Billions at Play: The Future of African Oil and Doing Deals

Book review

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04/10/2019

The book Ayuk wrote is not just about African oil and the economic importance oil -and resources in general- may have in a given economy; this book offers and discusses how a set of proper economic and social policies makes possible for the whole society to benefit from extraction activities. In the context of the book, oil and resources can be seen as a vehicle -used by the author- to highlight a number of disastrous choices put in place by African governors, ministers, prime ministers and kings; the message is that oil -and the flow of money deriving from it- does not have the power to bring benefits to our societies if not accompanied by policies and interactions among stakeholders.

This book describes -by using a vast array of country-specific examples- each single steps African countries should put in place to lay out the basis for a prosperous future. Realising the potential that African countries currently have -which in most cases is still hidden or just scratched- must be a joint effort; Ayuk stresses throughout the book the importance of a symbiosis work, the international institutions should liaise with the national government, companies should listen to African leaders, the educational system should teach the importance and value of resources and the labour market should integrate female workers. A concerto of efforts rather than a solo.

The main issue Ayuk tackles in his book is how can a nation have so much in terms of resources, and yet struggling to guarantee a decent living to his citizens? This issue -well-known in the economic debate as ‘resource curse’- relates to the fact that countries rich in resources do not perform well -or not as well as expected- in terms of economic growth and inclusion. Whilst vast oil wealth can be advantageous for a country starting out on the path of development, proponents of the ‘resource curse’ thesis claim that resource dependence often impedes broader socio-economic progress in the long term. The term ‘resource curse’ was first coined by Professor Richard Auty in his 1993 seminal book Sustaining Development in Mineral Economies: The Resource Curse Thesis to indicate the paradoxical tendency of resource-rich countries to grow more slowly than resource-poor ones. The book is extremely rich of examples of countries which falls into the resource curse stereotype, and of countries which overcome the curse.

The history of Africa has plenty of examples of mismanagement of resources. Nigeria -with its massive oil production and its very limited supply of energy- constitute a very good example of how being rich in resources does not automatically translate in lighting streets and households’ houses. There are success stories too; one promising example albeit circumscribed -as Ayuk reminds us- is happening about an hour east of Lagos, Nigeria, where the construction site of a USD12 billion oil refinery and petrochemical plant has become a multicultural hub. If everything comes together as planned, the refinery complex has great potential to diversify and strengthen Nigeria’s economy, to spur knowledge and technology transfers, to attract foreign investment opportunities and to put an end to Nigeria’s dependency on foreign petroleum.
The first part of the book focuses on understanding the reason why mineral resources have not been leveraged well in a way that the whole society would benefit from them and it proposes several solutions to overcome the curse; it goes beyond the simple suggestion of solutions and the author explains and analyses how those solutions have worked in concrete terms in countries over time.

The hope the authors have is clear from the very beginning; the expectation is that success stories like the one about the Sempra Energy’s liquid natural gas facility -located in Louisiana- which is experiencing a record growth and creating good-paying jobs in United States would happen in Angola, Algeria, Nigeria, Equatorial Guinea, Ghana, Gabon and Cameroon. We know that success stories can happen in developing countries too; the book describes few examples of countries who escaped the resource curse and did brilliantly in terms of economic performance -it happened in Chile with its endowment of copper and to Botswana and its expensive diamonds. Those experiences show that it is possible for the country-rich-in-resources to gain, and for its citizens to benefit as well. The author rightly mentions that ‘ignoring the continent’s massive petroleum resources is not the key to avoid the resource curse’. The ‘curse’ can become the key to a better future for Africa.

The benefits of injecting money into the African economies at any level of their society have the power to rise the living standards better than any other aid has ever done. The author relies on the findings he discussed about in his previous book “Big Barrels” where he unveiled the inefficiency of humanitarian aid –“charity” as he defines it- in ameliorating the wealth of the recipients. The benefits of properly managing oil may translate in a stable supply of energy, for the urban and for the rural citizens, which brings the amenities of a modern life. The benefits go beyond that; a good functioning oil sector can create more opportunities for African women in the oil and gas industry. It’s a win-win scenario: women have a great deal to offer in terms of professional skills, and good jobs for women contribute to a more stable and a more economically vital Africa.

A big part of Ayuk’s book is on the practicality of what African countries need to put in place to benefit from their resources. The author has a recipe to answer this very question. The first step presented in the book takes the name of OPEC; Gabriel Mbaga Obiang Lima -Equatorial Guinea’s Minister of Mines and Hydrocarbon- mentioned that being part of the OPEC -and being able to take a seat at ‘the adults’ table’- will "give us a voice”. Ayuk continue by saying that OPEC guarantees “[…] common interests of its members but it also takes their individual needs and opinions seriously and advocates on their behalf”.

The author then moves on to the role the government should have. What is its responsibility in achieving successful economic growth? Ayuk’s idea of how institutions may help triggering economic growth is that they should “[...] create incentives for investment and technology adoption […], thereby facilitating higher growth over the longer term. Weak institutions […] may encourage rent seeking activities and corruption, leading to less productive activities; discourage firm investment and human capital accumulation; and lead to worse growth outcomes”.

This is when businesses enter the picture; according to Ayuk, business owners must keep in mind their mandate: making profits and supporting the prosperity of the community they operate in. Businesses can succeed in Africa and Africa can succeed with businesses too, if communities are involved in this success and workers empowered.
The recipe for success necessarily must go through the cooperation and collaboration among neighbours. Ayuk highlights the role that Pan-African Organizations should play to promote African self-reliance. As we speak, the African Development Bank is helping its 54 regional and 26 non-regional member countries to achieve sustainable economic development and social progress.

Should the actors in the energy sector work towards guaranteeing the gender parity? The author is convinced that empowering women through the oil and gas industry would have far-reaching socioeconomic benefits. What if companies will guarantee a share of new available jobs to local women? Companies’ images will look better too as public perceptions will improve and inclusiveness will be guaranteed. The main gain -as the neo-classical economists would argue- is that a bigger pool of talents will help the oil and gas industry which is currently facing a serious shortage of skills.

Gender gap cannot be solved if education gap is still present. Civil society should teach citizens to respect, honour and empower women, just in the same way as we normally do for men. Women should be given educational opportunities that give them the necessary science, technology, engineering. Ayuk’s examples to this regard are truly empowering; one example comes from the African Science Academy, a Ghana-based secondary school only for women which specializes in advanced math and physics. Students are recruited from throughout the African continent, and scholarships are available to cover students’ tuition and travels.

The breath of the book goes beyond what I have tried to summarise and highlight here; Ayuk’s book is rich in case studies -from the energy sector in Tanzania and the problem associated to Tanesco monopoly to the success Equatorial Guinea had in maximizing the benefits of its natural resources, from the diversification policy in Trinidad and Tobago to the synergies between Norwegian companies and Angola’s government.

Ayuk offers an insight of the fact that medium-sized enterprises -extremely popular in Africa.constitute another recipe for an overall success: fewer rules, less layers of bureaucracy, more agile way of working and dealing with the stream of work.

Among other issues, Ayuk discusses how the lack of economic diversification diminishes the country’s resilience to external shocks (as in the case of fluctuations in oil prices) and how investments agriculture and tourism will guarantee the long-term macroeconomic stability.

He debates on the importance of good governance to combat corruption behaviours and of technology in the oil sector, and on the fact that Africa needs local solutions, not one-off help from Western countries.

To conclude, I would like to use a motto that appears in the book and that well-describe the process several economies need to undergo; as Ayuk says: “Africans must unite in Africa, with Africans, for Africa”.