Solidly Swiss?

Credit Suisse, UBS and the global oil, mining and gas industry

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The price of the commodities boom

In response to an inquiry from a non-governmental organization, a major Swiss bank recently replied, "We are a financial services provider and not (active) in mining or oil and natural gas." Technically, that is true: Neither UBS nor Credit Suisse (CS), the subjects of this study, operates mines or drilling rigs. But we wanted a more complete answer. As background research for this documentation, we examined the financial links of the Swiss banks to firms in the raw materials sector. We concentrated on significant financing of raw materials firms involved in conflicts with local populations that occurred within the past five years. You can find the original research plus a illustrative map on www.evb.ch under CS and UBS.

In over 60 individual cases, our research show how often raw material extraction leads to human rights violations. In the networked world of globalization, the financial sector must not look the other way. If banks finance firms that violate human rights, the banks make themselves accomplices, in two ways. First, the provision of capital enables the construction and operation of facilities. Second, the banks partake in the profits of the companies in the extractive sector.

Not only do oil, natural gas and coal cause problems when they are mined; they also produce the greenhouse gas CO_2 when they are burned. Here too, the banks are called upon: To prevent the collapse of the climate system, the financial markets must also change course.

The problems illustrated by examples in this brochure are acute. Due to high commodities prices and demand from China and other emerging countries, new mines are being built and sometimes very problematic plans that had been shelved once are now being given another look. This is because new large oil deposits are only likely to be found in areas of poverty and social conflict such as Africa, or in sensitive environments as the Arctic. The Swiss banks urgently need sound internal standards, in order to responsibly deal with the challenges of human rights and climate change.

Andreas Missbach

Banks and Human Rights

Transnational corporations are beyond the authority of individual nations, they are powerful, and they sometimes violate human rights. Therefore the discussion about the human rights obligations of corporations has picked up speed in the past few years. This also applies to banks, if they find themselves funding client projects where human rights violations occur.

Born in the ruins of the Second World War, the notion of human rights, in its current international legal form, is revolutionary. Normally, a "right" is defined by a specific national legal system, and awareness of that right often requires specialized knowledge that typically only well-paid lawyers have. The Universal Declaration of Human Rights from 1948 and the Human Rights Conventions that followed (see box) include those rights that all people have simply because they are human beings. That these rights are regularly trampled upon doesn't weaken them; rather it proves their visionary power and necessity.

Although human rights stand above individual nations and their legal systems, the responsibility for the implementation of international treaties lies essentially with governments. But the Universal Declaration of Human Rights states that the observance of human rights is the obligation of "every individual and every organ of society." This includes corporations as well.

not profiting from higher gold prices - Campesinos near the Yanacocha mine in Peru

Sjoerd Panhuysen

The discussion of specific human rights obligations of corporations has gained considerable momentum over the past 10 years. The Special Representative of the U.N. Secretary-General on human rights and transnational corporations and other business enterprises, the U.S. professor John Ruggie, sees three factors for this:

First, the rights of transnational corporations have increased dramatically. Liberalization in many countries has greatly enlarged the global reach of corporations, and these gains have been legally secured by a multitude of WTO agreements, bilateral trade accords and national laws. Today there are roughly 70,000 transnational corporations with 700,000 subsidiaries and millions of subcontractors. Transnational corporations set their own global standards, and conflicts involving investments now tend to be resolved via private mediation mechanisms instead of by national courts.

"The second [factor] is that some companies have made themselves and even their entire industries targets by committing serious harm to human rights, labor standards, environmental protection, and other social concerns," wrote Ruggie in his report to this year's session of the U.N. Human Rights Commission (1). The lack of respect for man and environment by many corporations has led to a call for corporate responsibility and corporate liability.

Finally, corporations, through their sheer size, have possibilities to exert influence and options for action that exceed those of nations and international organizations.

The U.N. Human Rights Norms for Corporations

A working group of the U.N. Sub-Commission on the Promotion and Protection of Human Rights developed a draft for U.N. human rights norms for corporations between 1999 and 2003, entitled "Norms on the Responsibility of Transnational Corporations and Other Business Enterprises with Regard to Human Rights." The norms attempt to derive the specific obligations of corporations from existing human rights treaties and other international agreements (see box). The U.N. Human Rights Commission discussed the norms in its 2004 session, but did not reach a conclusion. Nevertheless, it identified the connection between the behavior of corporations and human rights for the first time. The Office of the Special Representative was established the following year, with the mandate during its initial two-year term to ensure that the discussion about corporations and human rights progresses.

The observation of corporate activities through the U.N. and the compensation of victims, as foreseen in the norms, has not yet been implemented. However the norms can still have an effect, even without a formal legal basis. Corporations wishing to demonstrate their readiness to respect and promote human rights can bring their internal guidelines and processes in line with the norms. For Nicholas Howen, human rights lawyer and chairman of the International Commission of Jurists, it is furthermore clear that the consideration of human rights can pay off for corporations: "So the message is that unaccountable companies are likely to be the subject of court cases in the future."(2)

Extractive industries exposed

The Special Representative of the U.N. Secretary-General investigated 65 current cases of possible human rights violations by corporations for this year's interim report. Two-thirds of the cases involved oil, natural gas and mining companies.(3)

Out of necessity, mineral or oil extraction takes place where the deposits are located, and in practice the costs determine which deposits are extracted. In many cases the deposits are located in inhabited areas, and since the environmental effects of raw material extraction are massive and can lead to (for example) wide-scale pollution of water sources, inevitably the rights of humans are affected. To make matters worse, the sites are often in remote areas, and governments look the other way regarding the protection of those people affected. Particularly susceptible are indigenous groups; not only their livelihood, but also their cultural practices are in danger.

HUMAN RIGHTS AND U.N. NORMS

The Universal Declaration of Human Rights is not a formal agreement that is binding for nations. It has however a political and moral importance and has been integrated into many national constitutions. Some parts of the Declaration can be found in two binding international agreements from 1966: the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.
The first agreement addresses the rights to life, liberty, ownership and security of person (including freedom from slavery and forced labor), non-discrimination, and freedom of speech and assembly. The second agreement includes the right to self-determination, equal right of men and women, the right to work for fair wages as well as the right to education and health. Furthermore there are various conventions such as those against racial discrimination and discrimination of women, the anti-torture convention and the convention for children's rights. Lastly, the human rights system is rounded out by regional human rights treaties.

According to various international agreements, these groups have the right to all available information and the right to decide freely if they agree to resource exploitation on their lands ("free, prior and informed consent"). Nonetheless the vast majority of complaints filed with human rights institutions by indigenous groups concern cases of raw material exploitation.(4)

Opposition to the effects of extractive industries, or to the selling off of the natural riches of a region to other countries, leads in many cases to the militarization of mining and oil regions. Firms that receive protection from armies of regimes with dubious human rights credentials, militias or private security firms, become accomplices to any human rights violations committed by their protectors. Especially critical is the situation in regions of civil conflict. The income generated by the exploitation of raw materials can fuel civil conflicts and keep them alive.

Controversial mining and oil projects are often justified by their economic benefits. For example, the exports from the destructive OK Tedi Mine alone were responsible for 18% of the export revenues of Papua New Guinea in 2000 (5). Nonetheless considerable doubts exist as to whether the exploitation of these resources presents a way out of poverty and dependency. On the contrary, a rich endowment of mineral resources is more of a "resource curse" on a country. Various studies show that the economic growth in countries highly dependent upon the export of fossil and mineral commodities is lower than the growth in countries not blessed with abundant raw materials (6). A study by Oxfam America came to the conclusion that the people in countries rich in raw materials have a lower living standard (as measured by the U.N. Development Program's Human Development Index) than is to be expected based on the per-capita incomes of those countries (7).

