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Switzerland Won't Be 'Abused' as Part of Russia Sanctions

By The Moscow Times

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ZURICH — Switzerland said it would not be "abused" by those wanting to circumvent Western sanctions against Russia but stopped short of adopting its own measures.

Transparency campaigners say it is taking a cautious stance to help protect its role as a global commodities hub that earns revenue from trade with Russia, although the government said it had no intention of allowing the sanctions to be bypassed.

The U.S., European Union and Canada have already imposed asset freezes and travel bans on a group of Russian officials over Moscow's annexation of Ukraine's Crimea region.

But Switzerland, also a hub for private banking and a popular destination for Russia's wealthy elite, is reluctant to take measures it fears could compromise its cherished neutrality or damage closely nurtured trade relations with Moscow.

However, if Switzerland itself does not target rich Russians with interests in Switzerland, it runs the risk that further U.S. or EU sanctions could do so, with the Swiss economy potentially suffering collateral damage.

"The government has decided that Switzerland where appropriate will take necessary measures so that it is not abused to avoid present and future sanctions by the international community," the government said in a statement Wednesday.

This means some of the sanctions imposed by the 28-nation EU will also apply in Switzerland due to its participation in the bloc's passport-free Schengen zone, it said.

Swiss Foreign Minister Didier Burkhalter told reporters the 33 Russians and Crimeans on the EU's sanctions list would not be able to apply to Switzerland for a Schengen visa, but stressed there was no blanket ban for Russian citizens.

The government said it left open the possibility of more fully adopting the EU or U.S. sanctions as the crisis unfolds.

Switzerland was among the first countries last month to freeze assets of Ukrainians linked to the ousted government.

Some 75 percent of Russian crude oil is traded through Geneva, according to a government report on the commodities sector. The commodities sector as a whole contributes about 3.5 percent of Switzerland's gross domestic product.

Last week the U.S. Treasury sanctioned Gennady Timchenko, the co-owner of Gunvor, a leading Geneva-based trading house. Had Timchenko not sold out of the firm just before the sanctions were announced, Gunvor — and Switzerland — could have been hit.

"Russia is vulnerable in only a few ways, but Switzerland's role as a commodities trading hub would be one of them," said Oliver Classen of Swiss NGO Berne Declaration which campaigns for greater oversight.

"Switzerland is conducting symbolic political measures instead of making use of what would be a good opportunity to collaborate with the EU and the U.S. and use the leverage that it has."

Russian assets in Swiss banks stood at nearly 13.8 billion Swiss francs ($15.6 billion) in 2012, with another 2.5 billion held by fiduciaries according to the most recent data from the Swiss National Bank. This does not include private banking funds or other assets such as precious metals and real estate.

Although Switzerland has yet to impose any of its own restrictions, its banks, such as UBS and Credit Suisse have to be mindful of sanctions levied elsewhere.

Burkhalter countered suggestions that Switzerland could profit from the situation.

"We do not want to be a place to bypass the sanctions of others," he said, adding that any potential Swiss bank accounts of those named on the EU and U.S. sanctions lists would be affected without giving further details.

As well as profiting from Russian exports and investment, Switzerland has been expanding into the Russian market and exports have risen threefold over the past decade to 3.1 billion francs last year.

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