Business and Politics in São Tomé e Príncipe: From Cocoa Monoculture to Petro-State*

At various historical moments, the islands of São Tomé e Príncipe (STP) have assumed major importance in the global economic system[1]. In the sixteenth century, the islands were the world's greatest sugar producer, and in the nineteenth and early twentieth century, they were a major source of cocoa and coffee. While STP's agricultural production is no longer of international significance, cocoa has remained the country's main export up until today. However, we believe that the constant analytical emphasis on STP's dependence on cocoa exports is at least partly misleading. While cocoa is still the main export commodity, the historical decline of cocoa production has rendered STP's political and economic development largely dependent on external assistance in the form of foreign aid and external debt. By 1997, a staggering 97.3% of STP's public investment programme was funded from external sources[2]. At its peak in 1995, net official development assistance to STP amounted to US$ 84 million (of which more than half came from Portugal) – almost twice the country's GDP[3]. In this context, we call STP an unviable state as its fledgling domestic

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1. For an excellent account of STP's economic and political development to-date, see G. SEIBERT, *Comrades, Clients and Cousins – Colonialism, Socialism and Democratization in São Tomé and Príncipe*, Leiden, School of Asian, African and Amerindian Studies, University of Leiden, 1999. Another useful, albeit older, account in English was provided *in* T. HODGES & M. NEWITT, *São Tomé and Príncipe – From Plantation Colony to Microstate*, Boulder, Westview Press, 1988. For obvious reasons, there are many more useful books in Portuguese on the twin islands. The key source on STP history from all perspectives until about 1960 remains F. TENREIRO, *A Ilha de São Tomé,* Lisbon, Junta de Investigações do Ultramar, 1961. An excellent recent book on the early economic history of STP, which focuses on the experimental level of STP society (i.e. STP as a laboratory of colonization, cash-crop production and social control) is I. Castro HENRIQUES, *São Tomé e Príncipe: A invençâo de uma Sociedade*, Lisbon, Vega, 2000.
2. UNDP, «Rapport du Développement Humain S. Tomé e Príncipe 1998», São Tomé, UNDP, 1998: 12.
3. ECONOMIST INTELLIGENCE UNIT, «Country Profile 2001 – São Tomé & Príncipe, Guinea-Bissau, Cape Verde», London, 2001: 20; 26.

economy fails to generate nearly enough revenue to sustain its highly import-reliant consumption patterns.

In this article we explore STP's unacknowledged transformation away from domination by cocoa exports, narrating the decline and final collapse of the plantation economy on the islands and the latter's slide towards unviability. But we find that STP is on the verge of another major transformation as the microstate is likely to become a major crude oil producer. According to IMF projections, STP's real GDP could more than double in 2006 with the start of oil production[4]. In this sense, the current interregnum of unviability will soon be supplanted by another major transformation towards a petro-state. In essence, this article is therefore about change and transformation within a country's political economy.

This article is based on a field trip by all three authors to STP in March 2002 and other primary sources including interviews with Santomean government officials, foreign diplomats based in São Tomé, oil company staff, staff of inter-governmental organizations and staff of non-governmental organizations. In the course of this research, we came across major irregularities in the conduct of the country's oil policy and some of our information appears for the first time in the public domain. In this context, this research points to opportunities for rent-seeking and corrupt behaviour which stem from access to foreign aid and natural resources.

We start with a section on the decline of the cocoa economy, which is followed by accounts of STP's transformation into an unviable state and a petro-state, respectively. The next two sections discuss the impact of STP's transformation towards a petro-state on the country's political economy.

The Decline of the Cocoa Monoculture

STP's cocoa production has suffered a marked decline since the 1920s. We attribute this decline to the nature of plantation labour systems and the waning of forced labour, as the economic model of STP development successively depended on slavery, indentured and contract migrant labour. The apparatus of coercion was periodically reconfigured (slavery abolished, then brutal form of indentured labour and less successfully forms of contract work). We believe that the decline in cocoa production must be understood in the context of a long history of large-scale plantations and forced labour.

Colonised by the Portuguese in the late fifteenth century, STP soon became the world's largest producer of sugar[5]. Yet, high rainfalls ensured that the sugar was of low quality, leading to the islands soon being eclipsed by higher quality producers in the Caribbean and South America. A 1530 slave rebellion, and raids by French buccaneers, resulted in the near-total collapse of sugar production. However, a plantation economy was re-established in the nineteenth century centring on cocoa and coffee. The

4. See IMF, «São Tomé and Príncipe - Staff Report for the 2001 Article IV Consultation and Staff-Monitored Program», Washington, IMF, February 2002: 16.
5. Most observers have noted that STP's history and political economy make it more akin to the Caribbean world than to that of sub-Saharan Africa, where it is situated. Henriques writes of it in unambiguously singular manner, emphasising its character as a «novel society» shaped by the «rehearsal» of new plants, sources of profit, techniques, forms of labour exploitation and forced importation of men. See I. Castro HENRIQUES, *São Tomé e Príncipe*, *op. cit.:* 121.

islands were probably uninhabited prior to Portuguese colonization (although there is some evidence to suggest that a small aboriginal population may have existed prior to colonialism); plantation production was heavilydependent on slave labour imported from tropical Africa. In 1836 slave trade was abolished in the Portuguese Empire, slavery itself in 1858 but slaves were bound to work for their former masters as freed men (*libertos*). A harsh system of indentured labour was developed, importing workers from the African mainland. The covert use of full-blown slavery persisted for some years after its formal abolition; a smallpox epidemic in 1864 led to the illicit import of slaves from Gabon. In 1909, the Portuguese colonial authorities attempted to restrict re-contracting in the face of growing international pressure; in practice, indentured labourers had no chance of leaving the service of the plantation they had been allocated to. However, the reforms proved ineffectual and subsequently the Angolan governor prohibited contracting from his territory. This led to recruitment being shifted to Cape Verde and Mozambique[6].

The Santomean plantation economy thus centred on forced labour, periodic reconfigurations – from slavery to indentured labour to failed experiments with contract work - notwithstanding. The exposure of the worst excesses of the system in the early twentieth century led to the Portuguese abolition of the re-contracting of labour in 1921. In 1928 the role of the government in contracting labour for private firms was abolished. Forms of forced labour were not eradicated and exploitative labour practices persisted, but these developments led to chronic shortages of labour. From a peak labour force of 38,000 in 1921, by 1940 only 28,000 individuals worked on plantations, dropping to 17,000 by 1954[7]. Despite very high levels of unemployment, Sao Tomeans have always shunned labour on the plantations, owing to its close association with slavery.

The plantation system thus proved incapable of withstanding a modern free labour market, reflecting the deeply embedded cultural legacy of slavery, a problem exacerbated by the volatility of primary commodity markets in the second half of the 20th century. In addition to problems in recruiting new labourers, the production system was highly inefficient. Despite the use of forced labour, production was very costly as white supervisory and administrative staff accounted for a high proportion of labour costs[8].

The decline of the cocoa monoculture was accelerated by the onset of independence, the flight of the skilled Portuguese agro-managerial elite and failed attempts at collectivisation and land reform. These problems were exacerbated by extremely poor commodity prices in the 1970s and the 1980s, the onset of the global recession and the subsequent restructuring of the global economy.

We do not dispute the importance of the flight of the Portuguese in 1975, persistent market price volatility and major policy failures in the post-colonial period. However, we believe the decline of cocoa was not only the

6. T. HODGES & M. NEWITT, *São Tomé and Príncipe…*, *op. cit.:* 39.
7. *Ibid.:* 40.
8. P.B. EYZAGUIRRE, «Small Farmers and Estates in São Tomé, West Africa», Ph.D. thesis at the University of Yale, 1986: 290-292. The link between increasing labour costs and plantation decline was also discussed *in* W.G. CLARENCE-SMITH, «O papel dos custos de trabalho no florescimento e declinio das plantações de cacau em São Tomé e Príncipe», *Revista Internacional de Estudos Africanos*, 14-15, 1991.

result of the volatility of cocoa prices and policy failures but, most crucially, the result of the collapse of an apparatus of coercion of the labour force; STP's plantation economy has been locked in a downward spiral since 1921, the year when the re-contracting of labour was abolished. Cocoa exports declined from 19,019 tons in 1920 to 12,471 tons in 1926 and 9,646 tons in 1930[9].