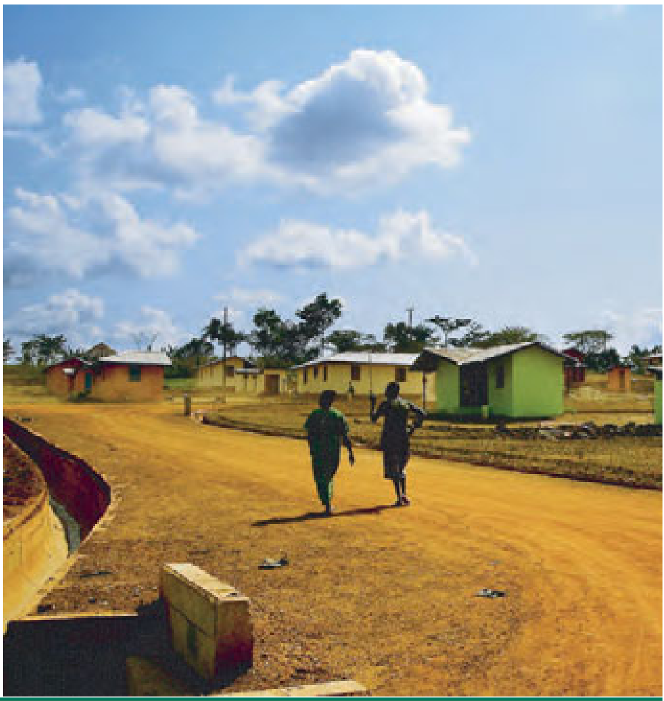
Regardless how important one sees the contribution of extractive project to national development, it cannot be used to legitimize the violation of human rights in a region. Human rights apply universally, they are indivisible, and their violation cannot be somehow "offset" by any economic benefits.

HUMAN RIGHTS AND CORPORATIONS

The U.N. human rights norms for corporations oblige them to respect, protect and promote human rights in their sphere of influence. The following rights are mentioned explicitly:
- equal opportunity and non-discrimination
- the right to security (special measures for the protection of human rights are called for in the case of armed protection of company facilities)
- worker's rights (protection from forced labor, rights of children, safety and health in the workplace, fair wages, freedom to unionize)
- respect of national sovereignty (protection Zfrom corruption, the right to development)
- consumer protection (safety, fair marketing practices)
- environmental protection (precautionary

Banks and Human Rights

The role played by the financial sector in human rights violations and the sector's human rights obligations have not been separately reviewed up to now. Neither the U.N. norms nor the U.N.'s voluntary Global Compact deal specifically with banks.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resettled Community of the Ahafo goldmine in Ghana

For NGOs that fight controversial projects or help victims defend their rights, the shared responsibility of a funding institution is however without doubt.

The discussion about the key terms "sphere of influence" and "complicity" in the UN norms shows that the responsibility of the banks for the observance and promotion of human rights also applies to whatever they finance. These two key terms are not just present in the U.N. norms, but they are also found in the Global Compact. Switzerland's two largest banks, Credit Suisse (CS) and UBS, have both signed the Global Compact and are therefore obligated to promote and respect human rights, and to ensure that the banks are not complicit in human rights violations.

The Banks' Sphere of Influence

"Sphere of influence" is not a legal concept; it comes from geopolitical discourse (the sphere of influence of a country), it has slipped into the Global Compact, and it defines in the U.N. norms the area related to the responsibility of a corporation regarding human rights. The context of the term makes clear that the responsibility of the corporation not only concerns the company itself (the country in the geopolitical analogy) - dealing with the treatment of its own employees or the environmental impacts of its own office building - but rather a larger "sphere." The Office of the U.N. High Commissioner for Human Rights (OHCHR) explained the meaning of the term, which involves "a certain political, contractual, economic, or geografic proximity." (8) "Obviously the larger or more strategically significant the company, the larger that company's sphere of influence is likely to be." (9) Banks that are active worldwide and that also exercise an exceedingly strategic role in financing, have therefore a large sphere of influence. This also relates to corporations that the banks (co-)finance: "close to the center of a company's sphere of influence (...) are business partners."(10) The paper from the High Commissioner for Human Rights says explicitly: "Human rights issues may confront a company as a result of the actions of one or more of its business partners."(11)

Complicity

The notion of complicity is on the one hand a legal term that governs certain criminal offenses. On the other hand it came into use in connection with corporations and human rights violations, for example in cases filed under the U.S. Alien Tort Claims Act against human rights violations committed by firms abroad. Complicity addresses how corporations behave in response to the human rights violations of others. The South African Truth and Reconciliation Commission used a similar concept to determine the responsibility of corporations in the apartheid state. The most compromised corporations were those that actively helped to plan and implement apartheid policies. Then came corporations that knew their products or services were used for repression, followed by those that profited from racial segregation. The concept of complicity also includes these indirect forms of profiting.

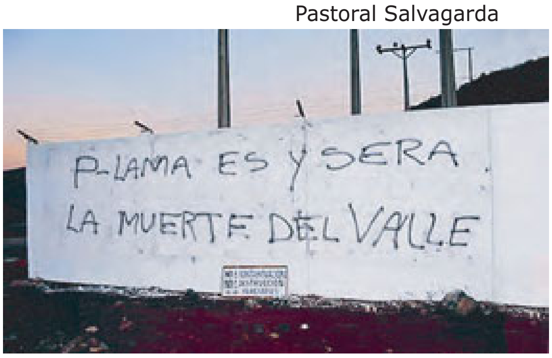
The Office of the U.N. High Commissioner for Human Rights (OHCHR) defines complicity in the following manner: "A company is complicit in human rights abuses if it authorizes, tolerates, or knowingly ignores human rights abuses committed by an entity associated with it, or if the company knowingly provides practical assistance or encouragement that has a substantial effect on the perpetration of human rights abuse."(12) This statement makes clear that banks can be complicit simply by ignoring the human rights violations of clients while providing financial assistance for the client's activities.

The sphere of influence of banks offers various ways to come into contact with human rights violations. In private banking there may exist individual clients who have human rights violations to answer to. In investment banking they may be involved in raising capital for repressive regimes (see the example of South Africa). Or they may help finance other banks, which then in turn do business with dictators (for example the Export-Import Bank of China, active in Burma, Laos and Sudan). They may also finance the production or trade in arms with which human rights violations are committed, or may be implicated in the trade of raw materials from conflict areas (for example "conflict diamonds").

The case studies in this brochure concentrate on the human rights relevant cases from firms in mining, oil and natural gas extraction in which Swiss banks play a significant role. The gravity of the conflicts and the degree of bank complicity vary from case to case, but the frequency of financial connections in cases involving conflict shows however that CS and UBS should systematically address the subject matter of human rights. The examples and case histories on the following pages highlight the urgency of the subject.

Protests against new mines exist everywhere, such as in the Huasco Valley in Chile

Pastoral Salvagarda



SOUTH AFRICA: THE FINANCIERS OF THE UNJUST REGIME

The major Swiss banks provided important support to the apartheid regime in South Africa. The Zurich Gold Pool, formed in the late 1960s by the Bankverein, the Bankgesellschaft (both of which later merged to become UBS), and the Kreditanstalt (now Credit Suisse), brought to market more than 80% of South African gold mined during the 1970s. Time and again the major banks led credit syndicates for the benefit of the South African state. The Swiss banks continued their business relationships with South Africa long after the South African regime was subjected to international sanctions because of human rights violations.

As a consequence, the Khulumani Support Group for Apartheid Survivors brought charges against Credit Suisse, UBS and other banks; the case is currently pending in a New York court. When it was announced in late March that CS had entered into a joint venture with a South African bank in order to trade securities on the Johannesburg Stock Exchange, South African organizations demanded that Credit Suisse first apologize for the financing of apartheid and make reparations before the bank starts anew to make profits in the country.

Conflict Oil and Blood Gold

It is difficult if not impossible for extractive industries to avoid human rights violations when they are active in dictatorships like Burma or conflict areas such as the Democratic Republic of Congo (DRC, formerly Zaire). The oil company Total in Burma and AngloGold Ashanti in the DRC offer two examples.

Oil Company Total In Burma

Burma: Dictatorship and Military State

The start of Burmese independence from British colonial rule in 1947 was ill-fated. Aung San, founder of the country, was assassinated just six months later. In 1962, general Ne Win led a coup d'état, and the military has been in power ever since. In 1988 the army crushed a democracy movement. The generals of the State Law and Order Council enacted martial law and renamed the country Myanmar. Although the opposition won the 1992 election, under the leadership of Aung San Suu Kyi, the generals refused to relinquish power.

The junta, which in the meantime has given itself the more melodic name Peace and Development Council, is still dominated by hard-liners. The generals are literally digging themselves in. They are building a new capital near Pyinmana, with ministries and army headquarters that are linked by a network of fortified tunnels and bunkers. Aung San Suu Kyi spent ten of the past 16 years under house arrest.

