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By George F. Ward

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Ambassador (ret.) George F. Ward is editor of Africa Watch and a Research Staff Member at the Institute for Defense Analyses. He is a former U.S. ambassador to the Republic of Namibia.

INCREASED U.S. OIL PRODUCTION TAKES A TOLL ON NIGERIA

By Dr. Ashley Neese Bybee

A Whiting Petroleum Co. pump jack pulls crude oil from the Bakken region of the Northern Plains near Bainville, Montana. (Source: AP Photo/Matthew Brown, File.)

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IDA's Africa team focuses on issues related to political, economic, and social stability and security on the continent.

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A remotely controlled robot of the Kenya Defence Forces examines a suspect vehicle in the Changamwe area of Mombasa, Kenya. (Source: AP Photo.)

Facts about Westgate Remain Elusive

In the immediate aftermath of the attack by al-Shabaab militants on the Westgate shopping center in Nairobi, which began on September 21, 2013, Kenyan President Uruhu Kenyatta promised to form an Independent Commission of Inquiry to investigate the attack and the actions of police, armed forces, and other first responders. Whatever momentum that investigative initiative might have had was soon lost in a muddle of competing inquiries and recriminations among security agencies. As one observer said, the security agencies seemed "bent on fixing each other instead of addressing the lapses that could have led to the attack." In the absence of an authoritative report on the Westgate attack and the Kenyan response, even basic facts about the episode remain in dispute, and a coherent basis for policymaking is lacking. In the meantime, attacks by al-Shabaab and its allies within Kenya have continued, although none have reached the scale of Westgate.

Muslim Alienation Increasing

The Kenyan government launched its controversial Operation Usalama Watch in April 2014. As previously reported in *Africa Watch*, this heavy-handed intervention by security forces in Nairobi's largely Somali neighborhoods of Eastleigh and South C resulted in the detention of over 3,000 non-Kenyan residents, mostly of Somali ethnicity, who allegedly lacked official permission to reside in the city. Many of those rounded up were detained in deplorable circumstances in Nairobi's Kasarani stadium. During the same general period, several Muslim leaders in areas on the coast were murdered. Muslim opinion blamed these killings on the security services, particularly the Anti-Terrorism Police Unit (ATPU).

Whatever its wisdom in the first place, Operation Usalama Watch did not prove effective. According to research by the advocacy group Refugees International, 90 percent of those relocated from Nairobi found their way back to the city quite rapidly.[1] The operation served to solidify the sense among Kenyan Muslims that they are being targeted by the government. The same is true for the killings of Muslim leaders, especially since investigations into those crimes have generally gone nowhere.

Government Seeks Better Security Capabilities

Even though the Kenyan government has not articulated a comprehensive anti-terrorism policy, it has taken two initiatives that might enhance its ability to respond to a future Westgate-type emergency. First, the government has decided to establish a Nairobi Metropolitan Command of the Kenya Defence Forces (KDF). Two of the command's missions

[1] Statement by Mark Yarnell, Senior Advocate, Refugees International, at the Center for Strategic and International Studies, Washington, DC, October 6, 2014.

will be to coordinate the KDF's counterterrorism efforts and to strengthen relationships between the KDF and other agencies involved in emergency operations. Fulfillment of the latter mission is particularly important in light of the indications of serious lapses in coordination between the KDF and Kenyan police during the Westgate mall emergency. A timetable for the realization of the new command has not been published.

A second government initiative is aimed at equipping the Kenya Police Service with an integrated communications and information system. As announced by President Uruhu Kenyatta in May 2014, the system would include 1,800 video surveillance cameras in Nairobi and Mombasa and would equip 7,600 police officers with modern digital radios and GPS systems. According to Safaricom, the contractor, all the devices would be linked by an independent 4G cellular system. The reported cost of the project, which is on a fast track, will be approximately $140 million.

The effectiveness of the technical systems initiative will depend upon achieving increased operational coordination through mechanisms such as the Nairobi Metropolitan Command. Technology alone will not suffice. The Westgate shopping mall was equipped with a functioning network of video cameras, but that surveillance resource was not exploited by Kenyan security forces.

