

Traders and producing states: a structuring relationship

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The history of Geneva's commodity trading is also the history of its relations with producing states. After the nationalisation of oil resources in the 1970s, the national companies of producing countries had to market their output, which they were not always in a position to do on their own. Independent traders took over this function, buying oil from the national companies and reselling it to refiners, often advancing funds to producing states against future deliveries.¹

This relationship made the fortune of several houses and provided producing states with markets and liquidity. It also created mutual dependencies and risks. Producing states, often fragile, could be tempted to pledge their future output in order to finance immediate expenditure, with consequences for their indebtedness that Part I will examine. Traders, for their part, exposed themselves to political risk and to the corrupt practices that sometimes surround the award of contracts.

The relationship between traders and producing states thus constitutes one of the most sensitive areas of Geneva's commodity trading. It has given rise to criminal proceedings in Switzerland and abroad, which Part H will describe, and to transparency initiatives intended to make public the payments made by traders to governments. It illustrates the permanent tension between the economic function of commodity trading, which is to ensure that resources find their way to market, and the risks of abuse that this function entails.

1 Notes

1. Marten Boon, “Deuss’ demise: an oil trader’s struggle to keep up with the market, 1970s-1990s”, MPRA Paper 95460, 2019: the end of the concession system in the 1970s broke up the oil value chain and gave rise to a spot market in crude; independent traders were “vital agents of globalization” in the late 1970s and early 1980s, before “the original oil traders were either forced out of the market or fundamentally transformed their businesses”; John Deuss, among the three largest traders in the world in the 1980s, declined after a failed attempt to corner the Brent market. ↩

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