
Economic and security impacts of oil dependence in Sub-Saharan Africa: the need for alternatives

*Yossie Hollander
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*Credits: Johannes Lehmann and David Lee
Cornell University*

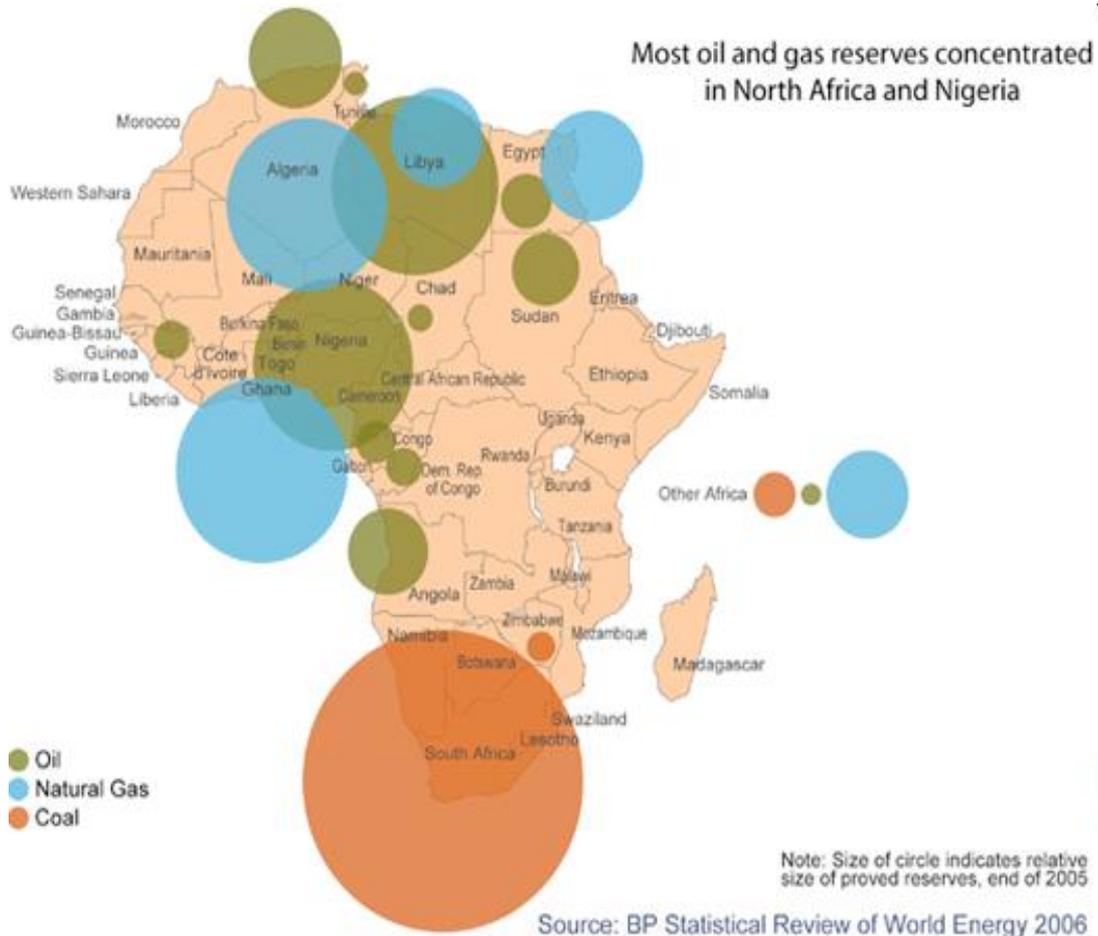
The Problem

- There is a concrete danger of up to 100 million people massacre in Africa during this decade as a result of oil shortage
 - Within a few years, all philanthropic activity in sub-Saharan Africa will cease because of lack of transportation
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The world is heading towards major oil shortage within a few years

- **Oil demand projected to grow faster than our ability to increase production.**
- All the growth will come from non-OECD countries
- Transport sector to account for 97% of the increase in oil use
- **DOD JOE 2010 report - By 2012, surplus oil production capacity could entirely disappear, and as early as 2015, shortfall in output could reach nearly 10 mb/d**

Most of Africa depends on imported oil



- 42 African countries are net oil importers (including 3 that also produce modest amounts of oil)
- Fuel imports, on average, constitute over 17% of merchandise imports
- Kenya: 27% of all imports are fuel

Contribution to current account deficit

Balance of Payments Indicators, 2008-2011, for selected African countries

	Current account balance (\$ million)				Current account balance (as % of GDP)			
	2008	2009	2010	2011	2008	2009	2010	2011
Kenya	-3 009	-2 552	-3 464	-2 592	-9.9	-6.7	-9.0	-6.6
Ethiopia	-1 449	-1 675	-2 945	-2 513	-5.5	-5.3	-9.6	-7.4
Guinea	- 314	- 411	- 407	- 550	-6.9	-9.3	-8.3	-10.2
Rwanda	- 286	- 295	- 294	- 274	-6.4	-6.7	-6.2	-5.3
Africa	62 589	-35 507	3 520	13 104	4.1	-2.5	0.2	0.7

- 45 countries in SSA run current account deficits in 2010 (only oil exporters do not) with average deficit of 11.6% of GDP
- 30-150% of current account deficit attributable to oil imports*
- **Kenya – 152%, Ethiopia – 98%, Guinea – 122%, Rwanda – 29%**