Al-Shabaab's Appeal in Kenya

With the Kenyan government seemingly focused on technical security initiatives and on measures, such as Operation Usalama Watch, that the country's Muslims interpret as punitive, an increasingly large space for extremist recruitment has opened up. Al-Shabaab and allied extremist organizations are exploiting that space. According to a knowledgeable researcher, the leadership of al-Shabaab's operations in Kenya is largely in the hands of Kenyans (rather than Somalis).[2] The organization enjoys significant support from within the Kenyan Muslim community.

The distinctive nature of Islamist extremism in Kenya is one theme of a recent study on radicalization by Anneli Botha of South Africa's Institute for Security Studies. Botha also completed a similar study on radicalization in Somalia. Both studies were based on interviews with adherents of al-Shabaab and other extremist groups. In both countries, recruits to al-Shabaab were motivated by religious factors. That is not surprising, given al-Shabaab's Islamist nature. More surprising were the other factors that Botha found to be at play in the two countries. In Somalia, ethnic and clan considerations were significant factors in recruitment. In contrast, those factors were not important in Kenya, where recruits emerged from a wide variety of ethnic groups. Instead, what seems to push Kenyan Muslims over the edge into al-Shabaab or other Muslim extremist organizations is the sense of "collective punishment" by the Kenyan government. A majority of Kenyan extremists included in the study referred to injustices at the hands of Kenyan security forces. When researchers asked Kenyan adherents to identify the single most important factors that drove them to join al-Shabaab, 65 percent referred to the government's counterterrorism strategy.

Conclusion

Despite the existence of a substantial trust deficit between the Kenyan government and the country's Muslim community, there is room for recouping the situation through changes in policies. Establishing constructive dialogues at the local, regional, and national levels between government leaders and responsible Muslim leaders would be steps in the right direction. Coupled with putting an end to unwisely targeted operations such as Usalama Watch, those dialogues could begin to re-establish trust and build a united front against the undeniable threat that al-Shabaab poses to the stability of Kenya, one of Africa's brightest hopes.

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[2] Statement by Professor Ken Menkhaus, Davidson College, at the Center for Strategic and International Studies, Washington, DC, October 6, 2014.

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U.S. efforts to attain energy independence are beginning to take a toll on Africa's oil exporters. Specifically, the "shale revolution," which entails accessing oil and gas deposits through horizontal drilling and hydraulic fracturing ("fracking"), has allowed the United States to drastically increase production domestically—so much so that July 2014 marked the first time since 1973 that the United States did not import any Nigerian crude. This trend continued throughout September, after years of the United States being a major importer of Nigerian crude oil.

Background

The shale revolution, which began in 2008, has increased U.S. crude output by 60 percent. In the long run, it is expected to significantly alter the U.S. dependence on foreign oil. Some experts estimate that the United States may produce 5 million barrels of shale oil per day by 2017, and not long thereafter it may produce up to 16 million barrels of oil per day, becoming the largest global oil producer. In the short run, the shale revolution has affected certain U.S. oil suppliers, especially those in Africa that produce crude of a similar quality to what is extracted from the shale formations in North Dakota and Texas. Middle East producers, on the other hand, produce crude of a much lower quality that U.S. refiners continue to buy because it is still cost effective to do so.

Nigeria's Petroleum Sector

Since the early 1990s, Nigeria's petroleum sector has been plagued by instability in the oil-producing region of the Niger Delta. Insurgents have attacked pipelines and production facilities and engaged in oil theft in retaliation for what they view as exploitation by international oil companies (IOCs). These activities have caused major supply disruptions and unpredictable shortages as high as 500,000 barrels per day. Production of natural gas is restricted by an aging and insufficient infrastructure, which is also targeted by insurgent groups. Since 2008, regulatory uncertainty associated with the Petroleum Industry Bill (PIB) has caused some IOCs to divest their assets. Despite these challenges, most IOCs have continued to operate in Nigeria, incorporating security and infrastructure repair costs into their operating budgets.