The Burmese exile Aung Ko described the majority of the Burmese population as "political prisoners" in a 2001 publication of the Berne Declaration, because "they do not have freedom of the press, expression, opinion or religion, nor do they have freedom of assembly or association."(13) Last year the U.N. Human Rights Commission complained about widespread and systematic human rights violations. Particularly affected are members of over 60 ethnic minorities. The International Labor Organization (ILO) describes the forced labor commonly found in Burma as a "crime against humanity."(14)

pictures: EarthRights International

The Yadana pipeline in Burma; thousands were expelled from their lands to pave the way

The Army Dominates All

Not only does the army control all citizens with its widespread presence and the military secret service, but it also has the decisive word in matters of the economy. In the 1970s the generals experimented with socialist rhetoric, and kept the country sealed off from the outside world. The opening to foreign firms and the competition for their investments began in 1988, the same year that the democracy movement was put down. No firm - especially not a foreign one - can be active in Burma without the blessing of the army. The state controls 12 key economic sectors according to the constitution, and the army is directly commercially active via a multitude of firms in which it is the sole or partial owner. In addition, a "commission" of at least five percent must be paid to an officer for larger business deals.

The U.S. and E.U. have both imposed economic sanctions on Burma; Switzerland observes the latter. Although these official sanctions also have political goals - for example the U.S. goal to concentrate on Burma's role in the production of heroin and synthetic drugs - an economic boycott is welcomed by Aung San Suu Kyi and the democratic opposition. Burma is the only country where the International Confederation of Free Trade Unions (ICFTU) calls for the withdrawal of investors and the imposition of economic sanctions, since the army profits so directly from foreign investments: "Since the formal economy is almost completely in the grasp of the junta, it is clear that sanctions will affect the incomes of the generals, their families and the friends of their families," wrote the ICFTU (15).

Totally entangled...

As early as 1989, the French oil company Total paid a visit to the generals and applied for exploitation licenses. In 1992, Total, together with the U.S. oil firm Unocal, signed a contract for the exploitation of offshore natural gas fields. The Burmese partner was the state-owned Myanmar Oil and Gas Enterprise (MOGE). The trio also found a financially strong buyer for Burmese natural gas: Thailand was reachable with a short pipeline, since Burma is only 60 kilometres wide at this location. But at the time of contract signing, guerrillas of the ethnic Môn and Karen minorities controlled the area. Therefore the export plans were dependent upon an intensification of the war and a victory by the army. In 1996, Aung San Suu Kyi said: "The French firm Total has become the most important supporter of the Burmese military system. This is not the time to invest here."(16) Despite her clear words, the construction of the Yadana pipeline went ahead.

For the "establishment of peace" of the pipeline, the inhabitants of at least 11 Karen villages, within a corridor of between 24 and 32 kilometers wide, were resettled. The new villages were built near military bases, which conveniently helped the military control the villagers as well as to supply the military with forced laborers. During pipeline construction, the army resorted regularly to forced labor, for the construction of streets, helicopter landing pads and barracks as well as for porters.

A report from a French parliamentary delegation that investigated the entanglement of Total in Burma concluded: "It appears artificial to separate the construction of the pipeline [...] from the measures of the Burmese regime to guarantee its security. However it is these security measures that led to forced labor and the resettlement of the people in the zone."(17) The recruitment of forced laborers in the pipeline region continued even after the pipeline's completion, for the construction and maintenance of streets and bridges and as porters for military patrols, according to Earth Rights International. (18)

pictures: EarthRights International

...and Supporter of the Regime

Natural gas exports represent an important revenue source for the regime, and presumably also for some individual uniformed officers. This is independent of any judgment of direct responsibility of operating companies of the Yadana pipeline for human rights abuses committed by the Burmese army. The estimates of annual government revenue from the Yadana project vary between US $200 million and US $450 million. The government of course discloses no figures, and it forbids foreign companies in oil and natural gas joint ventures from disclosing their figures, according to the ICFTU. (19)

It would be bold to claim that the Burmese people profit from the revenues of natural gas exports. The Burmese army doubled in size in the 1990s; more than 40 percent of state revenues flow directly to the army. In comparison, government expenditures for health care amount to 20 cents per person annually, and less than 30 cents per person annually for education. Only in civil war-torn Sierra Leone spent less on health care. Despite revenues from natural gas exports and other foreign investments, Burma slipped from position 118 in 2001 to 132 two years later on the U.N. Development Program's Human Development Index.(20)

Human rights organizations and affected peoples filed complaints in various cases in the U.S., Belgium and France, against firms on the Yadana project. In the most prominent case, "Doe vs. Unocal," an out-of-court settlement was reached last spring, whereby Total made payments to the victims of forced labor, but without accepting responsibility for forced labor and human rights abuses.

Next Up: China

Last June, the China National Offshore Oil Corporation (CNOOC), together with other investors, signed six contracts with the Burmese generals to develop new natural gas fields. (21)

◆ CREDIT SUISSE

Credit Suisse advised Total on the takeover of Petrofina and led bond syndicates to raise capital for Total on the Swiss and U.S. capital markets.

Together with two other banks, Credit Suisse brought CNOOC on the New York Stock Exchange. The sale of 20 percent of CNOOC shares yielded US $1,260 billion. In addition, CS advised the Chinese oil company during various takeovers, and it led bond syndicates to raise capital on international finance markets.

◆ UBS

UBS led various bond syndicates to raise capital for Total on the Swiss, British and New Zealand capital markets.

Together with other banks, UBS led bond syndicates to raise capital for CNOOC on international capital markets.

Anglogold Ashanti In Congo

The gold of the warlords

Shortly before the fall of dictator Mobutu, the gold corporation AngloGold Ashanti (22), controlled by Anglo American, received mining rights in the Ituri region in northeastern DRC, a region where possibly the world's largest gold deposits lie (23). A dismantling was out of the question, because the end of the Mobutu dictatorship led to a complicated civil war and war of plundering in the region, and to the invasion by the neighboring countries Uganda and Rwanda. The conflict did not end when Rwanda withdrew its troops in 2002, followed a year later by Uganda; both countries had local militias that stayed behind. Uganda supported the militia of the ethnic Lendu, the Nationalist and Integrationist Front (FNI), while Rwanda supported the ethnic Hema and the Union of Congolese Patriots (UPC).

Gold was the cause of the civil war and played a decisive role in the financing of the militias. Small-scale mining continued during the entire conflict, sometimes also via forced labor. The militias offered the gold producers and their traders security, and kept a share of the spoils to finance their military actions. The gold was sold primarily via Uganda (24). Battles between the competing militias of the FNI and UPC for the dominance of the mining town of Mongbwalu resulted in over 2000 deaths between June 2002 and September 2004, involving brutal and systematic human rights violations.

Protected by the Butchers

In a report published last year, human rights organization Human Rights Watch documented at length how AngloGold Ashanti collaborated with the FNI leadership as the fighting went on. The FNI controlled the area where AngloGold Ashanti's mining concession was located, and it kept the airport and the streets under its control. The official authorization from the Congolese government for exploration was worthless; to keep ahead of its competitors, AngloGold Ashanti sought out the permission of self-styled FNI president Floribert Niabu and the protection of the FNI. Niabu told Human Rights Watch: "The government is never going to come to Mongbwalu (25). I am the one who gave Ashanti permission to come to Mongbwalu. I am the boss of Mongbwalu." Niabu's representative said that AngloGold Ashanti had promised to rebuild roads and hospitals in return.

AngloGold Ashanti brought geologists and security personnel to Mongbwalu and began exploration in May 2004. Niabu lived in a house located on the property of AngloGold Ashanti's mining concession. FNI commanders used four-wheel drive vehicles belonging to the mining company and traveled in planes used to transport AngloGold Ashanti personnel. After first denying that money flowed to the FNI militia, the corporation later admitted the practice to Human Rights Watch. Among other payments, AngloGold Ashanti paid a "duty" on goods that the corporation flew to Mongbwalu.

It is possible that AngloGold Ashanti broke the U.N. embargo on eastern DRC through its collaboration with the militia. In any case, the support of the militia went against the peacekeeping efforts of the U.N., whose goal was to weaken and disarm the militias. Ironically, AngloGold Ashanti can thank the U.N. for saving its neck. The presence of peace keepers in Mongbwalu led to the retreat of the militia from the city, and disarming has progressed. Therefore the corporation would be able to continue with its exploration, AngloGold disclosed.

UBS

Together with other banks, UBS led a bond syndicate for the raising of capital for Anglo American on the European capital market, and is one of 16 banks by which Anglo American can routinely obtain credit.

Glencore/Xstrata: Coal (And Cash) From Colombia

Even when the collaboration with repressive regimes or militias is not apparent, many mining projects violate the rights of the people who live - or lived - near the mine. An example is the El Cerrejón coal mine in Colombia.