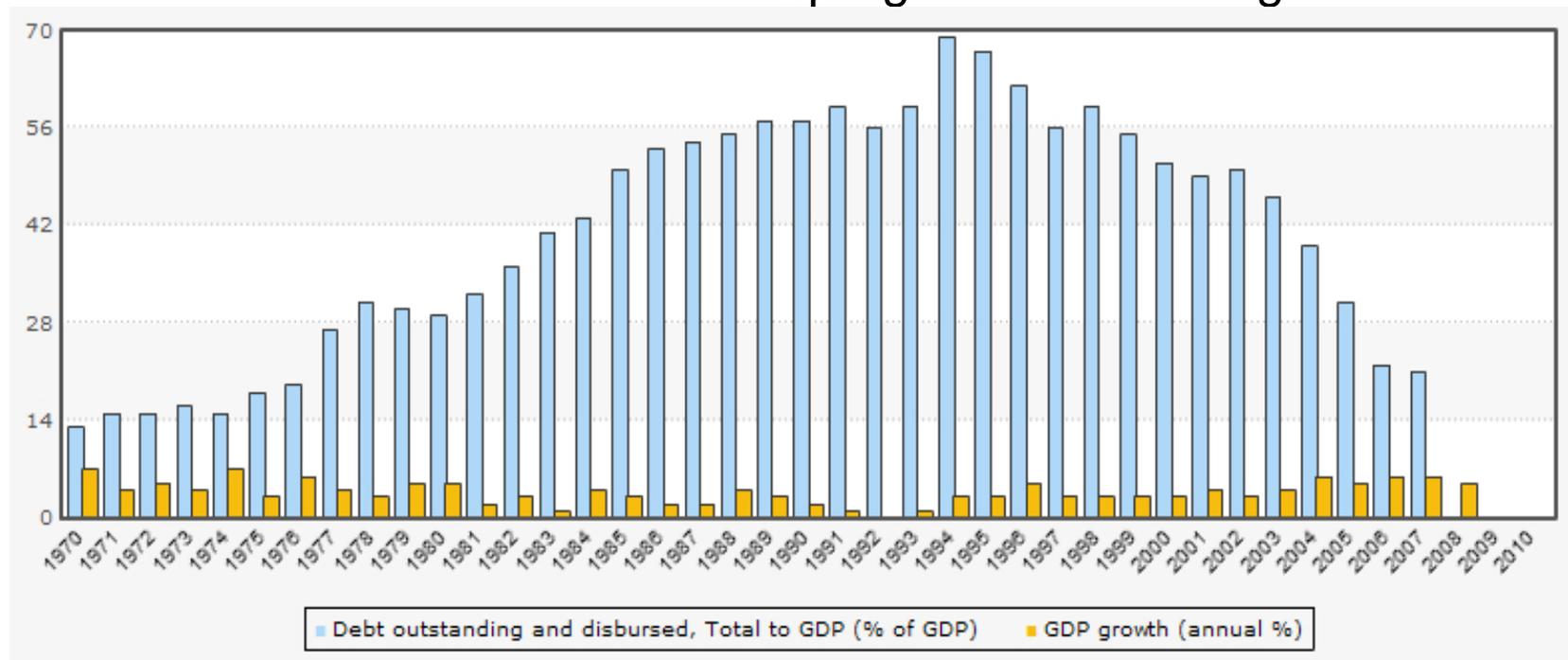
Arresting growth – lessons from the past

1970s oil crisis: petroleum and commodity price shocks

→ heavy borrowing by developing countries

→ unsustainable debt loads and low growth rates

→ often unsuccessful structural adjustment, economic stabilization programs & debt forgiveness



Effects of oil scarcity on sub-Saharan Africa

- Stage 1 – current – high oil prices arrest growth and create a new debt crisis
 - Stage 2 – next 3 years – continued rise in oil prices → rise in food prices → threats to food security.
 - Stage 2 – problems in food and fertilizers delivery (like in 2008)
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Stage 3 -Zero Oil Society

When? Sometimes during this decade – no more oil for 20 countries in Africa – back to the middle ages:

- Almost no transportation
 - Severe decline in export/import
 - No delivery of fertilizers/pesticides (if they could afford them).
 - Severely reduced commerce
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Stage 3 -Zero Oil Society

- No modern society has ever experienced a regression to zero oil. We don't know what will happen.
 - Within a year, the economy and the land will be able to feed much less people. It is difficult to predict how many:
 - Spot checks indicate that a metric ton of urea costs about U.S. \$90 FOB (free on board) in Europe, \$120 delivered in the ports of Mombasa, Kenya, or Beira, Mozambique, \$400 in Western Kenya (700 km away from Mombasa), \$500 across the border in Eastern Uganda, and \$770 in Malawi (Science)
 - Use of fertilizer in Malawi tripled production (plosbiology.org). Loss of it could reduce agro production by as much as 60%.
 - In order to survive, population size would need to be scaled down. The strong will kill the weak. **We could see 50-100 million deaths in Africa over 2-3 years.**
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Secondary effects of real oil shortage

- Countries about to lose access to oil might take preventive actions by attacking neighboring countries in order to take control of valuable resources
 - The West/NGOs will not be able to help – any kind of help is dependent on oil for transportation
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The Impact will not be limited to Africa.

Weak nations (like non-tiger Asian countries) will experience similar problems.

The richer/stronger countries will use force to secure oil supplies.