Until recently, Nigeria has been able to rely on the United States as a major importer of its crude oil. For the past decade, the United States imported between 9 and 11 percent of its crude oil from Nigeria. This share fell to an average of 5 percent in 2012 and 4 percent from January to August 2013. In July 2014, for the first time on record, imports from Nigeria fell to zero. The reason for this major shift is not political, as headlines such as "For The First Time, U.S. Shuns Nigeria's Oil" imply. Rather, it is simply the result of major changes in U.S. domestic oil production.

The downward spiral began in 2011 when two Philadelphia-area refineries, which had been significant buyers of Nigerian crude, were left idle as their owners (Sunoco and ConocoPhillips) tried to sell them. That is, their distillation units were turned off but not permanently shut down. That event contributed to a 54 percent decrease of Nigerian crude imports that year. Today, domestically produced shale crude from the Bakken in North Dakota and the Eagle Ford region of Texas is available to refiners. This resource is very light, sweet, and similar in quality to Nigerian crude. Because it is much less expensive to transport inland than overseas, Gulf Coast refiners are now opting for it over Nigerian crude.

Note, however, that not all African oil is the same. Angolan crude, for example, is heavy and has a low sulfur content that makes it optimal for blending with the light, sweet shale crude. The comparative ease of blending Angolan grades with shale crude, as well as demand for heavy refined products and feedstocks, has protected Angolan exports from the same fate as Nigeria's.

Measures to Mitigate the Impact

Despite the decline of the United States as a customer, Nigeria continues to increase crude exports to other customers. European imports have increased by more than 40 percent in both 2011 and 2012. Nigerian oil sales to Asia's four largest oil importers (China, Japan, India, and South Korea) have risen more than 40 percent so far this year over their 2013 level. This summer, Nigeria reported that India had replaced the United States as the largest importer of Nigerian oil.

New oil and gas discoveries across the African continent have been heralded by some as a "blessing" for those impoverished African countries, under the assumption they can avoid the pitfalls that have befallen so many existing African producers. A common criticism of oil-producing countries is that they become overly dependent on oil revenues to sustain their national budgets. As a result, they are highly vulnerable to fluctuations in the global market and tend to accumulate debt, using oil as collateral. In recent years, several African oil producers have taken steps to protect their economies and budgets from serious fluctuations in the oil market. Angola's Sovereign Wealth Fund (SWF) is designed to diversify its investment portfolio across a number of non-petroleum industries, and Ghana's Stabilization Fund is intended to cushion the impact and sustain public expenditure capacity in periods of revenue shortfalls. Ghana has also established a Heritage Fund for future generations of Ghanaians once oil in that country runs out.

Even Nigeria, whose oil and natural gas exports accounted for 96 percent of total export revenue in 2012, has a SWF (formerly called the Excess Crude Account) to protect its economy during times of high volatility in oil prices. Historically, high oil prices have helped sustain this fund. A glut and corresponding drop in global oil prices would therefore undoubtedly have a negative impact on this account unless stricter management of those revenues were instituted.

Looking Ahead

All indications are that petroleum companies will continue to exploit new energy sources, thus reducing the U.S. demand for foreign crude imports. Barring any major geological, technological, or environmental hurdles that might obstruct the ability of the private sector to access shale deposits in a cost-efficient manner, one can logically expect that U.S. production will continue to increase.

The effect it will have on Africa's oil exporters will depend on their ability to increase exports to other customers and implement major structural adjustments to their petroleum-based economies. Establishing and managing oil revenues through a SWF is one potentially effective method to counter the effects of a future decline in income and mitigate the disruptive effects of a volatile market. Diversifying oil-dependent economies by growing non-petroleum sectors such as manufacturing, services, or hospitality is arguably the best protection from seismic shifts in the global oil market. It is not surprising that Nigeria, as Africa's largest oil exporter, has been the first country to feel the effects of the shift resulting from changes in U.S. domestic energy production. Other African producers ought to learn from its experience and continue to pursue economic diversification programs.

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