Every day the mining area eats farther into the land surrounding it. The people of Tamaquitos are already almost completely surrounded by the mine.

In Europe, the subject of coal makes hardly anyone first think of the Caribbean. Nonetheless one of the largest coal deposits is located in the far reaches of Northeast Colombia. The seams of El Cerrejón lie practically on the surface, and the coal is of high quality. The deposit was first discovered in the 19th century, but mining first got under way during the energy crisis in the early 1970s. The majority of the coal is exported to Europe and the U.S. via the port of Puerto Bolivar.

Initially, El Cerrejón was operated by the Colombian government together with Exxon, a U.S. corporation better known in the oil business. The mine was privatized due to pressure from the World Bank in 2000. The publicly-held portion was sold to the mining companies Anglo American, BHP Billiton, and the raw materials trading firm Glencore, based in Zug, Switzerland. Two years later, this consortium also bought Exxon's share, leaving the three mining companies as equal owners. Glencore announced the sale of its interest to Xstrata, a former subsidiary (see below), on 1 March 2006.

Villages Swallowed by hole

Since the start of operations, the mine has continued to spread, at the expense of farms and peasant communities. The village of Tabaco was razed to the ground shortly before the sale of Exxon's interest to the other three operating firms. A few of the displaced families are still fighting to receive fair compensation (26).

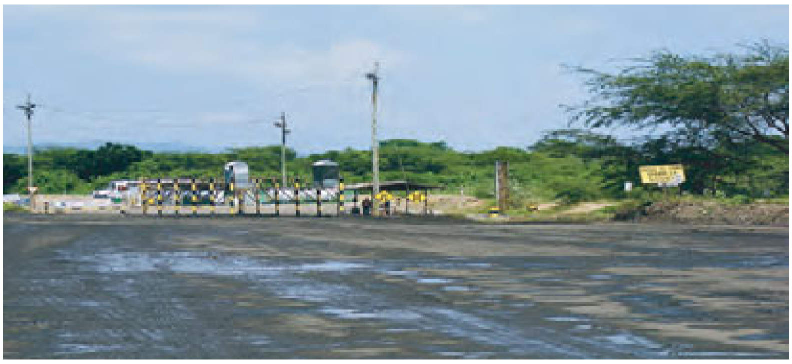
In August 2001, soldiers and police expelled the last inhabitants of Tabaco, where 700 people had once lived. Although Colombia's highest court declared that the municipality of Hatonuevo (to which Tabaco belonged) should build a new settlement for the uprooted community, nothing happened. The mayor said the funds didn't exist and that the mine should finance the resettlement. The expelled peoples are also demanding compensation from El Cerrejón for their destroyed village. But the operating firms take the view that they are not responsible for the expulsion; at that time the mine was still being operated by Exxon, although the operating firms did own 50 percent between them. The affected families suspect that the "solution" of the Tabaco problem was a part of the agreement when Exxon sold its share to the consortium. Under public pressure, the mine company paid individual compensation, or it helped single members of the community in acute need. Without the rebuilding of a village with sufficient farming land, the people of Tabaco will not be compensated for the loss of their livelihood.

The mistrust of individual compensation is warranted. Such compensation might make it possible for a family to move to a larger city where the children have better prospects for an education. But when the parents cannot find work, hunger and the misery of the slums threaten. In addition, it is disputed who is considered justified by the mine to receive compensation. Some long-time community members are absent from the list, while other people who have never lived in Tabaco are listed.

The idyllic Rio Ranchera, polluted by the mine.

Alke Jenss

Alke Jenss



Surrounded; a checkpoint of the mine on the road to Chancleta and roche

Life on the Fringes and at the Precipice

Life near the mine is also not easy for the families in settlements that remain. The roughly 150 residents of Tamaquitos have lost their neighbors as a result of the destruction of Tabaco. They are almost completely surrounded by the mine, the farms where they used to work no longer exist, and their farming land has for the most part fallen victim to the mine. Coal dust in the air and on the remaining vegetation makes life difficult. The residents of Tamaquitos belong to the indigenous people of the Wayúu, which were never fully subjugated by the Spanish conquerers, and who today make up the largest group of native inhabitants in Colombia.

Paramilitaries in Colombia are also a danger in conflicts between the poor population and large commercial ventures. Twelve Wayúu, mostly women and children, were killed in 2004 in the coastal area of Bahía Portete; the details of their deaths remain unclear today. This area plays a role in the expansion of oil and natural gas exports, and Bahía Portete is also under consideration for a new coal loading port. The Colombian army is itself responsible for the security of the railway, the port, and also has partial responsibility for the El Cerrejón mine. That the Colombian army often works together with paramilitaries is an open secret.

The Zug-Based Raw Materials Giants Glencore and Xstrata

The roots of Glencore, one of Switzerland's largest firms, goes back to raw materials trader Marc Rich, who built up his firm in Zug in the 1970s. Rich, wanted in the U.S. for tax evasion (and was pardoned in the closing days of Bill Clinton's presidency), has a dubious reputation. Despite an embargo, he bought oil from the Iranian regime while the hostages were being held in the U.S. embassy. Time and again he also got around the blockade against South Africa and delivered oil to the apartheid regime. Rich sold his corporation in 1994 to a group of managers, at which time it was renamed Glencore. Glencore deals with metals, oil, coal and agricultural products. The firm is also involved in the production of these raw materials. Glencore is not listed on the stock exchange but rather is still owned by the members of the management (27).

Marc Rich took over the majority share in the forerunner firm of Xstrata in 1990; thus it came to join Glencore. Unlike Glencore, Xstrata is listed on the London and Swiss stock exchanges. In 2002, Xstrata acquired a portion of coal production from Glencore, with mines in South Africa and Australia. This spring Xstrata announced the acquisition of Glencore's interest in El Cerrejón. Besides coal, Xstrata produces copper, zinc and alloys. El Cerrejón is not the only social trouble spot for Xstrata in Latin America. Minera Alumbrera, the largest mine in Argentina, produces copper and gold. It is half-owned by Xstrata, and has been criticized for - and formally charged with - the pollution of rivers (28).

◆ CREDIT SUISSE

Credit Suisse is a regular member of bank consortia that offer Glencore credit and that help the firm with raising capital on capital markets. As Xstrata in 2003 issued rights in order to finance the acquisition of an Australian mining firm, Credit Suisse acquired a portion of those rights from Glencore, so that together they hold now 40.32 percent of Xstrata shares. The agreement between Glencore and Credit Suisse runs until year-end, at which time Glencore can buy back the shares from Credit Suisse, or the bank can sell its interest to a third party.

BHP Billiton: Ok Tedi, The Deadly Legacy

The Ok Tedi mine in Papua New Guinea (PNG) is one of the largest copper and gold mines on the planet. For Wep Kanawi Obe, of the local Environment Watch Group, Ok Tedi is the largest environmental disaster in the southern hemisphere (29). And Ok Tedi is an outstanding example of the expression "take the money and run," as the mining corporation BHP Billiton exits and leaves destruction behind.

The mining on Papua Island, first of gold and later of copper, began in mid-1984 under the management of the Australian mining firm BHP, which later merged with the English firm Billiton. The government of Papua New Guinea holds a minority interest in the mine.

The gigantic open-pit mine produces not only copper and gold, but also huge quantities of waste. Every day, 80,000 tons of ore tailings and 150,000 tons of additional waste are produced. When the mining facility was built, the strategy for waste disposal was that which is accepted worldwide. The waste, in this case a mixture of crushed rock and water, would be pumped into holding ponds, where the solids would settle and the water would be treated. But a landslide destroyed the dam of a holding pond during construction. So the mining company received a permit for a limited period to pump the tailings into the Ok Tedi River in order to prevent a delay in the start of operations. But no attempt was made to find a definitive solution for the waste; instead the permit was modified. Even today, the entire mine waste is disposed of in the river.

It is estimated that at the time the mine was built, over 70,000 people lived on the Ok Tedi River as well as the Fly River, into which the Ok Tedi flows. These people lived from a subsistence economy of fishing, horticulture and hunting. Due to the constant stream of huge quantities of sediment, almost all fish have disappeared and sediment has collected on the riverbeds. Sediment is also deposited in the large areas that are flooded during high water levels. In some downstream areas of the Ok Tedi, the rain forest floor is covered with up to one meter of waste sediment; palm trees, bushes and trees are dying off. The destroyed area encompassed 480 km2 at the turn of the century. Estimates predict that the surface may grow to 2,725 km2 before the mine is closed (30).

