

Interdependence and its risks

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The members of the cluster are interdependent. The trader needs the bank, which needs the inspector, who needs the charterer, who needs the insurer, and all of them need the lawyers. This interdependence creates synergies: proximity reduces transaction costs, speeds up decisions and makes it possible to handle complex situations. It also creates shared risks.

The first risk is contagion. The failure of a trader hits its banks, documentary fraud undermines confidence in certificates, and sanctions targeting a shipowner block cargoes. The crises of 2020 and 2022 showed how a shock in one link spreads to the whole chain.

The second risk is shared reputation. A corruption case involving a Geneva trader reflects on its banks, its advisers and the entire financial centre. The non-governmental organisations established in Geneva, described in Part F, draw on such cases to criticise the sector as a whole.¹

The third risk is erosion. If the banks withdraw from trade finance, if the traders move their operations to Dubai or Singapore, if the talent leaves, the cluster loses its density, and each departure weakens the remaining members. The mechanism is that of the network effect, which Part A described in connection with the fairs: the value of the centre to each participant depends on the presence of the others.

Caution. The interdependence of the members of the Geneva cluster creates both synergies and shared risks: contagion of failures, common reputation and cumulative erosion in the event of departures. Preserving the cluster is a collective interest that every player must build into its decisions.

1 Notes

1. Public Eye, “Russian oil trade: Dubai pulls out all the stops to edge out Switzerland”, publiceye.ch, 16 November 2023, for an example of an NGO investigation into Geneva trading. ↩

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