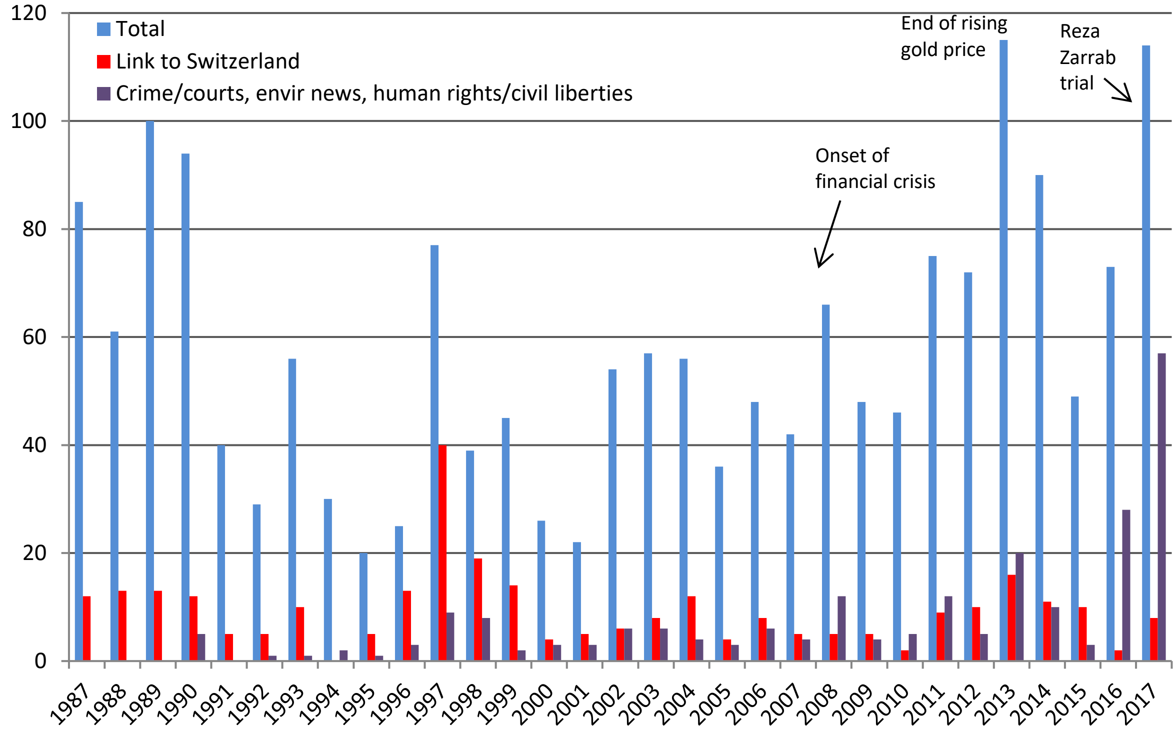
3. Gold trading

3.1 Reporting on "gold trading" in leading international media

The frequency of **general international coverage on gold trading** is heavily dictated by events and depends in particular on movements in gold prices, with an increase in reporting when there are sharp fluctuations and trend reversals. Media interest peaked in the late 1980s, mid-1990s and in recent years (cf. Fig.5, blue columns). The spate of reports in **2013** is also mainly due to developments in the gold market: in 2011 gold prices reached a historic high before becoming very volatile and continually falling, and experiencing a sharp drop in 2013. In **2017** there was another spate of reports. This time, the reason was the trial of Turkish-

Iranian businessman Reza Zarrab, which took place that year. Owing to the political dimension of the criminal case, in which Turkish politicians and banks were thought to have been involved in dubious business dealings to circumvent the US sanctions against Iran, the case attracted a high level of international attention.

*Fig. 5: Reporting in **leading international media on "gold trading"** overall (blue) and with a link to Switzerland (red) and number of articles relating to court cases, the environment and human rights (purple) over time (number of media reports per year (1987-2017)*[95]



There were only a small number of articles on **court cases, environmental protection matters and human rights issues** in international media up until **2015** (Fig. 5. purple columns). These most frequently concerned sanctions on Iran's gold trade (2014). Individual articles mentioned environmental damage that can be caused by gold mining. Since **2016** the share of coverage on court cases has increased significantly, and was particularly high in **2017**. This rise was also due to reporting on the uncovered illegal activities of Turkish-Iranian businessman Reza Zarrab and the associated trial in November 2017. As this international criminal case concerned both oil and gas trading and gold smuggling, it found its way into reporting on both commodities trading and gold trading.