The riverbanks, where traditional horticulture was practiced and the marrow of the sago palm was collected, are now covered with mine waste. Wild animals have also disappeared from these areas. The environmental catastrophe caused by the mine has wiped out the economic livelihood of the river dwellers and destroyed their way of life. Between 30,000 and 50,000 people have had to leave their ancestral homeland (31).

Thanks and Goodbye

During the 1990s, the scale of the disaster caused by the Ok Tedi mine became increasingly conspicuous and was publicized worldwide by non-governmental organizations (NGOs). The affected peoples turned to the International Water Tribunal in The Hague, which had no legal authority, but the action increased the moral pressure. BHP agreed to compensation payments and promised to improve waste disposal; for example in some locations the sediment was dredged from the Ok Tedi River. In 2000, the

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Ok tedi river .. rainforest destruction by riverine dumping of sedimentation and tailings

World Bank publicly recommended closing the mine. Two years later, the BHP Billiton CEO called Ok Tedi an "abyss" and said that the company should never have gotten involved in the project.

At this point the corporation was searching for a way out of the jungle of PNG. It turned over its majority share of Ok Tedi to a company controlled by the government, ironically named the Sustainable Development Program Company. The mine should continue to operate until 2010, and compensation will be paid for out of the proceeds.

At the same time BHP Billiton protected itself using a law that ruled out further claims for compensation related to current and future destruction. The firm also attempted to secure approval from affected communities to continue mine operation and to define the limits of compensation, actions which were heavily criticized by NGOs. Self-appointed village chairmen and community representatives signed such agreements, regardless of whether the community was actually in agreement. In addition, children and future generations were excluded from further claims to compensation. Above all, not all cards were laid on the table. In particular, it is not said that the problems end after the definitive closure of the mine. There are concerns that increasingly toxic substances may escape from the mine and the mine waste (32). But since BHP Billiton arranged its exit, thus excluding the corporation from future prosecution, the peoples on the Ok Tedi and Fly Rivers will have to live with the long-term consequences.

sludge along the
ok tedi river

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Anything Learned?

BHP Billiton has other problem cases, even after its controlled exit from Ok Tedi. The firm is planning to open a nickel mine on the small island of Gag, near Irian Jaya, the Indonesian portion of Papua Island. The entire island, on which around 450 people live, would become a large hole. The forest on Gag was protected in 1999, but since then a power struggle rages within the Indonesian government for special mining permits in protected forests, or for the rolling back of forest protection areas. Moreover, UNESCO is studying whether the entire Raja Ampat archipelago, to which Gag Island belongs, should be declared a World Heritage site. Among other things, BHP considered submarine tailings disposal for the Gag project, another process that causes great destruction (33). In the meantime, the corporation writes on its Web site that it is "unlikely that this technology will be used for one of our future developments."

The people of Pujada Bay, on the Philippine island of Mindanao, are also fighting a nickel mine from BHP Billiton. And an example from Botswana shows that communication with the affected peoples is not going too well, where the Gana and Gwi bushmen of the Kalahari struggle against the planned mining of diamonds in a part of their reserve that they were expelled from. After a complaint was made to the World Bank against the action, committed by a subsidiary of BHP Billiton (among others), the subsidiary installed signs, in English and Setswana, explaining that low-flying aircraft were searching for diamonds. A small glitch in this example of "consultation": The Gana and Gwi speak neither English nor Setswana (34).

◆ CREDIT SUISSE

Credit Suisse advised BHP Billiton on transactions, issued loans, and participated in loan and bond syndicates for BHP Billiton.

◆ UBS

UBS participates in loan syndicates and helps raise capital for BHP Billiton on the European and Australian capital markets.

Gold Does Not Glitter For All

Modern gold mining has nothing in common with the romanticized gold digger of former times. Today, entire mountains containing bits of gold are ground up and the gold chemically extracted. Due to the high price of gold, many new mining projects are currently pressing ahead. Eighty percent of the gold that is mined worldwide ends up as jewelry.

Cyanide and Toxic Substances

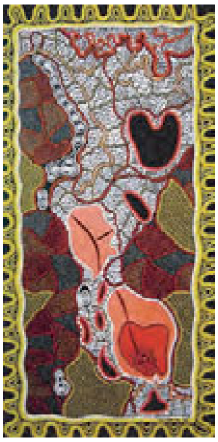
The high value of gold makes it financially attractive to process deposits that contain as little as 0.5 grams of gold per ton of rock. Highly-toxic cyanide (hydrogen cyanide salts) is used to extract the gold. (This technique is also used with other metals, but most controversies over cyanide involve gold mining.) The mining industry insists on the harmlessness of cyanide, since it breaks down rapidly when it comes in contact with oxygen and sunlight. But this breaking down process results in a multitude of chemical compounds whose toxicity is disputed, and mining companies are not currently obligated to measure and monitor the compounds that result from the breakdown of cyanide (35).

Furthermore, other metals and heavy metals are often found in rock formations containing gold. A potentially highly toxic cocktail can be found in the tailings that remain after gold extraction. The tailings are normally held in open ponds; if the dam of a tailing pond breaks, a catastrophe results. This occurred at the Romanian Baia Mare gold mine in 2000, as a break in the dam led to wide-scale deaths in fish populations in the Somes and Theiss rivers as well as other damages to the Donau.

The fear of cyanide and other toxins leads to opposition to new mines. In Australia, the Wiradjuri aborigines along with environmentalists fought in vain against a gold mine of the Canadian firm Barrick Gold on Lake Cowal. (Since the takeover of competitor Placer Dome at the start of the year, Barrick Gold has become the world's largest gold company.) Located in the arid Australian outback, Lake Cowal can experience large water level fluctuations, and in some years it dries up completely. Many animals and plants live in this exceptional ecosystem and it is an important location for migratory birds. The mine, currently being brought into operation, lies within the lake's floodplain. An accident would have catastrophic consequences for the unique flora and fauna of Lake Cowal (36).

Toxins in Detail and in General

Toxic substances can result not only from catastrophes, but also continually due to seepage from storage ponds. In some cases the mining wastes are not stored in ponds at all, but are instead pumped into the sea. The U.S. gold mining company Newmont Mining (number 2 worldwide) disposes of the waste from its Indonesian sites in the sea, although this practice is forbidden in the U.S. Since the relatively small Newmont Minahasa Raya mine started operations in 1996, the inhabitants of Buyat Bay in North Sulawesi complain of health problems and of a fall in fish stocks. In 2004 a government report found abnormally high concentrations of mercury and arsenic in the sediments of the bay, as well as in the microorganisms found there, which make up the diet of fish stocks. Newmont had to confess that it disposed of waste in a location in the sea that was shallower than the depth designated by the environmental impact assessment. Similarly, leaked internal documents showed that the precautions of the mine for controlling mercury emissions did not function.



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Nevertheless, Newmont continues to dispute the threat to humans and fish. Both Newmont and the mine's manager were sued in Indonesia (37) . Newmont reached an out-of-court settlement last February, in which it paid US $30 million, but without admitting guilt. The proceedings against the manager are ongoing (38).

An incident at another Newmont mine resulted in mercury poisoning. The mercury, which is a by-product of the Yanacocha gold mine in Peru, dripped from a leaking container on a truck and contaminated a stretch of road 43 kilometers long. Some inhabitants collected the metal in the hopes that it was valuable. Others were poisoned when they were hired by the mine for a resulting clean-up operation that lacked adequate safeguards. Roughly 900 people came in contact with mercury, 400 were treated for mercury poisoning and 130 were hospitalized.

The threat of poisoning does not end when a mine is shut down. Further toxic compounds can escape from the tailings, and can even increase in toxicity when acids form over time. After examining the Yanacocha mine, a geochemist came to the conclusion that only "perpetual treatment" of the seepage would prevent further hazards (39).

River diversion at the Afaho goldmine

FIAN

Water

The process of extracting gold from ore, called gold cyanidation, requires enormous quantities of water. Newmont even went so far as to divert an entire river for its Ahafo gold mine in Ghana. In the U.S. state of Nevada, government scientists estimate that it could take 200 years or more to replenish aquifer levels that have been reduced by gold mining. Nevada is an El Dorado for gold companies like Newmont and Barrick Gold. The mining sector is barely regulated and the government allots generous parcels of land for mining activities, which involve traditional territory of the indigenous peoples of the Western Shoshone. Nearly 10 percent of worldwide gold production and 64 percent of U.S. production takes place on their ancestral lands. But the Shoshone have never received any form of royalties, and their ranchers must pay grazing fees to the U.S. government to allow their animals to graze on Shoshone lands (40).