It is simply incorrect to ascribe the collapse of the great plantations *(roças)* and their transformation into largely pre-capitalistic proto-subsistence peasant communities to the failures of the first STP independence government and the flight of white settlers. Rather, the major decline of cocoa production followed on from the reforms of 1921. The centrality of brutal plantation work in the country's economy led to the association by much of the population of plantation work with slavery and made a shift towards a modern wage-labour system simply unviable. The existence of an uncaptured peasantry is not unique to STP, yet the fertile soils make peasant withdrawal much more viable than elsewhere while the ubiquity of slavery and quasi-slavery until 1921 made the resistance to association with any form of plantation work deeply embedded.

The importance of the exploitative Portuguese production systems in explaining the decline of Santomean cocoa exports can be seen by contrasting STP with the experience of mainland cocoa producers – Ivory Coast, Gold Coast (later Ghana) and Nigeria. While cocoa production in STP was centred on large plantations, production in other colonies such as the Gold Coast relied on more small-scale indigenous farmers and largely free labour. Not only were the labour costs much lower in the Gold Coast than in STP[10], but crop yields were roughly comparable. During the 1950s, the crop yields in STP were as low as 250 kg/hectare, and, after efforts to improve agricultural practices prior to independence, they were reported as 337 kg/hectare in 1963-1964 and 385 kg/hectare in 1970. In comparison, a 1962 survey in Ghana reported yields of 225-336 kg/hectare as being usual on indigenous farms[11]. Santomean yields were not greatly superior, despite the fact that white-run plantations were able to invest much greater amounts of capital and that STP's soil and rainfall patterns were highly suitable for cocoa production. The poor performance of the Santomean cocoa industry and its decline from global leadership to a tiny proportion of overall production compared to Ghana and other mainland economies underscores the specific institutional and cultural factors which prevented the development of modern agricultural production systems.

Following STP's independence in 1975, the *roças* were nationalised and later regrouped into 15 *Empresas Estatais Agro-pecuárias* (State Agriculture and Livestock Enterprises, called *empresas* for short), a move that was defended as the necessary response to the flight of the Portuguese[12]. As if the departure of the Portuguese and problems of running state-owned farms were not enough, STP was also hit by the collapse of cocoa prices in 1979, which left STP without sufficient foreign exchange to pay for vital inputs for the industry

9. *Ibid.:* 200.
10. In the 1930s and in subsequent decades, labour costs on Santomean cocoa plantations were roughly 70% of the total export value. In comparison, the figure was only 30% for Gold Coast farmers. EYZAGUIRRE, «Small Farmers and Estates in São Tomé…», *op. cit.:* 291-292.
11. *Ibid.:* 295-296.
12. G. SEIBERT, *Comrades, Clients and Cousins…*, *op. cit.:* 135.

such as fertilizers, fungicides, insecticides and machinery[13]. In 1982, temporary relief was provided by a sales agreement with East Germany whereby 1500 tons of cocoa were sold annually at a guaranteed price of over US$ 2/ pound, which was well above world market prices (this amounted to just under one third of annual production in 1982)[14]. The payment of the cocoa was in terms of East German imports. In addition, East Germany became a major creditor of the country and aided local industrial development with the construction of a brick factory and a brewery[15]. However, the end of the Cold War made the trade agreement with East Germany redundant. In other words, trade with East Germany artificially and only temporarily extended STP's cocoa cycle. Both the World Bank-backed efforts to rehabilitate the cocoa sector from the mid-1980s, and land reform in the 1990s, failed to bolster the country's cocoa exports. As Gerhard Seibert noted, «despite donor funds totalling $40 million invested in rehabilitating the state-owned plantations», only one estate «was really profitable» in 1996[16]. This only supports our earlier observation that the cocoa monoculture was ultimately bound to decline.

From Cocoa Monoculture towards an Unviable State

Cocoa is not STP's only export commodity, other important agricultural exports include coffee and copra. STP has some potential for exporting non-cocoa foodstuffs, notably Monte Cafe coffee is highly prized by international connoisseurs. But successive governments have failed to diversify agricultural production. Foreign assisted projects from the reintroduction of cattle by the Dutch to the establishment of a poultry farm by the Cubans were entirely unsuccessful[17]. Therefore, the value of non-cocoa exports remains small and cocoa exports still accounted for almost 75% of the country's total exports of goods in 1999[18].

For a long time, Santomeans hoped that tourism could help to revive the islands' economy. Indeed, tourism has generated more hard currency for STP than all exports of Santomean goods combined for a number of years. However, whilst the islands are spectacularly beautiful, and incorporate a unique eco-system, the tourist industry remains small, despite the presence of a number of world class resorts. This can be ascribed to the high price and unreliability of flights to the two islands, a tendency for many afternoons to be overcast, with high rainfall levels compared to alternative tourism destinations, and persistent health concerns, including a high prevalence of intestinal diseases and a particularly virulent strain of malaria[19]. Furthermore, the current tourism figures are somewhat misleading as they

13. T. HODGES & M. NEWITT, *São Tomé and Príncipe…*, *op. cit. :* 134.
14. *Ibid.:* 133-134.
15. *Ibid.:* 123; G. SEIBERT, *Comrades, Clients and Cousins…*, *op. cit. :* 144. The brewery was one of the few successful foreign development projects and the beer is now marketed as São Tomé's indigenous Creola Pilsner.
16. G. SEIBERT, *Comrades, Clients and Cousins…*, *op. cit. :* 273.
17. *Ibid.:* 269.
18. IMF, «São Tomé and Príncipe…», *op. cit. :* 31.
19. Cerebral malaria is present on the islands. The unregulated trade of prophylactics and treatments by street traders contributes to the emergence of malarial strains that do not respond to treatment.

appear to include the spending by foreign businessmen, staff of inter-governmental organizations and others on business trips to the country.

Up until the 1980s, the centre of economic activity was the country's plantations but by the 1990s, the centre had shifted towards the town of São Tomé. This has had profound implications for the relationship between town and country and the elites and society at large. Within São Tomé town, the most buoyant sectors are commercial trade and government. These sectors are largely driven by foreign aid and loans rather than export earnings. Commercial trade is mostly in imported goods, while the islands produce little more than a selection of basic foodstuffs and beverages. Food crops such as bananas, coconuts or maize are grown for local consumption. In addition, peasant economic activities include fishing, small scale-animal husbandry and the making of palm wine; but these also focus on domestic consumption, and distribution is often via pre-capitalist networks of exchange. According to available statistics, some 90% of production in the fishing sector came from artisanal fishing using mostly traditional wooden canoes[20]. Such production has little potential for generating dollar revenues and, unsurprisingly, domestic agricultural production is of little interest to the decision-makers in São Tomé, whose livelihoods depend on external sources of income.

As the above discussion reveals, the decline in cocoa production was not matched by the development of other Santomean exports of goods and services. The failure to generate hard currency has been particularly severe, as the Santomean economy has always been highly import-dependent since colonial times and Portugal continues to be the islands' main source of « official » imports. Over the past two or three years, Nigerian informal sector traders have made substantial inroads, to the extent that regular charter flights from that country now bring in merchandise such as clothing (including second hand clothing from Europe), pharmaceuticals and electrical goods. Whilst this has made a greater range of consumer goods readily accessible to Sao Tomeans, informal sector activity continues to negatively affect STP's trade balance and fails to generate any positive knock-on effects for the local economy. The rise of Nigerian imports illustrates how changing trade patterns after STP's independence failed to improve the country's balance of payments and domestic economic performance.

