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Queuing up for Africa: The geoeconomics of Africa's growth and the politics of African agency

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Introduction

As an undergraduate in the UK in the 1980s, I devoured *A Geography of the Third World* (Dickenson *et al.* 1983) which was co-authored by Bill Gould. On wanting to further my studies in an outstanding geography department, I moved to Liverpool to be supervised by Bill for my PhD on decentralisation in Ghana. While Bill was an astute (and patient!) supervisor, it was as a teacher that I wish to highlight his profoundly geographical take on development issues. In particular two of the 'tests' that he administered early in a second year course on the *Geography of Africa* were emblematic of his approach to development, geography, and Africa.

The first test, and hence the title of my paper, involved asking students to make a judgement on the extent to which Africa's development 'problems' were internally generated – by aspects such as culture, corruption and the environment - or the result of external factors, such as trade relations and colonisation. They were then asked to form a queue ranging from 'external' at one end to 'internal' at the other end and position themselves according to their view of the relative influence of each. Students shuffled along the wall of the lecture theatre and once they had settled into place Bill walked along the line, as if inspecting the troops, and quizzed a sample of them about why they were standing where they were. During the ensuing course, students engaged more deeply with African development and usually came to the conclusion that while structural and global factors were key, it is also essential to understand the nuanced geographies of each African country, region and locality. Keeping in mind the global and local in African development and trying to avoid unhelpfully simplistic explanations have been a part of my approach ever since.

The second test presented students with a blank map of Africa and Bill asked them to fill in the country names. The results were not always pretty: Algeria – if it existed at all - was to be found near Zanzibar, and although Ghana usually appeared somewhere in West Africa it floated anywhere from Sierra Leone to Cameroon. This test got the students to fill in the blanks of what was considered the 'dark continent' and to think about 'peopling' Africa and making its complex geography real. That said, the focus on sovereign territories represents a state-centrism that can obscure other political geographies of development; something that I explore below.

In this short paper I take these concerns forward by examining recent trends in African resource-based development. In looking at the global-local interactions I argue that the agency of Africans is often overlooked and, despite uneven power relations between multinational capital and domestic political actors, the latter is able to shape to some extent the terms of engagement. That said, the nature of the fixed investments in resource

extraction creates complex geographies that link sub-national spaces to transnational circuits, which defies a simple internal-external logic. The enclaved investments and elite bargains on the one hand come into tension with the development needs and aspirations of the wider populace on the other. I examine these geographical and developmental processes in the context of a recent Chinese investment in Ghana's gas sector. It shows that while the Chinese, often assumed to wield exceptional power in Africa, were stalled in their original goals they entered the sector through a major loan brokered with the upper echelons of the ruling party. While the project may ultimately boost the country's productive capacity the wider benefits for the local economy are limited.

The geographies of Africa's resource politics

During the late 1980s and early '90s the dominant discourse on Africa was one of pessimism. The 1970s had been a decade of authoritarianism, mismanagement, indebtedness and conflict and there was little to be optimistic about. In an environment of limited options, most (if not all) African countries came under the trusteeship of the major lenders – the IMF and the World Bank – who together devised 'adjustment' policies, which were pushed hard onto African governments as a condition on the loans they gave (Mohan *et al.* 2000). African countries were essentially hemmed in by these institutions and had no real choice regarding the types of development policies they could pursue or with whom.

While the jury is still out on whether the 'adjustment era' worked, and whether the post-Washington consensus is really any different from its predecessor, seismic shifts have been occurring which render such questions less important. From the mid-1980s China's economy began its remarkable growth and by the late 1990s this growth was translated into a renewed interest in African countries, which had until then been largely ideological friends during the Cold War and in anti-colonial struggles (Power and Mohan 2010). Put crudely, China came in search of supplies of oil, gas and other strategic minerals such as cobalt and copper, markets for its manufactured goods, and political allies to help gain influence in international bodies such as the WTO and UN. So, China – like a range of other countries - is also queuing up for Africa.

One result of this heightened demand and price appreciation of its commodities is that some African countries are no longer in the economic doldrums. A number – the so-called 'African Lions' - are experiencing some of the highest growth rates in the world on the back of commodity exports to the growing Asian economies (Farooki and Kaplinsky 2011) though the benefits of such growth are not widely spread. African growth discourses are analogous to those of the BRICS in that they act as a label, which helps boost a country's attractiveness to foreign trade and investment by anticipating their future potential in hyperbolic language.

On the face of it, China and other emerging powers' interests do not radically alter Africa's place in the global division of labour (Tull 2006) since the continent remains a supplier of raw materials for industrialised economies

(Soares de Oliveira 2007). Allied to this is an assumption that China (and the Chinese state in particular) is able unproblematically to set the terms of engagement with African states and unilaterally to determine events (Mohan 2013). However, from an African perspective, the 'emerging' powers give recipient countries the ability to 'triangulate' between external actors and play them off against one another, which was absent during the adjustment era when the Washington institutions dominated (Large 2008). As such we need to be much more aware of how Africans and their agency drive this relationship in critical ways (Brown and Harman 2013, Corkin 2013, Mohan and Lampert 2013) and the extent to which such relationships can deliver developmental benefits.

