

Geneva traders and African states: three models of relationship

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The relationships between Geneva traders and African states can be described according to three models, each of which carries advantages and risks.

The first is the buyer model. The trader buys cargoes on market terms, through tenders or transparent forward contracts, without any lasting financial link to the state. This model limits the risks of corruption and indebtedness, but it does not provide the producing countries with the financing they often need.

The second is the financier model. The trader grants pre-financing to the national company, repaid through future deliveries. This model provides liquidity to the producing countries and secure access to the traders, but it creates long-term commitments that are sometimes opaque. It also exposes both parties to the risks described in the next chapter.

The third is the partner model. The trader invests in infrastructure — refineries, terminals, warehouses, service stations — and becomes a lasting participant in the development of the sector. This model creates local value and stable relationships, but it exposes the trader to political risk and ties it to the governance of the country.

The large Geneva houses combine these models according to the country and the period. The choice of model and the terms on which it is implemented largely determine the contribution of trading to the development of the producing countries and the risks incurred by the traders.

Worked example. A national company sells a cargo of one million barrels of crude. If the market price is USD 80 and the trader obtains, through information asymmetry or an arrangement with officials, a discount of USD 2 per barrel, the country loses USD 2 million on that single cargo. On an annual production of 50 million barrels sold on the same terms, the loss reaches USD 100 million a year, a significant share of the budget of a small producing state. The figures, which are fictitious, illustrate what is at stake in the transparency of sale prices.

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