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Varieties of resource nationalism in sub-Saharan Africa's energy and minerals markets

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ABSTRACT

This article examines resource nationalism in sub-Saharan Africa's energy and minerals markets. It does so by exploring economic and political developments in three cases: Nigeria as an example of a petro-state established by means of expropriation in the wake of decolonisation; South Africa, a mature mining industry shaped by its settler colonial history; and Mozambique, a new and therefore highly-dependent entrant into the league of significant natural gas producers. Extractive industries have played a controversial role in sub-Saharan Africa due in particular to the prevalence of the resource curse. Nevertheless, energy exports will continue to play an important role in fuelling economic growth and, potentially, also development as new deposits of natural gas and oil are discovered across the region. Resource nationalism has, moreover, increasingly constrained operations of the traditionally dominant Western energy companies, in particular as competition from state-owned energy companies in sub-Saharan Africa and from emerging powers such as China is increasing.

1. Introduction: natural resources and high politics

The spectre of resource nationalism has haunted international resource companies since the Government of Mexico, under General and President Lázaro Cárdenas, nationalised oil reserves, previously controlled by US and Anglo-Dutch companies, on 18 March 1938. That day has been commemorated in Mexico with a national holiday. A few months later, the government created *Petroléos Mexicanos* (PEMEX), the world's first National Oil Company (NOC), which is today one of the world's Top 20 energy companies when measured by revenue. Across the world, political fortunes have been built on resource nationalism. Saddam Hussein engineered the nationalisation of Iraq's oil in 1972 (today Iraq has the fifth largest proven reserves in the world) and used the widespread popularity and respect garnered by these efforts to subsequently launch comprehensive social and economic reform. Russian President Vladimir Putin and Venezuela's revolutionary and President Hugo Chávez have used their respective countries' oil and gas wealth to finance domestic and regional ambitions. Oil has a long history of intertwinement with high politics, but once the waves of nationalisation swept through global resource markets. The international resource companies could 'no longer count automatically on the direct diplomatic support of their home governments as they could in the days the Big Stick or the Pith Helmet' (Moran, 1973, p. 273).

Of course, resource nationalism might, as per the International Energy Forum's definition, be considered no more than a case of producer nations 'wanting to make the most of their endowment' (Stevens, 2008, p. 5). In his seminal and otherwise very critical account of the resource curse, Ross (2012, p. 8) acknowledges that 'nationalisation was a giant step forward for oil-producing countries' as they gained control of their resources and came to capture a much greater degree of the profits they generated. Certainly the 'golden years' of resource nationalism, the 1950s through to the 1970s, served to rectify the hugely disadvantageous concessions granted to International Oil Companies (IOCs) by producer nations such as Iran, Iraq, Kuwait and Saudi Arabia (Stevens, 2008, p. 10).

In sub-Saharan Africa, too, nationalisation of natural resources has influenced political, economic and developmental fortunes. The countries around the Gulf of Guinea constitute the core of the region's energy industry. Writing at a time just before the onset of rapid economic growth across sub-Saharan Africa came to invoke the notion of 'Africa Rising' (e.g., Lagarde, 2014), Soares de Oliveira (2007, p. 269) suggested that the global economic significance of oil production in the Gulf of Guinea was 'one of the few exceptions

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in an Africa that matters less to the world economy now than at any time since the fifteenth century'. Nigeria, with its vast reserves of oil and natural gas, has long been the region's biggest prize. The nationalisation of the Nigerian oil industry, beginning with the creation of the Nigerian National Oil Corporation in 1971 and culminating in its merger with the Ministry of Petroleum to create the Nigerian National Petroleum Corporation (NNPC) in 1979, resulted in huge revenues accruing to the federal government. Oil revenue already made up 26.3% of total government revenue in 1970, but had risen to 82.1% only four years later. Since then, oil revenue has never made up less than 60% of government revenues and has regularly peaked well above 90%, 'rendering Nigeria almost completely dependent on oil' (Frynas, 2000, p. 24).

The 1970s oil boom in Nigeria also produced societal conflict over how those revenues should be shared across this heterogeneous and increasingly fractured federal state (Sala-i-Martin and Subramanian, 2003). Partly due to this infusion of oil wealth, Nigeria became a paradigmatic example of the problem, initially identified by Jackson and Rosberg (1982), afflicting many African states as a result of the continent's colonial history and artificial borders – the problem of having their sovereignty recognised *de jure* by the international system of states, but not possessing *de facto* the core attributes of state sovereignty. Like Nigeria, many countries in sub-Saharan Africa are in this sense 'quasi-states' in which the damaging effects of a rapid infusion of oil revenues give rise to a 'resource curse' (Ross, 1999), also known as the 'paradox of plenty' (Karl, 1997), that is characterised by increasing corruption and conflict alongside economic stagnation.

