

Neutrality as a commercial asset: an assessment

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The history of Philipp Brothers and Marc Rich + Co. in Zug raises a question that recurs throughout this book: to what extent did Swiss neutrality serve as a commercial asset for the traders, and at what cost to Switzerland? In the Cold War, neutrality allowed Swiss companies to trade with states on both sides of the political divide, and with states subject to the embargoes of the United Nations or of the Western powers, without violating Swiss law. The traders of Zug used this freedom extensively, earning profits that their competitors in New York or London could not.

The cost was borne by Switzerland's reputation. The trade with apartheid South Africa, the supply of Iranian oil during the American embargo and the refusal to extradite Marc Rich made Switzerland appear, in the eyes of many of its partners, as a country that profited from the circumvention of the sanctions that others imposed at their own expense. The criticism became more pressing after the end of the Cold War, when the sanctions of the United Nations became more frequent and the expectation grew that all states, including neutral ones, would enforce them. Switzerland's decision to apply the sanctions of the United Nations, formalised in the Embargo Act of 2002, and to align itself increasingly with the sanctions of the European Union, reflected the conclusion that the commercial benefits of an independent sanctions policy no longer justified its political costs.¹

For the traders of Zug, the conclusion meant the end of a business model. The freedom to trade across the lines drawn by the sanctions of other states, which had been the foundation of the Rich era, disappeared step by step. The traders who remained in Zug adapted to the new environment. Their compliance programmes today are designed to ensure that they do not trade where the sanctions of Switzerland, the European Union, the United Kingdom and the United States prohibit it. The history of the Rich era remains instructive, however, because it shows how quickly a

commercial advantage based on legal differences between states can turn into a liability when those differences are closed.

1 Notes

1. Bundesgesetz über die Durchsetzung von internationalen Sanktionen (Embargogesetz, EmbG) vom 22. März 2002, SR 946.231, in force 1 January 2003, text on lexfind.ch; SECO, "Sanktionen: Rechtliche Grundlagen", seco.admin.ch: the Embargo Act has formed the legal basis since 1 January 2003, and since joining the UN in 2002 Switzerland implements all sanctions of the UN Security Council; SECO, "FAQ – Sanktionen der Schweiz", seco.admin.ch: coercive measures to enforce sanctions of the UN, the OSCE or Switzerland's most important trading partners (in practice the EU); the Federal Council decides case by case whether to adopt EU sanctions fully, partly or not at all, without any automatism. Treated in Part E. ↩

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