But how can we understand the nature and limits of such African agency in engagements around the continent's resources? As noted in the introduction, one approach to African development is methodologically nationalist - sovereign states remain the key actors and territorial spaces in which development takes place. In terms of resource politics, however, on the one hand 'Natural resource fixity allows some bargaining power for poor peripheral states in their dealings with TNCs and international financial institutions, particularly in the case of oil' (Carmody 2009: 358). On the other hand, it is also the case that 'enforcing domestic sovereignty and security can be made more difficult by this bargain' (ibid: 355), as the discovery and exploitation of natural resources necessarily thrusts countries further into uneven relations of inter-dependence with transnational actors (Watts 2004).

Much of the earlier debate around dependency saw African development as ultimately determined by 'external' capitalism and so reduced the specificity of the political process (Leys 1996). Understanding the linkages between transnational capital and domestic political economy means attending to structures without those structures being deterministic. Here we can think about a move from the geopolitical to the geoeconomic. Through US hegemony and a logic of the market, Cowen and Smith (2009: 40 & 42) argue 'geoeconomics has come to provide a new disciplining architecture replacing the geopolitical mechanisms of colonial administration...[which]...does not necessarily mean that boundaries and territories become less important, but their strict national articulation may' (p.43). While the Marxist focus on territory tends to reinforce the territorial nation-state and the global as the main spatial registers, Cowen and Smith usefully posit the interplay of different scales and modalities of power. Bill's map is about to get messier.

On such multi-scalar political geographies of development, Ong (2008: p.120) notes that much political economy 'privileges the macro-level...(whereas)...We need to view space as multiple and contingent, always shifting in response to flows and processes of situated articulation and disarticulation. New spaces overlap but do not always match up with given administrative units, nor are they building blocks for an ultimate global space of capital'. Such more spatially complex takes on Africa's resource economy have begun to emerge drawing on the idea of enclaves (Soares de Oliveira 2007, Appel 2012, Mohan 2013). For example, speaking of resource extraction in Africa, Ferguson (2005: 378) argues 'this economic investment

has been concentrated in secured enclaves, often with little or no economic benefit to the wider society...see how different the political-economic logic of the privately secured enclave is from the universalizing grid of the modernist state'. This re-territorialisation of African capitalism is a 'point to point' economic geography (Ferguson, 2005: p.379) in which the gated, policed compounds with limited linkages form 'non-national economic spaces' (Ferguson, 2006: 14). Bebbington (2013) builds on this when he argues that in the context of extractive industries 'spaces of company operation become governed in ways that are transnationalized and quite distinct from other subnational spaces' (p.19). Instead we need a complex geography of relational spaces of power.

China's involvement in Ghana's oil and gas sector

The case I want to examine briefly to illustrate this is a gas processing plant currently under construction in the Western Region of Ghana. The plant, being built by the Chinese state-owned enterprise, Sinopec, will treat raw gas from the offshore floating production, storage and offloading ('FPSO') facility named 'Kwame Nkrumah'. The project involves laying pipeline from the Jubilee Field onshore, construction of a plant with the capacity to process 150 million standard cubic feet of gas, and construction of a 120-kilometre pipeline to transport the processed gas to the Aboadze power station.

In order to understand this project we need to analyse the wider political economy of China's oil diplomacy. Since 1993 China has been a net importer of oil and has had to look beyond its borders for supplies. Much of this oil diplomacy is driven by the Chinese national oil companies – China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation (CNPC), and Sinopec. Given that the major western companies already dominate most oil fields, Chinese national oil companies (NOCs) have had to go for a strategy of seeking access to newer discoveries where the competition is more open such as Sudan, Uganda and Ghana. Tied into this are broader diplomatic efforts designed to develop friendly linkages with oil-producing states so that deepening economic interdependence should make it harder for these supplier countries to deny China their trade in oil. Moreira (2013) traces the evolution of Chinese national oil companies who have tended to go for elite brokerage as one of their risk management strategies based on a belief that domestic elites in countries where they invested would protect their interests. Only more recently have Chinese national oil companies entered joint ventures as a means of minimising risk since the host government bears some of the risk. Another recent strategy – as seen in Angola and more recently Ghana – is to offer credit lines to African governments in return for long-term agreements to supply oil.