The failure to generate enough hard currency proceeds from either exports or tourism led Santomean decision-makers to search for creative ways of earning money. Amongst others, the country generated some money by selling both flags and passports of convenience. Currently, there are at least several dozen large ships flying the Santomean flag, ranging from petroleum tankers to container vessels[21], despite the fact that the country lacks a commercial deep-water port. Meanwhile, there are many holders of Santomean diplomatic passports, unusual for a country that has very few diplomatic representatives abroad. STP also earned some money by producing commemorative postage stamps featuring celebrities such as Marilyn Monroe and The Beatles[22]. As another example, STP had a fishing

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20. UNDP, «Rapport du Développement Humain…», *op. cit. :* 45.
21. CIA The World Factbook at <http://www.cia.gov/cia/publications/factbook/index.html> (accessed 24 June 2002).
22. *Associated Press*, 22 May 1995.

agreement with the European Union (EU), which was renewed in early 2002 for a three year period in return for US$ 1.9 million; this allows a specified number of EU fishing boats to operate in STP's exclusive economic zone[23]. However, all of these initiatives had very modest money-generating effects compared with the quantity of foreign aid and loans. There were even irregularities in the sale of passports and flags of convenience, which underlined the government's inability to use the common channels of revenue-generation for the state. The Santomean institutions were even unable to utilise the most profitable avenues for generating tax income. According to figures for the first half of 1995, only some US$ 9,153 was paid as official customs duties to the state for a total of imports worth some US$ 7.6 million; if customs officers had refrained from granting excessive exemptions, some US$ 3.5 million would have accrued to the state coffers[24].

Due to the weakness of the local economy and the failures of public policy, STP remains amongst the poorest states in terms of GDP per capita, standing at just over $300 in 2000. By early 2000, the country had the highest debt to GDP ratio amongst heavily indebted poor countries[25]. Even after official aid transfers, the current account deficit for that year was approximately 50% of GDP.

While STP failed to build upon its own resources, successive governments have been very adept at attracting aid from a range of donors for the last two decades, exploiting both super-power rivalries and historic ties with Portugal (which was the biggest provider of bilateral aid in the 1990s). During the Cold War, the Soviet Bloc (notably East Germany) represented a major provider of assistance, although help was also garnered from various Western countries and the People's Republic of China. The latter has been supplanted by Taiwan in 1997, with aid inflows of some US$ 10 million per year (which makes Taiwan the biggest source of bilateral aid today) apparently being conditional on ongoing Santomean diplomatic recognition of that country. As a result of external assistance, foreign aid inflows constituted some 20-25% of GDP by 2000[26]. Whilst some of the aid has been entirely inappropriate (e.g. the monumental yet useless Palácio dos Congressos), it has provided an important source of wealth for the islands.

In addition to aid from specific countries, STP has received millions of dollars from multilateral institutions such as the UN and the World Bank. Whilst STP was still firmly part of the Soviet Bloc, the MLSTP[27] government signed an agreement with the World Bank and the IMF on the rehabilitation of the cocoa plantations through foreign management financed by multilateral credits in January 1984. Three years later, the first Structural Adjustment Programme was launched[28]. Further structural adjustment policies in the 1990s allowed for more access to aid funds. The STP government often failed to control public spending and to implement agreed economic reforms, which led to temporary suspension of World Bank/IMF programmes in

23. ECONOMIST INTELLIGENCE UNIT, «EIU Country Report – April 2002», London, 2002: 34.
24. G. SEIBERT, *Comrades, Clients and Cousins…, op. cit.* : 243.
25. CountryWatch at <http://www.countrywatch.com> (accessed 25 June 2002).
26. CountryWatch at <http://www.countrywatch.com> (accessed 25 June 2002).
27. MLSTP stands for Movimento de Libertação de São Tomé e Príncipe. In October 1990, the term Social Democratic Party (PSD) was added to the name reflecting the new political realities and the party has used the name MLSTP/PSD ever since.
28. M.E. FERREIRA, «Pobreza absoluta e desigualdades sociais, ajustamento estrutural e democracia em São Tomé e Príncipe», *Revista Internacional de Estudos Africanos,* 12-13, 1990. Also see G. SEIBERT, *Comrades, Clients and Cousins…, op. cit.* : chapter 6.

1990 and in 2001[29]. But, ultimately, successive STP governments were still able to continue receiving substantial aid from the World Bank and the IMF and other multilateral institutions. In addition, with a vast external debt (standing at some US$ 300 million or over US$ 2000 per Sao Tomean in early 2002) the country qualified for assistance under the Heavily Indebted Poor Countries (HIPC) initiative, in return for further reform[30].

As a result of STP's dependence on foreign aid and loans, STP became what we termed 'an unviable state' even before the end of the Cold War and has remained unviable ever since. In 1996, external development aid to STP totalled some US$ 38 million, while STP's exports of goods totalled US$ 4.9 million[31]. To continue speaking of a cocoa economy in STP would be a total misunderstanding of the country's position in the international political economy. In order to demonstrate STP's transformation towards an unviable state, one only needs to compare the country's export revenue with its imports. According to IMF estimates for 1999, STP exported goods worth some US$ 3.9 million (of which cocoa was US$ 2.9 million), while it imported goods worth US$ 21.9 million (of which food alone made up US$ 4.8 million)[32]. STP's agricultural exports did not even suffice to cover the country's own food needs, let alone generate a surplus.

If STP were a private company, it would have probably long been declared insolvent. The country owes its continued existence to an international system which guarantees the survival of small internationally recognised, albeit unviable, state entities. State sovereignty enabled the microstate to obtain considerable external resources, whether from the World Bank in exchange for promises of policy initiatives or from Taiwan in exchange for extending diplomatic recognition. The trappings of sovereignty offered a much greater potential for generating hard currency than cocoa exports ever could.

From Internally Unviable State towards a Petro-State

While STP did rather well out of attracting foreign aid and loans, the current interregnum of unviability is likely to be supplanted soon by another major transformation towards a petro-state. Oil production is likely to start within four to ten years and could provide the Santomean government with access to far greater financial resources than ever before. This section discusses the events leading to STP's emergence as a potential oil producing state.

Oil exploration was already undertaken in STP during the colonial era[33]. In 1970, the colonial authorities granted an oil exploration licence to Hidrocarbo, a subsidiary of a British firm Ball and Collins, and the US firm Texas Pacific Oil Company. Seismic studies indicated the presence of hydrocarbons and Hidrocarbo drilled two wells in 1973, although the

29. G. SEIBERT, *Comrades, Clients and Cousins…*, *op. cit.* : 247; *Associated Press*, 6 November 2001.
30. *Associated Press*, 6 November 2001; IMF, «São Tomé and Príncipe…», *op. cit.*: 38.
31. UNDP, «Rapport du Développement Humain…», *op. cit.*: 13 and 15.
32. IMF, «São Tomé and Príncipe…», *op. cit.* : 31.
33. Potential oil deposits in the islands were already noted, for instance, *in* C. BROGNOM, «Possibilités pétrolifères des Îles de São Tomé et Príncipe», *Boletim do Serviço de Geologia e Minas,* 15, Luanda, Serviço de Geologia e Minas, 1967.

company later withdrew because of the high cost of drilling[34]. In the 1980s, exploration was undertaken by Island Oil Exploration, a Bahamas-registered firm of Chris Hellinger, a multi-millionaire South African national of German origin. The firm conducted seismic studies and drilling onshore and, by 1990, was said to have invested over US$ 2 million in exploration in STP[35]. However, the emergence of STP as a potential petro-state did not occur until the late 1990s.

International interest in STP's potential as an oil producer in the late 1990s can be attributed to technological advances which allowed for the possibility of oil production in ultra-deep offshore areas in the Gulf of Guinea. From the point of view of the oil industry, STP's territorial waters have great geological potential. Most notably, the geological structures of the Niger Delta extend into STP's territorial waters in the North. Oil exploration in the territorial waters of STP's neighbours was highly successful in the late 1990s, with prominent oil discoveries such as Agbami, Nnwa and Akpo on the Nigerian side to the North and Ceiba on the Equatorial Guinean side to the East.