Articles **relating to Switzerland** were reported most frequently in 1997 and subsequent years. At the time, the handling of Nazi gold from the National Socialist era was the subject of widespread international debate and the associated media attention was focused on Switzerland. International media interest subsequently saw a significant decline, before picking up again slightly in the early 2010s (cf. Fig. 5 red columns). This rise can also be attributed to the increase in coverage on gold price developments. Isolated reports mention the growing

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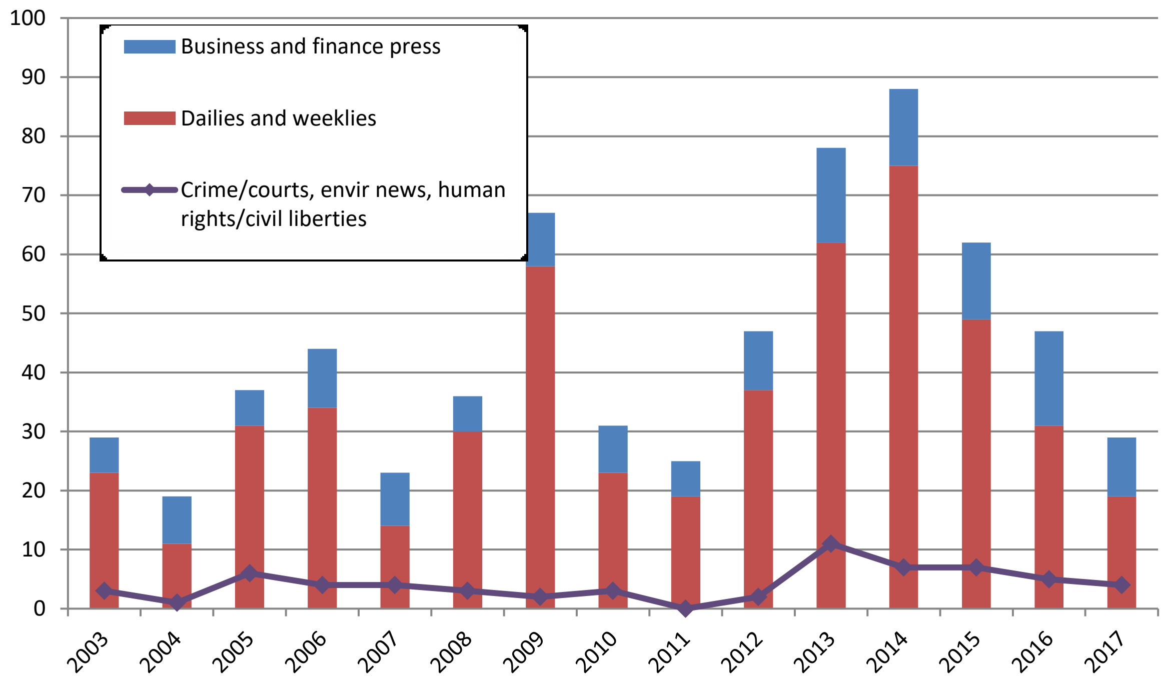
95 All articles containing the keywords "gold trading" and "gold refinery" in selected leading international print media in the US, UK, Germany, Austria, France and Italy were taken into account: (N=22; The Washington Post, The Wall Street Journal, The New York Times, Los Angeles Times, Chicago Tribune, USA Today, The Times, The Economist, The Independent, The Guardian, Frankfurter Allgemeine Zeitung, Der Spiegel, Süddeutsche Zeitung, Focus, Der Standard, Die Presse, Le Monde, Le Figaro, Les Echos, Il Corriere della Sera, La Stampa, Il Sole 24 Ore,). Sources: Dow Jones, Factiva.com.

significance of Switzerland as a gold trading hub and the involvement of Swiss-based companies in dubious business practices. However it would be wrong to say that these topics currently have a strong presence in leading international media. Interest in these topics is greatest in German-speaking media. In **2015**, reports in international media relating to Switzerland primarily concerned the investigation launched by the Swiss Competition Commission into a number of major banks suspected of manipulating the price of gold and other precious metals. In **2016** the share of coverage on Switzerland was at one of the lowest levels of the past 30 years. In **2017**, too, the proportion of articles with a link to Switzerland was comparatively low. In the reports concerned, Switzerland was mentioned in various contexts but was not the focus.

