

Untapped: The Scramble for Africa's Oil

John Ghazvinian

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John Ghazvinian : Untapped: The Scramble for Africa's Oil before purchasing it in order to gauge whether or not it would be worth my time, and all praised Untapped: The Scramble for Africa's Oil:

2 of 2 people found the following review helpful. Riveting in-depth look at African oil By Tim F. Martin_Untapped_ by John Ghazvinian is a riveting in-depth look at the rising importance of African oil. In recent years formerly poor countries, of little importance in the global economy, were suddenly awash in oil money (one, Equatorial Guinea used to be of so little importance to the U.S. that the American embassy had been closed; now it was about to reopen). The U.S. was soon expected to get as much as 25% of its imported oil from sub-Saharan Africa and China was becoming increasingly reliant on African crude. Ghazvinian traveled through twelve African countries to discover the reasons

behind the boom and what this means for Africa and the world. So why is African oil booming? Some experts believe that at best Africa only has 10% of the world's proven oil resources, so why the many billions of dollars spent on investment there? Much African oil (particularly offshore oil in the Gulf of Guinea, the 90-degree bend in the west coast of Africa) is of high quality, crude that is "light" (viscous) and "sweet" (low in sulfur), making it cheaper to refine than Middle Eastern crude. Not only is it cheaper to refine, it is less environmental costly to refine. African crude is also easier and cheaper to transport. Most of Africa is surrounded by water, which cuts transport-related risks and costs; indeed offshore oil from the Gulf of Guinea is already well-positioned for quick and safe transport to major markets. Little need for any expensive, politically-difficult to negotiate, and vulnerable pipelines such as what are needed to bring Caspian crude to market. In the few cases where pipelines are needed they often only have to run through only one or maybe two countries. Another reason for the attractiveness of Africa is that African nations generally present a more favorable contractual environment for oil companies to operate in. Unlike in Middle Eastern nations where state-owned oil companies often have a monopoly on oil exploration, production, and distribution, most sub-Saharan African nations operate on production-sharing agreements (or PSAs), an arrangement in which foreign oil companies are awarded licenses, assume all up-front costs for exploration and production, and share the revenues with the nation in question only after initial costs have been recouped. Yet another reason is that with the exception of Nigeria (though others may soon join), sub-Saharan African nations were not members of OPEC (and thus not subject to their strict limits on oil output). The "most attractive of all the attributes of Africa's oil boom" has been that most new oil discoveries have been made in deepwater reserves, many miles from populated land (or indeed land at all), meaning that they are pretty much isolated from the dangers of civil war, insurrection, sabotage, or banditry (an increasing problem for oil production from the Niger Delta in Nigeria, which the author covers in depth, revealing such innovative crimes as "illegal bunkering," "local bunkering," and "trucking"). A dominant theme of the book is just what this oil will mean for Africa. Many scholars and humanitarian activists view the oil boom not as blessing but rather a curse. Dubbed the "paradox of plenty" or the "resource curse," time and again throughout the world where oil has been discovered in a developing country that country has seen its standard of living decline and its people suffer in comparison to its non-oil endowed neighbors (their economies generally growing four times faster than oil-generating countries). Though at first an "oil curse" seems counterintuitive, the author presented a well-argued case for its existence. Though the discovery of oil can bring about political and military conflict (such as exacerbating ethnic tensions in the Niger Delta), by and large the problem of oil is one of economic degradation. Ghazvinian cited an example from economics labeled the "Dutch disease," a term coined by the *Economist* in 1977 to describe the collapse of the Dutch manufacturing sector after the discovery of Dutch natural gas in the 1960s. Basically, when a country starts to export a valuable natural commodity to the international market, it finds itself flooded in foreign currency. This glut artificially inflates the value of that nation's own currency, making imported products suddenly cheaper (which are also often perceived to be of better quality). Local producers (in Africa often this means local farmers) find that fewer people buy their products, so they abandon rural areas to flock to cities, creating a mass urban migration that devastates a country's traditional farms and small cottage industries. Of course, with this collapse, those in the city becoming increasingly reliant on imported foreign goods, something that is unfortunately out of reach to the new urban arrivals; a country that was once a net exporter of food often becomes a net importer of food. If and when the oil runs out, a nation's currency quickly depreciates, meaning its people are no longer able to buy now-expensive foreign imports and there is now no longer any local industry to speak of to fall back on. An additional danger for oil producers is the development of a "rentier state." Rentier states are countries in which most if not all of the state's income comes from some form of economic rent (in this case a percentage of oil revenues). Such nations develop governments that in essence act like wealthy landlords, content to sit back and collect income from foreign corporations, divorcing the government and its management of the economy from the daily needs and activities of the people. Politicians no longer have any reasons to encourage industry and the government is no longer reliant on the economic productivity of its citizens but rather itself becomes instead a source of wealth. The state becomes an "allocation state," in which the government is seen as a big "sugar daddy," a source of free money. Where citizens pay taxes, they care about corruption and cronyism, while in a rentier state they view public funds as something open to all (often the elites, who make billions disappear).

1 of 1 people found the following review helpful. Great work of investigative journalism
By Newton Ooi
The author of this book traveled thru Africa interviewing people affected by their local oil industries to provide insight into what is happening in this continent. Sojourning thru countries like Nigeria, Gabon, Equatorial Guinea and Angola, the author talks to private citizens, public officials, oil executives, PR agents, and the workers of the oil facilities themselves to create insightful analyses of how the oil industry is changing numerous countries in sub-Saharan Africa. The author also provides history by recalling the names of important Africans involved with the oil industry, such as Nigeria's Ken Saro Wiwa, and recounting their actions and words. And the author also investigates the histories of the various oil companies in Africa, such as Royal Dutch Shell, Total, and Chevron. Mixing a wealth of statistics with interviews, anecdotes, and textbook analyses of economics and history, this book provides a very readable introduction to oil politics in Africa. Overall, a great book.

0 of 1 people found the following review helpful. Great book, interesting from start to end
By Luis Mansilla
A very good book, utterly

necessary to understand today's trends on Oil politics, problems and the companies involved in this business. Africa is the center of attention these days, everybody is hungry for oil and this book shows what is happening in some countries of this continent, such as Nigeria, Congo, Equatorial Guinea, Gabon, Angola, Sudan and others. The author travelled to all these countries to see with his own eyes the current situation, all the poverty, corruption and the scars of recent devastating wars and most importantly, the effect that Oil has produced on the country and its people. He explains why Oil's revenues have been more a curse than a blessing, you will read about the Dutch disease and "rentier states" and how China has made itself felt there. This is my second book on Africa and I still wonder "what is wrong with these people".

Although Africa has long been known to be rich in oil, extracting it hadn't seemed worth the effort and risk until recently. But with the price of Middle Eastern crude oil skyrocketing and advancing technology making reserves easier to tap, the region has become the scene of a competition between major powers that recalls the nineteenth-century scramble for colonization there. But what does this giddy new oil boom mean—for America, for the world, for Africans themselves? John Ghazvinian traveled through twelve African countries—from Sudan to Congo to Angola—talking to warlords, industry executives, bandits, activists, priests, missionaries, oil-rig workers, scientists, and ordinary people whose lives have been transformed—not necessarily for the better—by the riches beneath their feet. The result is a high-octane narrative that reveals the challenges, obstacles, reasons for despair, and reasons for hope emerging from one of the world's energy hot spots.