In arid regions, the large water demands of gold mines is a problem for the people in the area, even if it could be guaranteed that runoff water was not toxic. The topic of water ignited the opposition to Barrick Gold's Pascua Lama project, which would lie precisely on the border between Argentina and Chile. A cross-national contract has created an economic zone in which national borders do not apply. In order to start open-pit mining at 4,600 meters, the mining company must first remove portions of three glaciers (Barrick Gold prefers to call them "ice fields"). Barrick Gold speaks in terms of blasting and bulldozers to "transfer" 816,000 cubic meters of ice. Environmental organizations fear that the feeding of rivers by glacial runoff in this arid region will be disturbed as a result(41).

Pictures: FIAN

houses can be built quickly but will there be livelihoods as well?

Driven Away by Gold

Proposed gold mines are not always in sparsely populated areas, and although the "resettlement" of glaciers is a gigantic project, it seems relatively harmless in comparison to the resettlement of peoples. Ten thousand people are affected by the Newmont Ahafo mine in Ghana: half of them must be resettled, and half of them lose the arable land that represents their livelihood. The International Finance Corporation (IFC), the member of the World Bank Group that finances private sector ventures, recently gave the project the green light despite the considerable doubts of NGOs.

Newmont's position has long been that the corporation is not legally obligated to find and purchase land for resettled peoples. Since subsistence farming is the only livelihood for almost all people in this region, their rights are respected only when they receive new land of similar quality. It is still unclear how the conditions called for by the IFC will affect Newmont's resettlement plans. As with all resettlements in the South, it can be especially difficult for farmers without formal land title to be compensated fairly, even more so since the resettlement guidelines of the IFC for farmers without land titles were recently watered down (42).

The situation was even more dramatic at the Bulyanhulu mine in Tanzania, now owned by Barrick Gold. Going back to the 1970s, mining in this region had been carried out by small-scale artisanal prospectors. This was a dangerous activity, but it provided work for between 30,000 and 400,000 people. (The wide variation is due to the lack of transparency of the situation). In 1999, Barrick Gold bought the Bulyanhulu mine from another Canadian firm for US $450 million. To this day, there are complaints that workers were buried alive as the mine shafts were sealed by bulldozers during the removal of the prospectors from the mine by its previous owner. Barrick Gold hopes to make US $1.3 billion profit during 15 years of operation; the Tanzanian government is counting on tax revenues of US $75 million during the same period. The artisanal prospectors and their families were sent away empty-handed (43) .

◆ CREDIT SUISSE

Credit Suisse has advised Barrick Gold on transactions, and participates in a loan syndicate for Barrick Gold's financing.

Newmont owns 50 percent of a gold processing and trade company, which in turn owns 66.65 percent of the Swiss gold and precious metals trading firm Finorafa. Credit Suisse owns the remaining 33.35 percent of shares in Finorafa.

◆ UBS

UBS participated in a bond syndicate for Barrick Gold and is involved in the financing of Placer Dome, recently taken over by Barrick Gold.

UBS and JP Morgan acted as joint underwriters for the placement on the market of new Newmont shares in 2003. UBS plays a leading role in loan and bond syndicates for Newmont's financing.

Banks in the Greenhouse

The high energy prices of recent years bring in huge profits for energy companies; business is booming. Yet the use of fossil energies is burdening us with a mortgage that will soon be due and payable, because the burning of oil, coal and natural gas threatens to lead us to the greatest and most widespread catastrophe that humanity has ever known: man-made climate change. To turn things around in time, a new course must be set now. This also applies to financial markets.

Climate change is the only problem "that has the power to end the march of civilization as we know it." Bill Clinton used these dramatic words at this year's World Economic Forum (WEF) to describe the danger caused by the dependence of industrialized civilization on fossil fuels. The burning of oil, coal and natural gas leads to the output of CO2, the primary greenhouse gas, at a level we have never seen before. Today, the concentration of CO2 in the atmosphere is more than 380 ppm (parts per million), which is 100 ppm more than before industrialization. It is also the highest value for 650,000 years, which is the time span over which CO2 concentrations can be tracked.

These additional greenhouse gases in the atmosphere warm the entire planet and cause local and regional changes in climate. According to the Intergovernmental Panel on Climate Change (IPCC), a U.N. scientific panel of advisers, a large part of the warming observed over the past 50 years can be traced to human activities. Even in the previous IPCC report of 2001, scientists warned of the dangerous extent of climate change in the coming decades. The preliminary work for the next comprehensive report, to be released in 2007, is already under way. Current research results indicate that the risks are greater than were originally reported in 2001 (44).

two-third of worldwide Co2 emissions stem from industrial activities

Greenpeace/Bisset

The climate system, with its interplay of atmosphere, land masses and oceans, is highly complex. Scientific prognoses about changes to the climate are based on computer simulations that contain a large degree of uncertainty. The IPCC scientists are however in agreement that in the coming years we can expect a higher frequency as well as intensity of weather extremes. On the one hand that means droughts and heat waves. On the other hand it means more frequent storms and floods. The reliability of water supplies will decline. Agricultural output will also decline, especially in the tropics. Temperature changes cause stress damage to plants, and vegetation zones change, resulting in more species being threatened with extinction. In general, a shifting of species will occur. For example, a changing climate in Switzerland will bring about a marked increase in ticks. A spreading of tropical illnesses is also expected. The victims of climate change will not be evenly distributed. While the Swiss will face more landslides, floods and storms, the rising sea level will directly threaten the existence of millions of people in coastal areas.

Greenpeace/Peter

Landslide in Switzerland as a result of excessive rainfall

Enormous Costs

The external costs of a company with fossil energy sources burdens society with enormous costs. The damage resulting from storms and other catastrophes in the past few years gives a preview of what is to come: The storms of 1999 cost 14 billion euros in Europe (45) , the flooding from 2002 cost roughly US $18.5 billion (46) , and the heatwave of the century in the summer of 2003 cost far above US $10 billion. Twenty thousand people lost their lives (47). In Switzerland, the flooding from the summer of 2005 cost roughly 2.5 billion Swiss francs. Based on its gross domestic product and population, Switzerland's storm damage from last year was of a similar order of magnitude as the hurricane damage in America (48).

Recently, the World Bank has unintentionally become the third largest reinsurance company in the world, since a large portion of its money earmarked for development projects went to catastrophe aid. The human price being paid from droughts and floods in the South is incalculable.

A former director of the Aviva insurance company calculates that unless countermeasures are taken, the costs of climate change will exceed gross world income in roughly 2065; the planet would be bankrupt (49).

Up to now, no linkage has been made between the costs that climate change is possibly causing today and the profits from the business of fossil fuels. This could however change in the future. Increasingly, climate protection is being called for through legal channels. Eight U.S. states and New York City did just that, filing claims in July 2004 against five U.S. companies with the highest greenhouse gas emissions. The Inuit, who are directly affected by climate change, filed a petition with the Inter-American Commission on Human Rights, against the U.S. government. In August 2005, a U.S. court allowed a groundbreaking lawsuit brought by Greenpeace, Friends of the Earth and several U.S. cities to proceed. The plaintiffs accuse two U.S. government agencies of funding worldwide climate-damaging oil and natural gas projects that violate U.S. legislation. According to the plaintiffs, the Export-Import Bank and the Overseas Private Investment Corporation had provided over US $32 billion in financing and insurance for fossil fuel projects over the past 10 years, and were therefore responsible for almost eight percent of annual worldwide CO2 and methane emissions (50).

What Can Be Done?

The climate is a ponderous system. In order to keep the effects of climate change within bearable limits, the global rise in temperature must not exceed 2° Celsius, a target value suggested by the European Union. In other words, the CO2 concentration in the atmosphere must remain below 550 ppm (double its natural value). This requires a reduction in the annual CO2 emissions in the atmosphere - and the burning of fossil fuels - of 80 percent by 2050 (51). A global temperature rise of 2° C is only possible with the greatest of efforts, and since the climate system reacts very sluggishly, the energy turnaround must get under way now.

The year 2050 will arrive in 44 years. That is half a person's lifespan, and truly beyond the horizon of financial markets that think in terms of quarterly reports, and where a loan with a duration longer than one year is already considered long-term. Decisions are being made today that will influence whether the CO2 reduction will be met by 2050.