3.2 Reporting on "gold trading" in Swiss media

In **Swiss media** an increase in media coverage on gold trading was observed in **2012-2014** (Fig.6, blue-red columns). This rise is mainly down to an increase in coverage in dailies and weeklies, while the topic only received a small amount of extra attention in the business press. Like commodities trading, gold trading appears to be of increasing interest to the general public in Switzerland. **Since 2015,** however, there has again been a more noticeable decline in interest in the topic of gold trading in the Swiss media.

*Fig. 6: Reporting in the **Swiss media**[96] on **"gold trading"** by media type and relating to selected topics over time; number of media reports per year (2003-2016)*



In the Swiss media, too, reports mainly concern the development of the gold market. As this has been very volatile in recent years, reporting has also been somewhat more extensive. Another reason for the increase in media interest in **2013** was the debate around the lack of

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[96] All articles containing the **keywords "gold trading" and "gold refinery" in selected Swiss print media** were taken into account (N=18; Aargauer Zeitung (since 2010), Basler Zeitung, Berner Zeitung, Blick, Bündner Tagblatt, Finanz und Wirtschaft, HandelsZeitung, Neue Zürcher Zeitung, Oltner Tagblatt (until 2010), Solothurner Zeitung (until 2009), St. Galler Tagblatt, Swiss News (until 2013), The Local (since 2014) Tages Anzeiger, L'Hébdo, Le Temps, SonntagsBlick, Sonntagszeitung, Schweizer Bank/La Banque Suisse, L'Agéfi Suisse). Sources: Dow Jones-Factiva

transparency in Swiss gold import statistics and the subsequent Federal Council decree to make these statistics more meaningful by breaking them down by country of origin. In this connection, issues relating to environmental pollution, human rights abuses and difficult working conditions were also discussed. Furthermore, following the death of Nelson Mandela, Swiss gold transactions with the South African Apartheid regime were revisited. Finally, a number of reports addressed the importance of Switzerland as a gold trading hub and the position of Swiss gold refineries as a global market leader. Some articles also picked up on the Swiss Better Gold Initiative, coordinated by the State Secretariat for Economic Affairs (SECO), which aims to make gold trading more socially and environmentally sustainable. In **2014** an additional topic was the referendum on the Gold Initiative and its potential consequences for gold trading. In **2015**, Swiss media reported on the investigation launched by the Swiss Competition Commission into a number of major banks suspected of manipulating the price of gold and other precious metals. In **2016**, the Swiss media shifted its focus back to the development of the gold market. Switzerland's growing importance as a gold trading hub with reference to the major gold refineries in Switzerland was also frequently discussed. In **2017**, the Swiss media focused on the Corporate Social Responsibility Initiative currently pending before the Swiss parliament, as well as other potential measures for transparent and responsible gold trading.

4. Summary

From a long-term perspective, **international reporting** on Swiss commodities trading has tended to increase, which is linked in particular to the media exposure of a number of international commodities companies based in Switzerland. Since the peak in 2011, the volume of reporting has decreased, however. The majority of the coverage is predominantly fact-based, neutral business reporting; human rights, environmental issues and court cases are occasionally addressed. Their share of international coverage is heavily dictated by events, but is minimal on the whole.

A significant increase in reporting on commodities trading has been observed in **Swiss media** since 2011. The intensity of media coverage on the topic reached a temporary peak in **2014,** but the volume of reporting has decreased significantly compared with previous years **since 2015**. Although neutral business coverage continues to dominate in Switzerland as well, issues related to human rights, the environment and various tax issues also attract interest.

In terms of reporting on Switzerland as a gold trading hub, there has since been a slight increase in interest from leading international media. However, this can be attributed to the increased reporting on gold trading in general, which in turn is primarily linked to the development of the gold market. Isolated reports point to the growing significance of Switzerland as a gold trading hub and to the involvement of Swiss-based companies in illegal business practices. However it would be wrong to say that these topics have a strong presence in leading international media.

In Swiss media, too, there was an increase in media coverage on gold trading in **2012-2014.** This rise can mainly be attributed to an increase in reporting in dailies and weeklies since – like commodities trading – gold trading in Switzerland appears to be of increasing interest to the wider public. **Since 2015,** however, there has again been a more noticeable decline in interest in the topic of gold trading in the Swiss media.