Even before the oil majors became interested in STP, the STP government entered into various memoranda of agreement, letters and stipulations regarding the evaluation and study of oil and gas reserves with Environmental Remediation Holding Corp. (ERHC), a small US firm run by Sam Bass (a deal-maker largely credited with winning the STP contract), and, at certain times, with the South African Procura Financial Consultants (PFC)[36]. The government, led by Prime Minister Raul Neto, signed an agreement in June 1997 with ERHC and PFC (as a junior partner) to negotiate on behalf of the country with other oil companies for the award of all government concessions in the sector[37]. In July 1998, the government and ERHC established a joint venture petroleum company, Sociedade Nacional de Petroleos de São Tomé e Principe (STPetro), with the government holding 51 percent of the shares[38].

One month after the creation of STPetro, the US oil major Mobil and STPetro signed a letter of intent to enter into a technical assistance agreement to evaluate the early hydrocarbon potential of offshore acreage located in the country's exclusive economic zone (EEZ). Under the terms of the exclusive agreement, Mobil completed an 18-month technical evaluation in STP oil blocks numbered 1 through 22, which were previously scheduled for an open oil-licensing round[39]. Geco-Prakla (now WesternGeco) – a Schlumberger subsidiary[40] which was previously hired by ERHC as a technical advisor, conducted seismic studies. Following successful exploration, Mobil selected 5 of the 22 oil blocks for exploitation. This could make the now merged ExxonMobil one of STP's key oil producing firms in

34. T. HODGES & M. NEWITT, *São Tomé and Príncipe…, op. cit. :* 142.
35. *Platt's Oilgram News*, 22 June 1990.
36. *Platt's Oilgram News*, 9 July 1997 and 30 May 2000.
37. *Oil and Gas Journal*, 29 June 1998; *Platt's Oilgram News*, 9 July 1997.
38. *Business Wire*, 29 July 1998.
39. *Energy Alert*, 24 August 1998; *Platt's Oilgram News*, 21 August 1998.
40. In late 2000, Schlumberger's Geco-Prakla and Baker Hughes' Western Geophysical merged into WesternGeco, with Schlumberger owning 70% of the new company (*Hart's Deepwater International*, 4 December 2000).

future, although the company's right to the oil blocks was not legally watertight and the terms were re-negotiated in January 2003[41].

A major obstacle to STP's emergence as a petro-state was the undetermined maritime boundaries with the neighbouring countries. Uncertainty over property rights deterred major oil companies from committing themselves to investments in STP's territorial waters. Indeed, Mobil was able to clinch an exclusive deal in STP (which apparently included the right to first refusal on all blocks) as other major companies such as Exxon and Shell were believed to have backed away from the offering because of unresolved issues concerning STP's maritime boundaries with its neighbours[42].

A major stumbling block was the STP-Nigeria boundary where some of the richest oil fields are suspected. Former President Miguel Trovoada confirmed to us that STP originally wanted to divide the maritime boundary between STP and Nigeria according to the so-called rule based on 'equidistance lines' but Nigeria argued in favour of the 'proportionality principle' which would have given Nigeria a much bigger share of the offshore acreage. According to Trovoada, STP 'didn't have time or money for litigation' so a compromise agreement was struck during the visit of Nigeria's President Obasanjo to São Tomé in August 2000[43]. Trovoada stated that the basis of the agreement in Nigeria's favour was worked out between him and Obasanjo while the finer details were worked out by the STP government and the Nigerians[44]. Instead of delineating a boundary between the two countries, Trovoada and Obasanjo agreed to establish a Joint Development Zone (JDZ) to be jointly administered by the two countries, with oil revenues being split 60: 40 in Nigeria's favour. A treaty for the creation of the JDZ was subsequently signed and ratified by both countries. The Joint Authority, which will manage the JDZ with a seat in Nigeria's capital Abuja, was inaugurated in January 2002. The agreement with Nigeria paved the way for an oil-licensing round in STP, which (after many delays) was scheduled to take place by the end of 2003[45]. Somewhat less contentious were demarcation agreements reached with Equatorial Guinea and Gabon (in June 1999 and April 2001 respectively), though a final resolution of all of the boundary issues has not yet been reached[46]. All these agreements provided the necessary security of property rights for foreign investors and previously reluctant oil majors have renewed an interest in the country.

STP's emergence as a potential petro-state highlighted the country's lack of human resources to deal with the new tasks of state diplomacy. As a consequence, the STP government had to rely on external actors in its petroleum policy. Indeed, ERHC initially usurped some of the country's

41. Personal interview with a senior government official, São Tomé (March 2002). Under the new agreement the now merged ExxonMobil will have guaranteed options to rights in only two blocks in the JDZ – 40% in one and 15% in another. The company's share of the signature bonus to be paid is now expected to be vastly higher as bonuses will be determined by competition among bidders when the first licensing round takes place in the JDZ.
42. *Energy Alert*, 24 August 1998; *Platt's Oilgram News*, 21 August 1998.
43. The lengthy negotiations between Nigeria and STP had already led to sizable expenditure overruns which contributed to STP's government budget deficit. See IMF, «São Tomé and Príncipe…», *op. cit.* : 44-45.
44. Personal interview with Miguel Trovoada, São Tomé (March 2002).
45. Personal interview with a senior PGS staff, London (April 2002).
46. *World News Connection*, 26 April 2001; *African Business*, 1 June 2002.

sovereign rights as the firm was solely responsible for the development of STP's entire oil and gas sector. ERHC apparently even arranged meetings with UN and US representatives for President Miguel Trovoada and Prime Minister Raul Neto during their state visits to the US[47]. In other words, a private firm replaced an aspect of STP's state diplomacy. The government was also dependent on the assistance of neighbouring states. Traditionally, it was assisted by Angolans[48]. Miguel Trovoada told us that Angola's national oil corporation Sonangol helped the STP government in negotiations with Mobil in 1998-1999[49]. More recently, Nigerian assistance was sought. In an agreement made during President Trovoada's term of office, Nigeria even agreed to help STP build an oil refinery[50]. While Nigerians have gained much influence in STP affairs for the last two or three years, the STP-Nigerian relations soured in mid-2002 as a result of President Menezes' announcement to renegotiate oil agreements. But the STP government is once again relying heavily on Angolan expertise, Sonangol is once again providing technical assistance and the Angolans have reportedly assisted the STP government in negotiations in Nigeria in 2002[51]. Meanwhile, the abortive military coup in July 2003 (see article by Gerhard Seibert in the current issue) seems to have strengthened the hand of the Nigerians who played the key role in producing a negotiated settlement with the coup leaders. The impact of these recent events on Santomean petroleum policy is yet to be seen.

As STP still does not have a proper public body in the upstream oil sector today, the current licensing round is being managed by the Norwegian oilfield service company Petroleum Geo-Services (PGS). Ahead of future licensing rounds, PGS was given the exclusive rights to conduct and sell seismic surveys to further assess the business opportunities in STP's oil sector[52]. In addition to collecting and marketing its own data, PGS was allowed to market some of the previously collected exploration data of other companies, in apparent contradiction of the earlier Geco-Prakla deal[53]. The

