
Sao Tome and Principe: Promises and dangers of oil wealth

Sao Tome and Principe is an archipelago covering 1001 km², a tropical paradise located in the oil rich Gulf of Guinea, approximately 300 km from the west coast of Africa. It is made up of the islands of Sao Tome and Principe, which are 150 km apart. The islands of the Sao Tome and Principe archipelago are of volcanic origin, with steep slopes clothed in dense and varied vegetation due to the high rainfall. The country gained its independence from Portugal in 1975.

Sao Tome and Principe is one of Africa's poorest countries, thanks to the plummeting of revenue from the cocoa industry and the break-up of the cocoa plantations, the mainstay of the islands' economy. Within that context, discovery of oil in this small country has raised both hope and fear in the former Portuguese colony.

Oil has been found in waters within the Gulf of Guinea. As there does not exist a bilateral agreement on the exact delimitation of the maritime borders between Nigeria and Sao Tome, both countries decided to exploit the limited part of the Gulf jointly.

In 2002, both governments signed an agreement to go ahead with the explorations and investments related to oil. They established a Joint Development Zone in waters between the giant experienced oil producer and the small state of Sao Tome. The two countries were to jointly explore and exploit the oil resources in the zone, with most of production controlled by Nigeria (already the biggest oil producer of Africa). Nigeria, having the infrastructure for offshore oil development, would receive a 60 percent of the revenues and 40 percent going to Sao Tome and Principe.

However, under the advise of the World Bank and the International Monetary Fund (IMF) the Sao Tomean government asked to re-negotiate the deal shortly before it was going to be signed, on the grounds that it was disadvantageous. Nigeria reacted by cancelling the entire deal. Finally it seems that the differences have been re-negotiated and the deal re-established. It is said that the President "was thought to have benefited from the re-negotiations of oil contracts."

The twin islands of Sao Tome and Principe are believed to be sitting on about two billion barrels of crude oil. They have already attracted the attention of multinational oil companies as well as powerful countries like the United States and Nigeria. The United States are considering setting up a military base in Sao Tome, and there have been exchanges of visits between officials of the two countries.

Maria das Neves, Prime Minister of Sao Tome and Principe declared while opening an international conference on Africa's extractive industries: "We, in Sao Tome, will be very careful. We are not going to repeat the mistakes of other African nations where natural resources turned into a curse rather than a blessing for them". "We will be transparent as much as we can in our dealings and ensure that the people of Sao Tome directly benefit from their country's oil wealth," she said.

Raul, a political commentator in Sao Tome, added: "we have seen how such revenue from natural resources end up destroying other African states, so we will rather stay poor than being plunged into anarchy."

A look at neighbouring Nigeria is sufficient to conclude that in oil producing countries it is not the communities which benefit from this activity. On the contrary, the beneficiaries are tiny elites. Even worse, human rights violations, displacement of communities, environmental destruction, high levels of corruption, destabilization of democracy are among the "riches" that this fossil fuel generates for the vast majority of the population.

Unfortunately enough, the warnings contained in the above paragraphs were proven correct. Shortly after they had been written, a coup d'etat took place in Sao Tome. A military junta seized power in the island. The rebels declared a "junta of national salvation", saying the deposed leaders had no solution to the nation's problems and that they had acted in response to the "continuing social and economic decline of the country" and also denounced corruption in the government. According to declarations from experts to the BBC World, it is suspected that control of the oil money is behind the coup.

The bloodless coup has threatened the \$200 million bidding round for nine oil blocks put on offer by the Sao Tome-Nigeria Joint Development Zone (JDZ) in May this year. Investors including Royal Dutch/Shell Company, ExxonMobil Corporation, ChevronTexaco Corporation, ConocoPhillips and Devon Energy Corporation among others, may have decided to watch the turn of events in the island nation before making any commitment to the bidding round.

On July 24th and as a result of concerted diplomatic efforts, democracy was restored, but for how long? Maria das Neves' warning that oil can be more a "curse rather than a blessing" and Raul's fears about being "plunged into anarchy" are now much clearer --and ominous-- than before.

Article based on information from: "Sao Tome and Principe: Oil raises hope and fear", by Lansana Fofana, Inter Press Service (IPS), 30. June 2003 ; http://www.equators-line.com/English/ST_informacao.htm ; Afrol News, <http://www.afrol.com> ; BBC News, <http://www.bbc.co.uk> ; AllAfrica , <http://allafrica.com/saotomeandprincipe/>