As Ross (2012) explains, the ill effects of this curse are particularly evident in the wake of the nationalisation of resources. Ross's contention is corroborated by Jensen and Johnston (2011), who demonstrate that governments likely to nationalise resources are also more likely to renege on contracts across all sectors of the economy, thus increasing overall levels of political risk that are detrimental to government stability and to the rule of law. In addition, Jensen and Wantchekon (2004) demonstrate a strong and negative correlation between resource abundance and levels of democracy in sub-Saharan Africa, and Joffé et al. (2009, p. 3) identify resource nationalism as 'a constant, if fluctuating, systemic risk to international private operators'. Ross's (2012, pp. 4–5) contention, that 'the events of the 1970s, *especially* nationalization, made the problems of the oil states a lot worse' provides a useful context in which to examine the trend towards a decreasing role of IOCs in the region's markets.

It is therefore no surprise that oil riches have often been thought of as a curse. The Venezuelan diplomat Juan Pablo Pérez Alfonso, who took the lead in creating the Organization of the Petroleum Exporting Countries (OPEC), famously described it as the 'Devil's excrement'. There is by contrast a degree of mythical glamour surrounding the discovery of gold and diamonds. In perhaps no other country is the history of mining more closely tied to the nation's fortunes than in South Africa. Its mining industry ushered in the first and most comprehensive period of industrialisation in sub-Saharan Africa. From the Anglo-Boer wars, triggered by British and Afrikaner competition for the spoils of the massive discoveries in the latter half of the nineteenth century of diamonds in Kimberley and gold on the Witwatersrand, to the post-apartheid era of Black Economic Empowerment (BEE) policies, the South African mining industry remains a key dimension of the shifting tides of political power.

Iheduru (2002), Southall (2008) and many others have documented the startling speed with which prominent individuals in the anti-apartheid and labour union movements were transformed from comrades in struggle to what Adam et al. (1998) have memorably described as 'comrades in business'. The Randlords who built South Africa's first mining fortunes in the early twentieth century, and in particular the iconic Oppenheimer family and its vast Anglo-American and De Beers empire, towered over the development of capitalism in South Africa (Lipton, 1986). South Africa's former President B. J. Vorster likened the support of the country's mining industry to 'bricks in the walls of the [apartheid] regime's continued existence' (quoted in Sharife, 2014). Likewise the mining magnates of the post-apartheid era, such as Deputy President Cyril Ramaphosa, former Gauteng Premier and government minister Tokyo Sexwale and South Africa's richest man Patrice Motsepe have all benefited from close connections to, and key roles in, the ruling African National Congress (ANC). These captains of industry symbolise the intersection of political and economic power since the onset of minerals-fuelled industrialisation.

While mining as a share of South Africa's national GDP has declined from a peak of about 20% in 1970 to 5% today (IMF, 2012), the industry remains a politically powerful and contentious industry. This is evidenced by the recent, and by historical comparison long and destabilising, strikes in the country's mining industry that are taking a heavy toll on its economic growth and investment prospects (England, 2014a). The strike at Lonmin's platinum mines at Marikana in 2012 resulted in 44 deaths, including the shooting of 34 miners by the South African police on 16 August. While South Africa's minerals industry has not produced a resource curse in the classic sense of that in Nigeria, its historic importance underpins and fuels current debates about the merits of nationalisation. South Africa's intermittent violence, not to mention lengthy periods of conflict in the Niger Delta and the regional warfare involving several central African nations in the eastern Democratic Republic of Congo, are further reminders that energy and mineral riches have regularly proven to be socially combustible resources across the continent (Le Billon, 2001; Ross, 2006).

Given that the extractive industries have played a controversial role in the political and economic developments of resource abundant countries in sub-Saharan Africa, the article proceeds as follows. First, it is argued that energy exports will continue to play an important role in fuelling economic growth and, potentially, development as new deposits of natural gas and oil are being discovered in an increasing number of countries across the region. Because resource nationalism has played an important role in sub-Saharan Africa it has also increasingly constrained the operations of the traditionally dominant Western energy companies, in particular as competition from state-owned energy companies in the region and from emerging powers like China is increasing. Second, definitions of resource nationalism in the historical context of sub-Saharan Africa are considered. The nature and evolution, as well as potential future types of resource nationalism among the region's energy and mineral exporters, are explored by focussing on economic and political developments in three distinct cases: Nigeria, an example of a petro-state established by means of expropriation in the wake of decolonisation; South Africa, the location of a mature mining industry in a regional environment shaped by its settler colonial history; and Mozambique, a relatively new and therefore highly dependent entrant into the league of significant energy producers. Third, to better understand what resource nationalism in sub-Saharan Africa might look like in the future, and what its impact on Western energy companies might be, the article considers how Nigeria, South Africa and Mozambique fit into Bremmer and Johnston's (2009) four-fold typology of resource nationalisms. The article concludes with some thoughts about the future relevance of resource nationalism in sub-Saharan Africa.

2. The African resource frontier

Resource extraction has had a major impact on modern sub-Saharan Africa and there is every reason to assume that it will