

The Swiss Commodity Industry

I was recently invited as a Media Partner to the inaugural FT Global Commodities Summit in Lausanne and discovered a more vibrant - and open - Swiss commodity business sector than I'd encountered previously. But whether this dominant position in the physically traded natural resource world will continue will largely depend on the extent, and reach, of international regulation and the attitudes and engagement of this traditionally secretive environment.

By Guy Isherwood

THINK SWITZERLAND AND many are quickly transported to a land of yodeling, cuckoo clocks, Julie Andrews and ... ah, yes, however, today's Swiss Customs are often the sound of an altogether different kind. Computers, servers and smartphones are humming with the most trade, finance deal, insurance document, inspection guarantee - and everything in between - in what has become the world's leading hub for commodity business.

The Swiss-based commodity industry handles around a quarter of the world's commodity flows.

Global Commodity Hubs



Geneva has attracted a steady stream of traders of physical commodities since the middle of the 20th century. Today all the major trading houses have offices in Geneva and surrounding Canton. They count for around 400 companies with activities directly related to trading and shipping.

8,000 Employees
No. 1 in Inspection & Certification
22% of Global Movement of Commodities
No. 1 in Commodity Trade Finance

Source: Swiss Confederation, University of Geneva

after experiencing exceptional growth in recent years. The University of Geneva put the number at 22%. However, no one seemed particularly difficult to make in this market! Switzerland is now a powerhouse in the commodity trading and finance world.

A recently published book reviewing the sector, *Commodity: Switzerland's Most Dangerous Business*, now in English and written by NGO the Baruch Foundation (BF), which takes a critical view of the industry) has again highlighted the importance of the landlocked, resource dependent nation and its influence on commodity markets and trade flows.

"All the world's largest trading houses operate partly or mostly out of this seemingly peaceful and innocent country," it says. These include major operators (Glencore, Gunvor, Bunge, Trailliana, Vitol, Louis Dreyfus and others), as the rise of commodity trading and management centres in Geneva, Zug

Switzerland has played an important role in European trade since the Middle Ages

etc. have expanded further over the last decade. Even those companies without a presence in Switzerland regularly find themselves on a flight to meet their clients in the commodity business world. Little surprise then that when deciding on a venue for their inaugural (and impressive) Global Commodities Summit earlier this year, the financial Times chose Lausanne. (The conference is being repeated at the same venue in April 2013.)

Why Switzerland?
The same now occupied by today's Switzerland has played an important role in European trade since the Middle Ages. Last century saw the development of the traditional trading houses in agricultural and oil products. During the latter part of the 1900s 'harder' commodities - metals and minerals - were added. Finally, in the aftermath of the oil crisis in the 1970s, the first oilmen settled in Switzerland.

commodity. Switzerland provides a comprehensive (and fully based) view of these developments in an historical context, including the arrival of heavyweights Cargill and Philip Morris in shaping this development process.

Instituted by the public and politicians, Switzerland has one of the world's most important commodity hubs: Swiss oil trading in oil, gas, coal, metals and agricultural products (with study via data made in Geneva and Zug - has grown by a remarkable 1,500% since 1998," according to BO investigations. result: seven of the twelve corporations with the highest turnover in Switzerland trade in (and/or mine) commodities, Switzerland becoming a global hub thanks to its mix of tax laws, a strong financial sector, weak regulation, still has large policy, the report says.

more balanced view of this development was presented by under Kuerst, Deputy State Secretary of the Swiss Ministry of one of the same FT Global Commodities Summit. His views are a more nuanced picture of why Swiss-based commodity news is booming.

commodities now play an integral role in the Swiss economy (with larger even than houses - with the region around Zug hosting several hundred companies with activities directly tied to commodity trading and shipping. But the sector is also used by other regions like central Switzerland and the Zurich area. And for the Swiss financial center as a whole, services tied to commodity finance are an important complement to traditional pillars focused on wealth management.

The principal strength of the Swiss commodity hub is that it encompasses all the services needed in the commodity trading business. "This cluster includes not only trading houses, but also trade finance banks, inspection and verification companies, insurance companies, law firms, lubricants,

Swiss-based trading ... has grown by an incredible 1,500% since 1998

forwarding agents (of ship-towers, and consultants," explains Kuerst. As trading houses are reliant on services from trade finance banks or inspection and verification companies, the strong presence of international commodity trading companies can be explained by this cluster effect.

A key Swiss strength remains the availability of a highly developed and stable financial system - offering

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