47. *PR Newswire*, 17 December 1997; *Business Wire*, 5 October 1998. ERHC also claims to have helped to chart STP's territorial waters and to file demarcation paperwork with the United Nations and have paid the government's legal fees, travel expenses for Santomean leaders and other costs, *Los Angeles Times*, 24 May 2003.
48. On STP-Angolan relations until the late 1990s, see A. NASCIMENTO, «Relacoes entre Angola e São Tomé e Príncipe na Época Contemporanea: esboço de problematização em torno da transferencia de mão-de-obra e das relações políticas», *in Actas do II Seminário Internacional sobre a História de Angola – Construindo o Passado Angolano: as fontes e a sua interpretação*, Lisbon, Comissão Nacional para as Comemorações dos Descobrimentos Portugueses, 2000. During the MLSTP one-party rule 1975-1991, Angola provided economic support to STP and some Angolan troops were based in the country. Some of the key foreign businessmen active in STP came to the country on the back of strong political backing from Luanda – including Chris Hellinger and Mello Xavier. While Angolan influence continued after 1991, the Angolan support was more limited, not least because of Miguel Trovoada's association with individuals who allegedly had links to the UNITA rebels in Angola.
49. Personal interview with Miguel Trovoada, São Tomé (March 2002).
50. Dow Jones International News, 9 May 2002; Weekly Petroleum Argus, 10 June 2002.
51. The Angolans still have business interests in STP. In 1998, Sonangol bought a 40% share in the Santomean state fuel distribution company Empresa Nacional de Combustíveis (ENCO). This followed a pattern of Sonangol's foreign expansion in the area of oil marketing (as opposed to oil exploration and production). Sonangol's marketing arm Sonangol Distribution was involved in other countries including Congo-Brazzaville and Portugal.
52. *Business Wire,* 4 May 2001.
53. This included data previously collected by the Island Oil Exploration, Geco/Pracla and Veritas (which conducted seismic studies as part of prior Nigerian oil concessions of what constitutes the JDZ today). Personal interview with a senior PGS staff, London (April 2002).

government, which is hoping to set up a Petroleum Training Institute, also relies on outsiders including PGS to train some Santomean staff in exploration data processing techniques, geology etc.[54]. In addition to all these external actors, the IMF and the World Bank have provided technical assistance in the areas of petroleum sector taxation and oil resource/contract management, respectively[55]. While some external actors assisted the STP government at various times, lack of experience not only made it difficult for STP to obtain the best deal with foreign oil companies but also with the Nigerian government during the bilateral boundary negotiations.

The government's inexperience in dealing with oil-related issues was matched by inconsistency in petroleum policy and controversy regarding state-company relations. During the second term of Trovoada's presidency, the STP government had a major rift with ERHC and its CEO Geoffrey Tirman over contractual terms and the dispute was referred to arbitration at the Paris-based International Chamber of Commerce in 1999[56]. The arbitration proceedings only ended after a new owner was found for ERHC – the Nigerian Chrome consortium, which bought a controlling interest in ERHC from Geoffrey Tirman's Talisman Capital Opportunity Fund Ltd. Subsequently, the name ERHC was changed to Chrome Energy Corp. The Chrome consortium, which belongs to the Nigerian billionaire Emeka Offor, was able to re-negotiate the original 1997 agreement between ERHC and STP and replace it with a new agreement in May 2001[57]. But controversy has continued to surround STP's petroleum policy. The government also had a disagreement with WesternGeco over the use of WesternGeco's seismic data by its rival PGS[58]. More recently, President Menezes openly criticised the contracts with PGS and announced the government's intention to re-negotiate the contracts with ERHC/Chrome, the JDZ agreement with Nigeria and ExxonMobil's oil concessions (see below).

Despite all these difficulties, STP looks set to become an oil producing state in the next few years. According to hypothetical future projections by the IMF, STP could produce almost 100,000 barrels of oil per day in less than a decade (although these figures are highly speculative)[59]. This would come

54. Personal interview with a senior PGS staff, London (April 2002).
55. IMF, «São Tomé and Príncipe…», *op. cit.* : 22; personal communications with a senior staff of an inter-governmental organization in Washington DC (September 2002).
56. Geoffrey Tirman and ERHC openly accused Carlos Bragança Gomes (ex-president of STPetro) of demanding bribes in return for advancing mutual relations and for threatening to jeopardize relations when the reply was negative, though it appears that mutual animosity ran deeper. Gomes replied to the effect that he tried to protect STP interests and was pursued by private interests.
57. Form 10-KSB/A, submitted by ERHC to the US Security and Exchange Commission, Commission file n° 000-17325; also personal interview with Miguel Trovoada, São Tomé (March 2002).
58. Personal interview with a senior PGS staff, London (April 2002). The seismic studies of Geco-Prakla (now WesternGeco) were apparently conducted on a non-exclusive basis or, in other words, they were not done for the exclusive benefit of either the STP government/ERHC or Mobil. The company was hoping to sell the seismic data to other oil companies interested in the area, which is a well-established practice in the oil industry. In the meantime, the STP government had contracted PGS to market seismic data, including the WesternGeco data. As a consequence, this would deprive WesternGeco of an anticipated source of revenue.
59. The IMF projections simply assume the discovery of a medium-sized oil reservoir of about 800 million barrels of oil, with production start-up in 2006. The figures are much less reliable than the estimates of the oil consultants Wood Macenzie for Gabon and the other countries, which are based on actual known discoveries and estimated development times for each oil field. Therefore, the IMF figures may somewhat inflate likely STP production

close to the production levels of the other established producers in the region such as Equatorial Guinea and Gabon (see Table I). This raises the question of how this transformation may impact upon the country's political economy, which is discussed in the next section.

Tab. I. — OIL PRODUCTION PROJECTIONS FOR PETRO-STATES IN THE REGION, 2002-2011 (thousand barrels/day)

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Angola	916	941	1082	1398	1704	1915	1948	1914	1778	1658
Cameroon	96	87	79	72	64	56	50	45	41	37
Congo-B.	261	235	212	213	223	204	188	173	158	138
DR Congo	24	24	22	21	19	17	15	12	8	6
Equat. Guinea	221	231	220	195	173	154	137	124	110	98
Gabon	275	264	244	216	204	197	188	167	148	125
São Tomé e P.	0	0	0	0	10	30	30	48	48	96

Sources: STP projections from IMF, 'São Tomé e Príncipe - Staff Report for the 2001 Article IV Consultation and Staff-Monitored Program', (IMF, Washington, February 2002); the other forecasts from the oil consultants Wood Macenzie's *West Africa Upstream Report*, March 2002.

Petro-States and the «Resource Curse»

Many petro-states have previously suffered from the phenomenon known as the «resource curse»[60]. Despite being well endowed with natural resources, petro-states experienced economic underdevelopment, military conflict and political mismanagement, a finding supported by many quantitative and qualitative studies including those by neo-liberal writers such as Jeffrey Sachs[61].

Mineral wealth leads to a number of adverse economic effects. Quantitative studies show that states with a high share of natural resource exports have had lower economic growth rates than states without those resources[62]. Economics literature in the last two decades has focused on the appreciation of a country's exchange rate (especially appreciation of the country's currency) caused by large foreign exchange inflows generated by mineral exports, a phenomenon known as Dutch Disease. Large inflows of foreign exchange make exports of agricultural and manufacturing goods more expensive and draw resources from non-mineral sectors, thereby stifling the development of those sectors.

levels vis-à-vis other neighbouring countries and we need to treat the IMF figures with considerable caution.

60. For a review, see M. L. ROSS, «The Political Economy of the Resource Curse», *World Politics*, LI (2), 1999.
61. J.D. SACHS & A. M. WARNER, *Natural Resource Abundance and Economic Growth*, Cambridge, Massachusetts, Harvard Institute for International Development, Development Discussion Paper n° 517, October 1995. See also A. GELB *et al.*, *Oil Windfalls: Blessing or Curse*, New York, Oxford University Press, 1988.
62. See e.g. J.D. SACHS & A. M. WARNER, *Natural Resource Abundance…*, *op. cit.* The arguments linking the mineral resources wealth with poor economic growth have also been analysed for specific African oil producers. See e.g. N.C. BENJAMIN, S. DEVARAJAN & R.J. WEINER, «The "Dutch" Disease in a Developing Country – Oil Reserves in Cameroon», *Journal of Development Economics*, 30, 1, 1989; and R. M. AUTY, 'Internal Constraints on Prudent Oil Windfall Deployment for Resource-based Industrialization: Nigeria and Cameroon', *Geoforum*, XIX (2), 1988.

