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## The Next Crisis – Africa

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The recent drop in oil and other commodity prices makes it almost a certainty that some unstable commodity-exporting nations will reach a crisis stage in the next few months. The only question is, which countries are likely to erupt first?

The Middle East is always a safe bet for an explosion, but there is a very good chance the next eruption will be in Africa, with the most likely location being Congo, followed by Sudan. In Latin America, Argentina is headed for another debt default and financial meltdown, and Venezuela continues to rapidly deteriorate. And there is Russia, which is likely to react poorly as its once booming economy goes into to a sharp recession. Pressures will mount on the United States to become involved, particularly in Africa, as mass killings begin again.

The high price of oil and other major commodities over the last few years acted as a protective blanket over increased tensions within major commodity-exporting nations. Now, as the high revenues from these exports sharply drop, the fights over the shares of a smaller and smaller pie will accelerate.

As the price of oil dropped in inflation-adjusted terms from almost \$100 per barrel in 1980 to only \$16 per barrel in 1997, the United States and most other oil-importing nations enjoyed rapid economic growth. But as the real price of oil rose, it began to take its toll on U.S. and European economic growth, particularly in the last year when oil roughly doubled in price. The rapid oil price rise pricked the property price bubble in the United States and Europe sooner than it would have occurred with more stable oil prices.

The end of property-price bubble led to the financial crisis because too many individuals and institutions were over-leveraged based on the foolish belief that property prices would only increase. But the big rise in oil prices and other commodities produced windfall revenues for the producing states. Unlike Norway and many of the Middle Eastern oil producers, most of the African producers of oil and other commodities, plus countries such as Venezuela, spent almost every penny they received and then some.

The old Belgian Congo, now the Democratic Republic of the Congo, has been unstable for years. It had a civil war in 1996-97 and another one in 1998-2003. The violence never totally stopped despite having large numbers of U.N. "peacekeepers." Congo suffers from many - perhaps 60 - different regional and local rebel groups, and much of the country is

not effectively governed. Recently, there has been a major upsurge in violence in the eastern provinces, and an increasing number of conflicts with neighboring Rwandan units.

Legal and illegal mining accounts for a substantial portion of Congo's income. As this income decreases due to the worldwide fall in commodity prices, the incentives to steal from others will grow even greater. Given both the increasing economic stresses and the various ethnic and tribal hatreds, there is a real and immediate danger that the accelerating violence could escalate into a cross-border regional war with massive losses of life.

Sudan has been in more or less of a civil war almost since its independence from the United Kingdom in 1956. It also has had a continuing series of clashes with many of its neighbors. The government of Sudan in Khartoum is perhaps best known for its many years of ethnic cleansing in its Darfur region. These actions have caused the International Criminal Court to indict Sudanese President Omar al-Bashir, who now fears arrest.

Sudan has been controlled by an Arab minority in the north and centered in Khartoum. The more numerous non-Arab population of southern Sudan has been pushing for independence for decades, and there is now a referendum scheduled for 2011. The battles over the years between the Arab north and the non-Arab south have cost several million lives, far more than have been lost in Darfur.

Southern Sudan has extensive oil reserves and production shipped north for export. Most of the oil revenues stay in the north with the Arab-dominated government. Sudan has enjoyed very high growth in recent years, even though much of the country is impoverished. The northerners have shared enough of the oil revenue with the south to buy a temporary cease-fire, but both sides are arming. For instance, there is evidence the Ukrainian ship, containing Soviet-era tanks and other military material, recently seized by Somalian pirates, was destined for the southern Sudanese (who had obtained the cooperation of neighboring Kenya's army). Now, with the drop in oil prices, the question is, will the government in Khartoum accept lower revenues in order to keep the southerners from igniting another civil war? And even if they do, how long can they keep the lid on?

High oil and commodity prices enabled not only real economic growth in Africa over the last decade, but also allowed many different political and militia groups to acquire and store arms, knowing that the peace was unlikely to be permanent. Now with the prospect of greatly reduced total oil and other commodity revenue for the continent, many are likely to seek to maintain their own income by taking it away from some other group. Renewed mass killings are likely. The Western nations will be pressured to intervene, but trying to find real white hats when most of the hats are various shades of gray or black will be a challenge when trying to decide which faction to support. Those who come to do good, like other well-meaning interventions, may well find the goal becomes more and more costly and elusive.

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