All that glitters is not gold: gold industry under scrutiny

Switzerland is a leading global player in the gold trade. Yet some of the raw gold that ends up in Swiss refineries comes from dubious mines. There is now growing pressure on the entire raw materials sector to take greater ethical responsibility.

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"We cannot completely exclude the possibility of gold entering Switzerland that has been produced in a way that violates human rights." This was the bombshell that the Federal Council included in its report about the gold trade and human rights last November. In response to a motion submitted by parliament, the government's gold report shed a little light on an otherwise secretive industry.

Gold is of key importance to Switzerland. Some 40 per cent of global gold refinery capacity is Swiss-based, while four of the nine industry world leaders have their headquarters in Switzerland. Gold refineries such as Argor-Heraeus, Metalor, Pamp and Valcambi process imported raw gold or remelt existing gold. In 2017, over 2,400 metric tons of gold worth almost 70 billion Swiss francs was imported into Switzerland for further processing. This equates to around 70 per cent of global gold production. The raw gold is sourced from approximately 90 countries. These include developing economies that are heavily dependent on gold exports – such as Burkina Faso, Ghana and Mali.

Precarious conditions at small-scale mines

Industrial mines account for about 80 per cent of global raw gold supplies, while 15 to 20 per cent is sourced from small-scale artisanal mines where the working and environmental conditions are often precarious. Nevertheless, millions of families depend on small-scale mining for their livelihoods. More than 15 million people work in such mines around the world, of whom 4.5 million are women and 600,000 are children – groups particularly at risk from human rights violations. Some countries, including Peru and Ethiopia, are trying to regulate unofficial mining activities through the introduction of prospecting licences, for example. Yet implementation is proving difficult, while on-site checks are few and far between.

A suspected case of illegal gold trading recently hit the headlines in Peru, where customs authorities confiscated almost 100 kilograms of gold from exporters Minerales del Sur in March 2018. This raw material was bound for the Swiss refinery Metalor. The Peruvian judiciary is now investigating the matter. Minerales del Sur, which had up to 900 subcontractors at one stage, may have sourced the gold from illegal mines, public prosecutors believe. Criminal proceedings have not yet begun. Metalor say that they have stopped importing gold from Peru since the seizure, insisting that they have always procured gold from legal, registered mines.

Of indeterminable origin

According to the Federal Council's gold report, industrial mines are the source of most of the raw gold refined in Switzerland. But that is as detailed as it gets. Import statistics are unable to provide a clear indication of where the raw material was sourced or how it was produced. The Federal Council therefore recommends that the in-

The 'Vreneli' – a much-loved gold coin

'Vreneli' – Switzerland's best-known piece of gold – is the name of a series of coins depicting Helvetia that were minted from 1887 to 1949. The gold used to produce them came from other European countries. A total of 58.6 million 20-franc 'Vrenelis' entered into circulation back then. A 10-franc denomination (2.6 million units) and a 100-franc denomination (5,000 units) were also released.

The 'Vreneli' remains a popular gift coin – and a simple investment vehicle – to this day. Containing 5.8 grams of gold, the 20-franc coin has a current market value of around 270 francs and can be exchanged at any bank counter in Switzerland. The rare mintages can go for more, with coins from the 1926 release even known to change hands for sums of up to 400 francs. Coins from the 1904–06 mintages, worth around 300 francs each, are also collector's items. The 'Vreneli' – a Swiss-German diminutive of Verena – probably owes its name to the coin's youthful depiction of Helvetia, whose plaited hair makes her look more like a farmer's girl than the mother of Switzerland. (TP)

Liquid gold at the Metalor gold refinery in Neuchâtel.
Photo: Keystone

dustry open up more, e.g. on customs declarations, regarding the origin of its gold. However, the government sees no need for action on due diligence, pointing to the sustainability standards implemented voluntarily by the industry. Switzerland also supports implementation of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, in order to prevent the gold trade from fuelling armed conflict in places including the Democratic Republic of Congo. The Federal Council wishes to examine whether blockchain – a technology of decentralised databases – can be used to improve the traceability of gold.

An initiative targeting multinationals

The Federal Council believes that further regulation is unnecessary. Citing intense competition from abroad, the Swiss government would prefer it if the gold industry regulated itself. Non-governmental organisations (NGOs) are not the only stakeholders criticising this pro-business approach. In an opinion piece published on swissinfo.ch, Basel-based criminal law professor and anti-corruption expert Mark Pieth said that the Federal Council were "shooting themselves in the foot", showing that they "cared more about business than about human rights" – thereby "giving more ammunition" to those who support the Responsible Business Initiative (RBI). The aim of the RBI, which was proposed by around 50 NGOs in 2016, is for Swiss companies and their subcontractors abroad to be held accountable for any human rights violations or environmental damage that they cause. Pieth's main criticism of the Federal Council's gold report is that it places the blame for these problems "squarely on the shoulders of artisanal and small-scale miners", when in truth it is multinationals that are often responsible for producing mountains of toxic waste, for contaminating water and for appropriating land from indigenous communities.

Opinion polls show that there is a lot of public support for the RBI. The National Council opted for a counterproposal to take the wind out of its sails. This counterproposal would have introduced provisions on corporate liability into Swiss company law. Yet the Council of States would have none of it. In March, a majority within the small chamber of parliament rejected the initiative without considering the counterproposal. Ruedi Noser, FDP member of the Council of States for the canton of Zurich, argued that provisions on corporate liability would put companies at a significant disadvantage and could even result in Swiss businesses having to withdraw from numerous countries. The issue now heads back to the National Council. If the chambers fail to agree on a way forward, the RBI is likely to go to a popular vote without any counterproposal. A voting date has not yet been set.