One of the key political effects of relying on mineral resources revenues is the neglect of non-mineral tax revenues. Since non-mineral taxes are of little importance, the ruling elite has less incentive to nurture other economic sectors, to provide basic infrastructure or even to ensure a basic social peace. Frequently, the rulers are not required to provide much tangible support to natural resource investors themselves, apart from a suitable legal-contractual environment. Oil companies in Africa have often built their own access roads, provided their own security and – being enclave economies – they relied little on local business linkages. In the words of de Soysa, sub-soil assets «provide quick profit and largely require material resources rather than extensive human co-operation for their extraction»[63]. As a result, mineral exports undermine good governance and political accountability to society.

With a view to the coming oil boom in STP, an American economist has already warned about the potential future dangers of the resource curse on the twin islands, and the IMF similarly noted that currency appreciation in the wake of oil development in STP could 'reduce the competitiveness of the rest of the economy' in the long run[64]. However, foreign observers have perhaps underestimated the already evident impact of the resource curse in STP to date.

While the STP government had only officially received no more than US$ 15-20 million from ERHC/Chrome, PGS and ExxonMobil combined by the end of 2002, the huge future potential of STP's oil has already had a pronounced impact on STP government policy. The STP government certainly lacked experience in dealing with oil company managers and lawyers, but much of the country's petroleum policy to date also lacked transparency and accountability.

A detailed analysis of the oil contracts between the STP government and foreign oil companies points to major flaws, which can hardly be explained through lack of experience. The original 1997 contract between STP and ERHC was exceedingly favourable to ERHC. While the agreement was re-negotiated with Chrome in 2001, it was still extraordinarily advantageous to the Nigerians and included:

– the option to acquire a 15% interest in up to two oil blocs of ERHC's choice in the Joint Development Zone (JDZ);

– 100% interest in 2 blocs of choice in STP's Exclusive Economic Zone (EEZ) without payment of any signature bonuses (down payments for the exclusive right to explore for and produce oil in the delineated areas), after three have been chosen by the STP government;

– an option to acquire a 15% interest in an additional 2 blocs of ERHC's choice in the EEZ;

– 5% of STP's share of signature bonuses paid by companies in the EEZ;

– 10% of STP's share of profit oil extracted in the JDZ; and

– 1.5% overriding royalty in the gross production of crude oil in the JDZ[65].

63. I. DE SOYSA, «The Resource Curse: Are Civil Wars Driven by Rapacity or Paucity», *in* M. BERDAL & D.M. MALONE (eds), *Greed & Grievance – Economic Agendas in Civil Wars*, Boulder, Lynne Rienner, 2000.
64. S. KYLE, «Dutch Disease in São Tomé e Príncipe: Policy Options for the Coming Oil Boom», Working Paper at the Department of Applied Economics and Management, Cornell University, New York, January 2002; IMF, «São Tomé and Príncipe…», *op. cit.* : 16.
65. *Business Wire*, Houston, 16 January 2002.

It was entirely unprecedented that ERHC/Chrome would not have to pay a signature bonus for the oil concessions to STP. Signature bonuses for a single oil block elsewhere in the Gulf of Guinea previously fetched between several million US$ to over US$ 300 million in Angola. It is also unprecedented to grant a company rights to future petroleum taxation and payments, which would ordinarily accrue to the state budget. According to IMF estimations, ERHC/Chrome's taxable income from the JDZ could reach roughly US$ 70 million per year for the period 2005-2024, amounting to some US$ 1,446.8 million in total[66]. ERHC/Chrome has only paid several million to the STP government since 1997 and it is not expected to do much in return for the future income stream.

We are not aware of any similar precedent in the history of Africa's oil industry since the end of colonialism. It is an unparalleled development to give so many oil blocks and prerogatives to a single company without a bidding process, let alone a small obscure firm with few notable assets which was on the verge of bankruptcy at one point. Indeed, ERHC was already in financial trouble when Tirman, who first became an investor in the company in 1997, took control in August 1999. There was no money to run the company, nor any cash to make a final US$ 1 million payment to the STP government[67] The respectable *Platt's Oilgram News* wondered as early as July 1998 how a company «with a scant US$ 1.5-million in cash and just US$ 30 million in market capitalization» could find a partner for an estimated US$ 50 million cost of the concession sale[68]. This lack of capital was matched by ERHC's lack of expertise for the contracted task.

It is clear that political connections were key to the various agreements. A major beneficiary of the 2001 agreement is obviously the Nigerian side – Chrome of Emeka Offor and his associates. Emeka Offor – the Chrome owner – has links with the inner circle of the Nigerian government including Vice President Atiku Abubakar, one of Nigeria's five top men in charge of petroleum policy[69]. Offor also happens to be amongst the biggest financial backers of the ruling PDP in Nigeria. Allegations have even been reportedly made that Atiku Abubakar is «part owner» of ERHC/Chrome. However, no proof has been presented and the allegations have been denied by both sides, so they must be taken with caution[70]. But it is clear that Emeka Offor and the Chrome consortium have had friends at the top levels of both the Nigerian and the STP government.

The 2001 agreement between Chrome Oil and STP might have involved more than meets the eye. An interesting detail is that the agreement was actually conditional upon the creation of the JDZ. The two sides decided that

66. IMF, «São Tomé and Príncipe…», *op. cit.:* 10.
67. *Platt's Oilgram News*, 30 May 2000. The company's stock plummeted from a high of more than $3.50/share to less than $0.01 in 2000. According to *Platt's Oilgram News* (26 May 2000), ERHC was delisted after new management refused to submit an annual report in violation of the US Security and Exchange Commission (SEC) rules while management may also have been under SEC investigation.
68. *Platt's Oilgram News*, 24 July 1998.
69. Political influence is subjective, relative and unstable. But *APS Review Oil Market Trends* (20 August 2001) estimated the five top decision makers in petroleum policy in the following order: President Olusegun Obasanjo, his top energy advisor Rilwanu Lukman, special presidential assistant on petroleum affairs Funsho Kupolokun, Vice President Atiku Abubakar and Jackson Gaius-Obaseki, Group Managing Director of the Nigerian National Petroleum Corporation (NNPC). Of course, this can only serve as a rough guide to Nigerian petroleum politics but it is nonetheless an instructive list.
70. *Newswatch*, Lagos, 25 February 2002

the agreement would only become effective when the treaty between Nigeria and STP on the joint development of petroleum and other resources in areas of the EEZ of the two nations had become effective. One can only speculate whether the Nigerian government's stance over the JDZ had anything to do with Offor's business interests.

The contract between STP and PGS is less favourable to the foreign company by comparison with ERHC. PGS is also in a different league from ERHC. Although the company had experienced serious financial difficulties in the last twelve months, PGS was considered a serious player in the oil servicing sector[71]. However, the contract between STP and PGS also raises questions of accountability and transparency. PGS came to STP at the time when Nigerian business interests became influential; interestingly, the company previously did substantial work in Nigeria, where it reportedly had a son of the Nigerian President Olusegun Obasanjo amongst its employees[72]. The secret deal with the STP government gave PGS the right to three offshore blocs of its choice[73]. While PGS told us in an interview that this option only becomes effective if PGS does not get a return on its investment in STP[74], this contractual arrangement is also exceedingly favourable to the company.

Another beneficiary of STP's questionable oil contracts was Chris Hellinger, the South African who has had many non-oil business interests in STP. Hellinger has been a key player in STP for two decades[75]. He enjoyed top-level political connections in STP, Gabon and Angola and has been alleged to have had good links with individuals closely associated with South African Military Intelligence and French intelligence. In STP, Hellinger owned and operated a charter air service, the exclusive Marlin Beach Hotel in São Tomé, the Bom-Bom resort in Principe, a fleet of boats and the company Solar Construction, although he told us that he wants to

71. After the sudden collapse of a planned merger between PGS and the Texas-based Veritas DGC Inc. in late July 2002, the PGS shares dived by 75% in one day and the company has been in serious financial trouble since (*The Oil Daily*, 6 August 2002; Platts Oilgram News, 1 August 2002).

72 The father of Gbenga Obasanjo's wife also chaired the Nigerian affiliate of PGS. Economist Intelligence Unit, 'EIU Country Report – July 2002' (London, 2002), p.34; Energy Compass, 27 July 2001.