Sixty percent of worldwide fossil fuel-related CO2 emissions come from large-scale plants in the energy utility sector and industry (oil and natural gas extraction; oil, natural gas and coal power plants; refineries and petrochemical industry; iron and steel industries; cement factories). These plants have long operational lifetimes, and every investment in this fossil fuel industrial complex makes it more difficult to reach the reduction target by 2050.

But this does not mean that there are no projects for the financial sector to finance. Looking beyond fossil fuel energy sources, a necessary step towards stabilizing the worldwide climate, will require equally gigantic investments in efficiency and energy savings technologies, and in the construction of a small-scale, decentralized energy supply based on renewable energy sources. Innovative forms of financing would be in great demand here.

Floods in Engelberg, Switzerland in the summer of 2005

Greenpeace/Grasser

What the Swiss Banks are Doing

According to their Web sites, UBS sees the "challenge of climate change" while Credit Suisse (CS) sees "climate change as a challenge." However in both cases, they follow with explanations of the measures they are taking to reduce their own CO2 emissions. Beginning this year, CS wants to become "greenhouse gas neutral" in Switzerland. "This applies to energy consumption, waste management and paper consumption, as well as to all air travel booked in Switzerland." UBS management decided in February "to set a group-wide carbon emission reduction target of 40 percent below 2004 levels by 2012."

Beyond their own direct emissions, there is little to find on the Web sites of either Swiss bank. Both support a project that requires publicly-traded firms to disclose their CO2 emissions. In especially exposed areas, climate-relevant aspects are looked at as a part of risk management, and in the niche area of "sustainable" investments somewhat more systematically, where there are also individual products with alternative energies. Both banks are also active in emissions trading, although it is yet to be seen if this will be an effective method to reduce emissions.

These measures are of course welcome, and they give the right signals. But the banks' direct emissions are in no way proportional to the emissions that result from the client projects they finance. The banks are, on many levels and in various areas of operation, linked to the extraction and use of fossil fuels, and involved in the financing of large-scale CO2-emitting plants. A first step would be to obtain a clear picture of these indirect emissions. The research behind this documentation concentrated on controversial raw material projects that met with local opposition. Although not comprehensive, the study nevertheless found financial connections between CS and 13 oil and eight coal firms; connections were found between UBS and 10 oil and five coal firms.

In contrast to the "business as usual" activities and financing of fossil fuels, renewable energies only manage to eke out a niche existence. A current report from the BankTrack Network noted how high the bar is set: "An emphasis on shifting towardclean technologies also means that banks must shift their portfolios away from the largest greenhouse gas projects, particularly those aimed at expanding fossil fuel use. Banks must take a portfolio-wide effort to reduce the carbon impacts of their transactions, which requires a commitment to move away from, or phase out, high-carbon and fossil fuel investments."

The Coal (and Cash) of Credit Suisse

Coal produces more CO2 than any other fossil fuel. A coal power plant produces roughly twice the greenhouse gases per kilowatt-hour as a natural gas plant. Thus investing in coal power plants is incompatible with a responsible climate policy.

Credit Suisse, "greenhouse gas neutral" in Switzerland, foresees however a "coal renaissance" according to an article from its department for "Economic Research."

In comparison to oil, coal is said to have guaranteed reserves that will last much longer. What is not mentioned is the actual limit on the use of fossil fuels, namely the absorptive capacity of the atmosphere, since coal and oil can only be burned at the expense of an irreversible disruption of the climate system.

Credit Suisse does more than just recommend coal; it also holds a considerable block of shares of Xstrata, the world's largest exporter of coal for thermal power plants. Furthermore, it is financially linked to coal producers in Indonesia and the U.S., among others.

Oil Before Whales

The high oil prices have prompted the discussion of the foreseeable end of oil that is relatively easy to extract. Some scientists suspect that the peak of worldwide reserves has already been reached, and that from now on, oil will be used faster than new reserves are discovered. No one knows exactly how high the verified reserves are, because it is in the interests of both oil-producing nations and oil companies to make very optimistic estimates: The "proven reserves" are crucial for the share price and the strength of a corporation. In 2004, Shell had to reduce estimates of its oil and natural gas holdings five times. Its share price plummeted.

This is one reason why Shell is moving, full steam ahead, with one of the most controversial oil and natural gas projects. The Sakhalin Energy Investment Company, a consortium controlled by Shell and registered in the tax haven of Bermuda, is investing at least US $20 million in the world's most expensive oil and natural gas extraction project on the East Siberian island of Sakhalin. The planned expansion would

Sakhalin Environment Watch

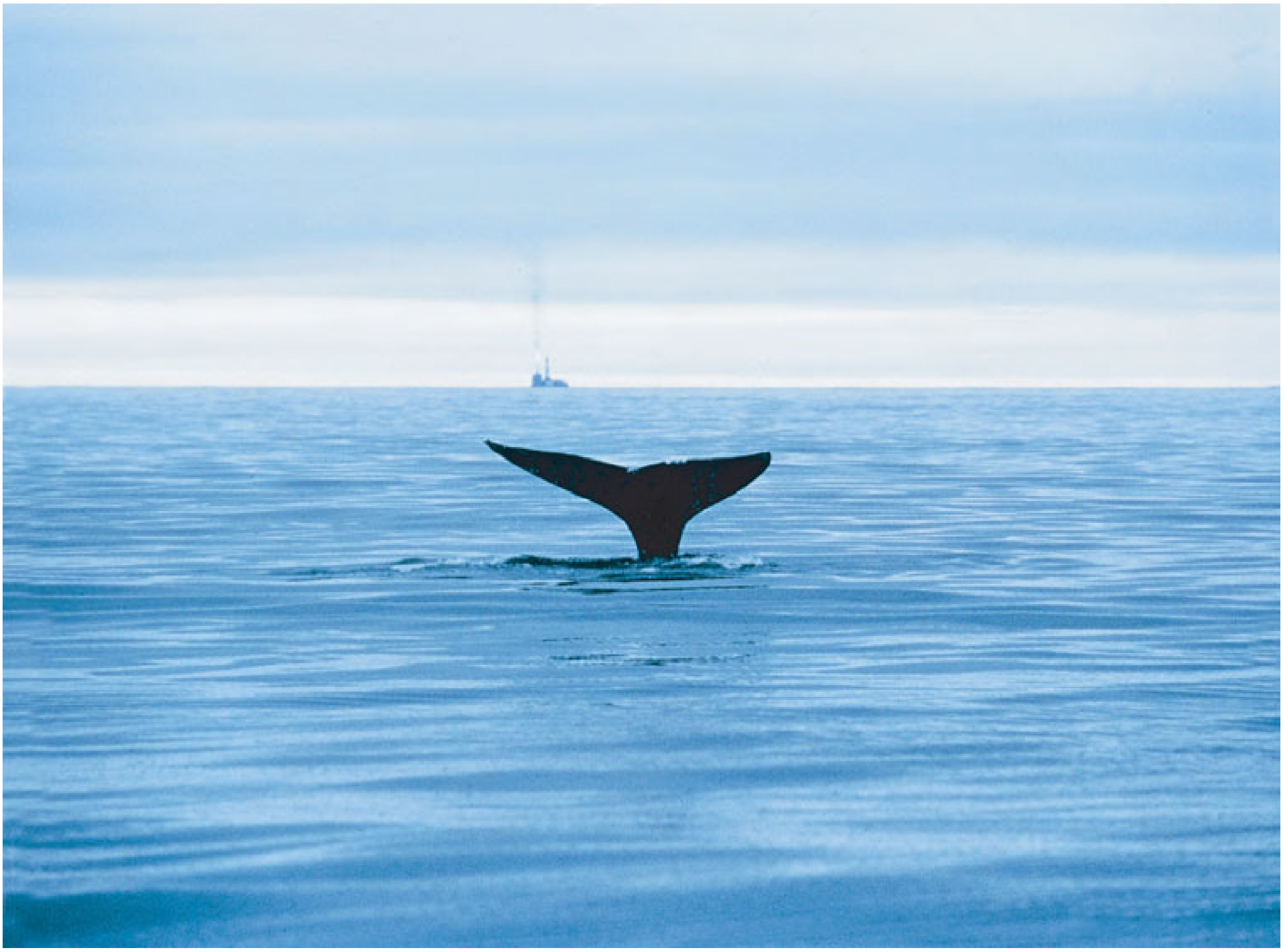
The Sakhalin oil pipeline under construction have devastating consequences for the endangered Western Gray Whale, the fish waters and spawning grounds of the island, and the way of life of the communities and indigenous groups living there in Sakhalin (see www.evb.ch/en/f25000052.html).