A key moment in Ghana came in 2010. Kosmos Oil, one of the firms that discovered Ghana's offshore oil, had been looking to sell a significant stake in their Ghana operations and ExxonMobil emerged as the frontrunner. But in the summer of 2010 CNOOC entered as a serious rival to ExxonMobil and by October had made a \$5 billion bid for Kosmos' assets, which included a 23.5% stake in the Jubilee Field. After the initial bid by CNOOC was rejected, CNOOC entered an agreement with BP and made another offer to Kosmos

that was also rejected in March 2011. Shortly after the CNOOC/BP bid was rejected, the Chinese changed their strategy and offered the Ghana Government a US\$3 billion Master Facility Agreement (MFA) on a non-concessional basis through the China Development Bank (CDB). This loan facility is part of a bigger \$13 billion agreement and is dedicated to the Western Corridor Gas Infrastructure Development Project for construction or rehabilitation of roads, ports and oil and gas processing. The loan is to be paid at LIBOR (London Interbank Offered Rate) plus 2.95% with an upfront fee of 0.2% and commitment fees of 1% per year, which are not particularly favourable terms and belies the claim that China buys its way into Africa with cheap credit. Moreira (2013: 156) argues that the CDB loan was clearly about oil supply but equally 'to create goodwill in preparation for possible future Chinese NOC business opportunities'.

In March 2012, a commercial agreement between GNPC and UNIPEC committed Ghana to supply crude oil to the Chinese to repay the \$3 billion loan. Earlier I discussed ideas of resource enclaves as bounded, but also connected to complex value chains. Such enclosure is largely viewed two-dimensionally as in lines on a map around an asset. However, in the context of sub-surface resources such as oil, enclosure works on the vertical plane as well, so three-dimensionally, since it concerns volumes of material. The sub-surface then is key to geoeconomic calculations since it is here that resources are sequestered and so assessing risk against return and securing access to the sub-surface is crucial to resource geopolitics.

What the Chinese did was shift from attempts to secure the areal access to oil, through holding equity shares in the blocks, to a strategy to acquire the oil volume through long-term loans (Bridge 2013). Spatially this meant tying together the offshore and onshore because in order to acquire offshore oil the Chinese agreed to invest in the onshore plant to process the surplus gas. While offshore oil appears quintessentially enclaved, with technologically advanced rigs far out to sea, it is connected to national territories in numerous ways (Appel 2012). Not only are there ways that offshore oil complexes touch land, through such things as pipelines, transportation services, or pollution, but the infrastructure loans also mean that the effects of offshore oil extraction extend in multiple directions and into other sectors.

The CDB loan means at least three Chinese firms are involved in Ghana's oil and gas sector. *Sinopec* secured the contract to construct the gas infrastructure under a \$750 million subsidiary agreement as part of the MFA. *SAF Petroleum Investments* is a subsidiary of Sinopec, which procures items required for the gas project and resells them to Sinopec. Finally, *UNIPEC* is another subsidiary of Sinopec and is China's largest international trade company. Its business includes trading in crude oil and LNG. Under the MFA UNIPEC secured an off-taker contract to lift Ghana's share of crude from the Jubilee Field, in which Ghana is committed to supply 13,000 barrels of oil daily for fifteen-and-a-half years to pay the \$3 billion loan.

The infrastructure loan has raised a series of issues currently being debated in Parliament and the media. There are issues around the Government of

Ghana's counterpart funding which seems to have created an unaccounted for \$200 million. This is compounded by the price of the individual projects which were forecast in broad terms so that when the deals are finalised it is not clear whether they are value for money or where the budgeted money actually goes. There are issues around the level of national debt, which has sky-rocketed under the National Democratic Congress, since it took power in 2008, from \$8 billion to around \$20 billion.

The deals are also seen to be one-sided and in line with most Chinese loans 60-70% of sub-contracts will go to Chinese firms, despite a Local Content Bill being debated in Ghana's Parliament that aims for 90% local content by 2020. This is a win-win-win situation for China; they get the commercial loan repaid, they get the oil, and they get contracts for their construction and procurement firms. As Darkwah (2013) has shown there is a tragic mismatch between the aspirations of young people seeking work in the oil sector and the ability of the sector to absorb unemployment. And in the Western Region of Ghana the chiefs have been pushing for ring-fenced spending from the government's oil fund in recognition that while the oil and gas infrastructure is located there (and with it negative externalities), the direct benefits are unlikely to flow to the region.

Concluding comments

The Chinese gas project in Ghana suggests that point source resources, like offshore oil, are indeed prone to enclaved exploitation but that these spaces of company operation are linked in complex ways to national and transnational actors, which defy a state-based territorial internal/external logic. That said, Chinese state-owned multinationals, like Sinopec and CNOOC, occupy a hybrid position of being both profit-oriented and state-influenced, and deal with key political elites in the states where they invest. As such inter-state brokerage is the pre-eminent mode of engagement and largely bypasses domestic political or non-state actors. Moreover the distribution of benefits to wider society is limited, even if (as yet) we are not seeing full-blown resource curse scenarios playing out in Ghana. It is precisely this flexibility on the part of multinational capital to both engage with the state on one hand and abstract itself from local responsibilities on the other that makes it so powerful. And in this the Chinese firms are no different from other large multinationals operating in Africa. In teasing out the complex and localised geographies of Africa's resource-based development I hope my research continues Bill's legacy of thinking rigorously about what and who are the key actors in Africa's development.

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