73. *Associated Press*, 19 February 2002. The contract with PGS was secret and the existence of the option for obtaining three oil blocks was only revealed by President Menezes during the 2002 election campaign to the displeasure of PGS managers.

74. Personal interview with a senior PGS staff, London (April 2002).

75. Also known as Christian Rippert, Hellinger has had good relations with the Angolan and the Santomean state elites as well as President Omar Bongo of Gabon. During the Cold War, he seemed able to retain connections with key parties in rival camps despite his links with South African military intelligence. Hellinger made money in air transport in Africa and in Angolan diamonds, notably by «creating» the Lucapa diamond mine in Angola in the 1980s, paving the way for a revival in diamond production in government-held areas in that country, although the Sociedade Mineira do Lucapa subsequently passed out of his hands. In addition, he held an Angolan government contract for cleaning the streets of Luanda with Filipino workers. Hellinger's current interests outside STP include the Chamonix wine farm in Franschoek (he has recently talked President Omar Bongo of Gabon into buying a property nearby). He also serves as the Santomean Honorary Consul in Cape Town. Given his political and economic influence in STP, he was previously labelled «the king of São Tomé» (*Weekly Mail and Guardian*, 16 August 1996; *Africa Intelligence*, 26 April 2001; *Business Wire*, 18 February 1999; telephone interview with Chris Hellinger, June 2002; G. SEIBERT, *Comrades, Clients and Cousins…, op. cit.* : 160-162). However, Hellinger's influence in the Santomean political arena has decreased in recent years as a result of shifts in political configurations and as a result of the entry of new actors with much larger financial muscle, notably the Nigerians and the Taiwanese.

sell some of his assets on the twin islands[76]. In the 1980s, he led the way in oil exploration in STP through his company Island Oil Exploration Ltd. and he still holds some shares in ERHC/Chrome, which were apparently part of a payment for Island Oil's seismic data[77]. In February 1999, Hellinger signed a contract with the STP government for creating a logistical petroleum base through Island Oil which obtained the sole right to oversee the financing and development of an offshore logistics centre[78]. As with the ERHC and PGS contracts, there was no competitive bidding round for the contract despite the keen interest of others. The project apparently failed because of the inability to attract enough financial backers[79].

The business plans for logistics centres in STP have potentially an even more sinister side. The STP government granted another South African company (probably not associated with Hellinger), WADCO, a concession for running a free trade zone on Principe, covering roughly one-third of the island, which would also house the offshore logistics centre[80]. Beyond the question of oil development, the concession also raised the question of logging in STP, as WADCO was allowed to conduct logging in the free trade zone[81]. This would perhaps be of particular interest to WADCO's Malaysian associates; Malaysian interests have gained an unenviable reputation for unsustainable logging in a range of African countries, from Zimbabwe to the DRC. In effect, one third of Principe was opened to logging and was handed to a single concessionaire for at least 50 years in complete contradiction of previous government policy. Given the impact of logging operations in other African countries, the government's u-turn could have potentially disastrous consequences for the unique ecosystem of Principe which houses, amongst others, half a dozen bird species found nowhere else in the world. Until now, no logging has taken place. Fortunately for Principe, the entire project has stalled and is likely never to take off for lack of business partners and lack of political will. However, as the concession was previously granted at the highest level, this episode also raises uncomfortable questions on accountability and transparency.

Even though oil production has not yet started in STP, petro-money has already started to influence Santomean politics. The 2001 and 2002 elections were perhaps a harbinger of things to come in that money seemed to play a greater role and Santomean political movements were assisted by Nigerian, Angolan, Gabonese and Taiwanese financial assistance. In an interview with the authors of this article, former President Miguel Trovoada stated that, while the polls were very peaceful, «the results of the elections were faulty through the intervention of money»[82]. This may be something of an exaggeration, but it is probably correct that Trovoada's party was outspent in the 2002 election campaign. Money already played a part in elections throughout the 1990s (with Angolan and Gabonese money influencing Santomean politics) and access to foreign aid was undoubtedly an attraction

76. Telephone interview with Chris Hellinger (June 2002).
77. Telephone interview with Chris Hellinger (June 2002).
78. *Oil and Gas Journal*, 12 April 1999; *Africa Intelligence*, 18 March 1999; *Business Wire*, 11 March 1999.
79. Telephone interview with Chris Hellinger (June 2002).
80. WADCO was headed by Willem Steenkamp, former South African ambassador to Gabon.
81. S. KYLE, «Dutch Disease in São Tomé e Príncipe…», *op. cit.* : 21-22.
82. Own translation from French. Personal interview with Miguel Trovoada, São Tomé (March 2002).

for election candidates. But it is perhaps less than a coincidence that the prospect of the first petro-dollars coincided with more expensive political campaigning and the entry of new actors. Politics in STP became no longer a matter of power and prestige but access to vast financial resources. Indeed, Trovoada himself received oil money in the past. In an interview with a Nigerian magazine in February 2002, an associate and cousin of Emeka Offor of Chrome confirmed that previously «Offor assisted the party of the former president [Trovoada] to win their elections and when they won they installed the current president [Menezes]»[83].

There were definitely major irregularities in the conduct of STP's petroleum policy and it is widely believed that the beneficiaries of the various oil deals included top-level Santomean negotiators and members of a 7-men petroleum commission during 2000-01. Of actual payments, it appears that a sum of $550,000 mentioned in an ERHC/Chrome report for the US Security and Exchange Commission was paid to those involved in the Santomean oil deals, but the money was channelled to the South African Procura and STP Energy Corporation, a British Virgin Islands registered company, and the beneficiaries are not known to us[84]. We could not confirm certain other payments to Santomean individuals, which our sources suggested.

Some criticism of the oil deals has already been publicly voiced, although no individuals were singled out. In the run-up to the 2002 parliamentary elections, President Fradique de Menezes announced that he wanted the public prosecutor to open an official inquiry into the oil exploration agreement negotiated between his predecessor and PGS, referring to it as «very strange». Menezes told a news conference that he has «doubts» about the deal because it allows PGS to choose three offshore blocs to operate after concluding its seismic exploration of the country's waters[85]. While this could perhaps be dismissed as little more than an election tactic in a general election, concerns about STP's petroleum deals have also been expressed by the World Bank and the IMF. The two institutions concluded that oil revenues from previous oil exploration agreements were managed with little transparency by the STP government. The IMF stated in its usual diplomatic language that «oil sector negotiations in 2001 had lacked transparency» and «the ERHC settlement diverted São Tomé e Príncipe's potential oil revenue, raising serious governance problems»[86]. The prevalence of resource curse effects was already apparent even before STP started producing any oil.

In essence, the questionable oil contracts point to the political impact of relying on external rents, which lowers the incentives for the ruling elite to serve the domestic constituency. But the effects of the resource curse are nothing new to STP. The writings on STP have largely overlooked the fact that the resource curse has already had major effects on STP for much of the country's independence due to the unusually high inflow of foreign aid and loans. The economic effects of the resource curse were, for instance, visible in terms of food consumption. A 1998 study on food security in STP

83. According to Nnamdi Nnoruke, Offor «did assist them financially and otherwise» though he did not specify. Interview in *Newswatch*, Lagos, 25 February 2002.
84. Form 10-KSB/A, submitted by ERHC to the US Security and Exchange Commission, Commission file n° 000-17325.
85. *Associated Press Newswires*, 19 February 2002.
86. IMF, «São Tomé and Príncipe…», *op. cit.:* 15.

observed that «food aid and other external influences have been reducing the use of local products in the diet of the people». Santomeans still eat local produce such as fish and banana, but the study noted that «more than 50% of food consumption has been dependent on imports»[87]. Obviously, STP relied heavily on food imports throughout colonial history. It must also be noted that foreign aid helped to rehabilitate some *roças* and helped to support the local production of exportable foodstuffs such as cocoyam (known locally as *matabala*) and black pepper. But there is little doubt that food aid and other types of aid further contributed towards STP's external dependence and, by implication, domestic autarky and unviability. In addition to the economic impact, external capital inflows also allowed the elite to by-pass the domestic constituency. Capital inflows were easily obtainable for looting by the elite and required little accountability to ordinary Santomeans, both under the MLSTP regime 1975-1991 and under democratic rule from 1991. Corruption by key government figures and other public officials has been rife since independence, ranging from the irregularities resulting from the sale of foreign food aid to an attempted treasury bond fraud uncovered in February 1999[88]. STP's extraordinary reliance on foreign aid could help to explain the country's massive corruption, which is even surprisingly high by African standards. As Gerhard Seibert argued, «there is no doubt that the increased inflow of external funds has extended the opportunities for rent-seeking and corrupt behaviour»[89]. In this context, foreign aid has a similar resource curse impact to oil rents, a finding supported by past academic research[90].