Credit Suisse currently holds a key position on the project, as it acts as "financial adviser" to Sakhalin Energy. As an addition to the public funding through the European Bank for Reconstruction and Development, CS is attempting to form a consortium of private commercial banks.

With the Sakhalin Project, CS is helping Shell prepare for the rush on the arctic, one of the few remaining unexplored locations where large oil deposits are believed to exist. Because of dwindling reserves and high prices, oil firms are prepared to take ever greater risks. What Shell has in mind was illustrated during a closed discussion of the WEF Strategic Partners at this year's WEF, entitled "Race to the North Pole": "The melting of the arctic ice cap could expose potentially enormous oil deposits that lie beneath it."

The banks must decide: Do they want to accompany the oil companies on their high-risk venture and thereby be complicit, not only in climate change and the resulting damage, but also in direct negative consequences such as the disappearance of a whale species? Or do they want to apply their know-how and financial muscle towards a long-term sustainable energy future for humanity? The choice is theirs.

Pacific Western Gray whale, soon extinct?



Greenpeace

Questions and Answers

Human rights obligations are a matter for nations. Why should the banks worry about them?

The Universal Declaration of Human Rights states that "every organ of society" is responsible for the adherence to human rights. Both the U.N. Human Rights Norms for Corporations and the Global Compact of the U.N. spell out the human rights obligations of corporations - and both major Swiss banks subscribe to these documents. The key terms iare "sphere of influence" of a corporation and "complicity" in human rights violations. Therefore the responsibility of the banks for the adherence and promotion of human rights also relates to the client projects they finance. Clients who have projects that violate human rights are clearly within the banks' sphere of influence. A bank becomes complicit when it knowingly ignores human rights abuses committed by its clients.

Banks emit almost no greenhouse gases; what does climate change have to do with them?

The direct emissions of greenhouse gases from banks is minor; therefore they can manage to be "greenhouse gas neutral" when it comes to their own activities. But the picture looks very different when one considers the greenhouse gas emissions caused indirectly via their consulting and financing functions. UBS and CS are both active in the coal, natural gas and oil sectors, to varying degrees and the banks naturally share in the profits of their fossil fuel energy clients. These profits come at the expense of climate system stability and the victims of climate change. The banks must decide if they want to accompany the fossil fuel economy on its high-stakes adventure, and as a consequence become complicit - not only in climate change and the resulting damages, but also in the direct negative effects of natural resource extraction - or apply their know-how and financial muscle towards a long-term sustainable energy future for humanity.

The banks are only financial backers that help firms finance their activities. Why should they be responsible for the actions of their clients?

It is true that the banks are only sometimes directly involved in client projects, such as classic project financing and certain consulting activities. Credit Suisse's mandate for the financing of oil and natural gas extraction on Sakhalin Island is an example. However for many transactions in trade and corporate finance it is equally clear what the financing will be used for. In these cases the entanglement of the banks is obvious. When they are significantly involved in the financing of a company, they then also share responsibility if the financing has an indirect link to controversial projects. In these cases the banks cannot be sure if their financing will benefit controversial projects resulting in human rights violations or environmental damage.

Non-governmental organizations (NGOs) call on banks to implement internal standards for critical areas like human rights and the climate. Do such standards really work?

If the PR department develops internal standards to calm a worried public, but then they end up at the bottom of an administrator's file cabinet, then the standards accomplish nothing. However the examples of international banks show that another outcome is possible. Standards can be developed in cooperation with NGOs and experts. The banks can publicly give their support, and top management can view standards as an important part of the corporate philosophy. When implemented, standards can have an effect on the attitudes of specialists for social and environmental issues, on employee education, and on bonus and promotion policies. In these cases, standards can help make the banks more sustainable.

A Call For Far-Reaching Standards

If the major Swiss banks want to take their responsibility for human rights issues and climate protection seriously, they must develop the appropriate internal standards. Other banks are already doing so, and are demonstrating that it is feasible.


Mineral Policy institute

is there a future for fishing in the Buyat Bay?

The financial sector was confronted with the topics of the environment and human rights later than other corporate sectors. And it took even longer for the consequences of projects financed by the banks to come to the fore. As the example of climate change shows, the banks' awareness still concentrates on the direct effects - for example the energy consumption and treatment of its own employees - although it is the indirect effects, caused by bank-financed projects, that are much more substantial.

To a large degree, the attention given to the environment and human rights in the financial sector can be attributed to external pressure. Non-governmental organizations (NGOs) began to target banks in their campaigns, starting in about 2000. These campaigns were a direct continuation of earlier campaigns against destructive large-scale projects and their financing through the World Bank and export credit agencies. It was shown that besides these two actors, commercial banks were getting increasingly involved in the financing of large dams, pipelines and mining projects. It even happened that commercial banks stepped into the breach and financed a project after the World Bank withdrew its support, citing violations of its own environmental standards. Since 2003, NGOs have increased pressure on the banks, for example via the BankTrack network, co-founded by the Berne Declaration, which leads campaigns on the social and environmental effects of bank-financed projects.

Swiss Banks Slow To Act

The goal of the NGO campaigns was, and continues to be, for the banks to enact internal standards for dealing with sensitive areas. Standards should ensure that sensitive subjects are not swept under the rug. The most effective standards have resulted from collaboration with NGOs. Of course it is not enough to write a paper and then to deposit it in the bottom desk drawer of an administrator. The banks need well-schooled employees who deal with social and environmental issues. The standards must be a part of the corporate culture and backed by management. Finally, all employees must be trained, and the bonus system adjusted so that it does not work against the implementation of the standards.

In the meantime there is a wide variety of such standards. Banks should have a choice of standards, depending upon what their core business areas are. It makes no sense for a bank to develop standards for the financing of large dams when it is not active in this sector.

A recently-published study from WWF UK and BankTrack compared the environmental and social standards of 39 globally-active banks. The study shows that the major Swiss banks Credit Suisse (CS) and UBS either have no clear standards or do not make them public, which was a central criteria of the study (52).

In comparison, eight banks have developed standards on the subject of human rights. These standards vary widely in terms of scope and quality. The Dutch Rabobank has the most convincing standards, which are explicitly based on U.N. norms. The systematic consideration of human rights has already had effects on Rabobank's business relationships. Within the framework of an audit, the bank discovered that one of its clients dealt with oil from Sudan. The bank concluded that the oil revenues fueled human rights abuses and the impending genocide, and ended the business relationship with that client (53).

Currently there are three banks that have a climate standard; two more banks have announced that they will develop one this year. The standard of Bank of America goes the furthest: It has committed to reduce the emissions resulting from its financing of projects in the energy and power plant sectors by seven percent by 2008 (54).

Both CS and UBS are linked to human rights violations and large greenhouse gas producers via their financing of client projects. The banks need standards for human rights and the climate. The human rights standard should be based on the U.N. human rights norms for corporations. A climate standard should address the measurement and reduction of indirect emissions, and help guide financing away from fossil fuels and towards

Sjoerd Panhuysen

Market sellers at Yanacoha mine, Peru

THE PATH TO STANDARDS

There are no ready-made standards that would be adequate for the complex realities of different banks; that is why the process of developing standards is central:
"identify key areas and risks regarding the subjects of human rights and the climate
"discuss (etc.) with human rights and environmental organizations
"develop standards
"request feedback (etc.) from human rights and environmental organizations
"complete and publish standards
"develop systems and processes for standards implementation
"train employees, secure management commitment
"implement standards, adapt systems and processes
"report regularly on standards implementation

THE EQUATOR PRINCIPLES ARE NOT ENOUGH

In addition to the standards that individual banks have developed, a common industry standard for project financing also exists: the so-called Equator Principles. The 40-odd "Equator Banks" promise to adopt the standards of the International Finance Corporation (IFC) for some financing. The IFC is the member of the World Bank Group that finances private sector projects. The Equator Principles are a first step, but still inadequate. The principles only apply to project financing according to a strict technical bank definition ("Project Finance"). This only includes projects where the repayment of loans and bonds comes directly from project revenues, but without any association of financial liability for the client (for example Shell on Sakhalin Island). Unlike CS, UBS does not practice this sort of project financing, and therefore did not sign the Equator Principles. The principles also lack transparency and simple mechanisms for their implementation. Therefore controversial projects continue to be financed by banks that have signed the Equator Principles.

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