STP's Transformations and the Political Elite

It is against the backdrop of the collapse of the plantation economy and STP's transformation towards an unviable state that democratisation took place. During the Cold War, the islands' geographic isolation, seeming dearth of natural resources and lack of a deep-water port made them of dubious value to either superpower. In the straitened environment of the late 1980s, it became increasingly clear that Soviet Bloc assistance could not constitute a durable economic lifeline. Some steps towards democratic reform and a qualified repudiation of the socialist experiment, would, it was hoped, open the doors to increased Western aid. Meanwhile, constructed on Leninist/vanguardist lines, the MLSTP proved increasingly incapable of accommodating internal debate, even within a small elite; new structures had to be found for managing political competition. Thus, unlike elsewhere in Africa, democratic reform did not start with the end of the Cold War, concrete steps were already set in motion in the late 1980s, with the MLSTP

87. B.R.P. DE CARVALHO, «Food Security and Hedonic Behaviour: A Case Study of São Tomé e Príncipe», *Food Policy*, XXIII (34), 1998.
88. G. SEIBERT, *Comrades, Clients and Cousins…*, *op. cit.:* 235-238; IMF, «São Tomé and Príncipe…», *op. cit.:* 22. Personal interviews with staff of an inter-governmental organization in São Tomé (March 2002).
89. G. SEIBERT, *Comrades, Clients and Cousins…*, *op. cit.:* 235.
90. For instance, Younger found that foreign aid creates resource curse effects all the same; see S. YOUNGER, «Aid and the Dutch Disease: Macroeconomic Management When Everybody Loves You», *World Development*, XX (11), 1992.

inviting exiled senior politicians to return to the country and introducing some political reforms[91].

In December 1989, the Central Committee of the MLSTP finally approved the move to adopt liberal democracy in the new Constitution, though the MLSTP still hoped to continue ruling in a changed political landscape[92]. But the democratization process had developed its own dynamics, culminating in the first democratic multi-party elections in 1991 for both the presidency and legislature, which saw the MLSTP being voted out of power and supplanted by the Democratic Convergence Party (or Partido de Convergência Democrática – PCD-GR)[93] in the legislature. Miguel Trovoada, then standing as an independent with the blessing of the PCD-GR (but now of the Independent Democratic Action Party or Acção Democrática Independente – ADI), won the presidential poll. Whilst STP has experienced frequent changes in parliamentary majorities since 1991, the new system has proved durable and with hotly contested elections being regularly held[94].

However, while STP has all the appearances of a stable democracy in sharp contrast to other parts of Africa, the political landscape remains dominated by a handful of families and factions, and is characterised by shifting alliances and temporary marriages of convenience. Seemingly bitter conflicts are regularly resolved in a manner that is bewildering to the outsider. The system allows the accommodation of competing interests in such a manner that existing relations or patterns of authority are never in jeopardy. The willingness of losers to accept election results and wait for the next time, and for ruling political parties to tolerate serious rivals stands in sharp contrast to mainland African states such as Zambia, Zimbabwe or Namibia. But this is not simply due to the pragmatic cohabitation of political parties and to an extraordinary ability to compromise on day-to-day policy but also due to strong social bonds between members of the political elite. In Santomean politics, differences between the main parties are often only superficial. Personalities and personal connections matter most. Indeed, the key players in STP politics have all had long-standing social bonds. All of

91. As early as December 1984, President Pinto da Costa asked President Omar Bongo of Gabon to arrange a meeting between him, Miguel Trovoada and Carlos Graça, two former cabinet members who lived in exile. Carlos Graça indeed decided to return to São Tomé in December 1987 and became prime minister in January 1988. See G. SEIBERT, *Comrades, Clients and Cousins…, op. cit. :* 154. With regards to political reform, the MLSTP initially did not envisage true democratization and the surrendering of its vanguardist pretensions. However, during a session of the Central Committee in October 1987, various political reform measures were introduced. The event was (in the words of Seibert) «clearly a response to the conditions imposed by the IMF and the World Bank» and the measures were «aimed explicitly at supplementing the structural adjustment of the economy». See G. SEIBERT, *Comrades, Clients and Cousins…, op. cit.:* 168.
92. G. SEIBERT, *Comrades, Clients and Cousins…, op. cit.:* 171.
93. PCD-GR emerged out of the so-called Grupo de Reflexão, a gathering of former and current government functionaries (which included two MLSTP ministers and a founder member of the MLSTP in 1972) in December 1989. PCD-GR won 33 seats in the National Assembly, while the MLSTP only obtained 21 seats.
94. Currently, the three main political parties are: the Movement for the Liberation of Sao Tome et Principe/Social Democratic Party (MLSTP-PSD) led by Manuel Pinto da Costa; this party provided the country's first post-independence government; the Democratic Movement for Change (MDFM) allied with the current President Menezes which has made rapid inroads at the expense of more established parties; and the Independent Democratic Action (ADI) dominated by followers of Miguel Trovoada. In the 2002 legislative election, the MLSTP-PSD won 24 seats, the MDFM 23 seats and the Uâ Kédadji coalition (which included the ADI and a few other tiny parties) 8 seats. Political developments surrounding the 2002 election were detailed in the ECONOMIST INTELLIGENCE UNIT, «EIU Country Report – April 2002», *op. cit.*

the new major political parties after 1990 – the PCD-GR, the ADI, and the MDFM – emerged out of factions of former senior MLSTP officials. Trovoada was previously MLSTP prime minister in the 1970s and Menezes was a top cabinet minister in the 1980s. When Trovoada stepped down from the presidency in 2001, Menezes was his anointed successor, having previously served as a parliamentarian of Trovoada's party ADI.

Conflicts between members of the elite obviously break out, as demonstrated by the deteriorated relations between the new President and Miguel Trovoada after the 2001 presidential election. In September 2001, Menezes dissolved parliament, a move that was contested by most political parties and caused anxiety in oil industry circles about political instability and a delay in launching an oil licensing round[95]. On 4 February 2002, Patrice Trovoada, Miguel's son and STP's foreign minister, was even forced to resign, after accusations by Menezes that the Trovoada family were treating the country as their private fiefdom[96]. While ideological issues were usually of little importance, access to foreign aid money and other public funds caused or exacerbated many, if not most, intra-elite conflicts. Many conflicts between President Trovoada and the different Prime Ministers in the 1990s were attributed to rifts over foreign aid or business contracts[97]. Similarly, the military coup in July 2003 appears to have been motivated, to a great extent, by the coup leaders' dissatisfaction with the course of government petroleum policy and their frustration over exclusion from the expected economic benefits[98].

However, despite differences, the small political elite eventually finds ways to co-operate. Following the inconclusive legislative elections in March 2002, which gave no one party an absolute majority in parliament, a power sharing deal was instituted involving all parties that had won representation in parliament in the March elections. In April 2002 a new coalition government was sworn in, headed by the supposedly politically-independent former Santomean ambassador to Portugal, Gabriel Costa. Costa had previously belonged to at least two different Santomean political parties. On attaining office, he stressed that all of the main parties could have input into governmental policies, which would be aimed at redressing a range of social ills from «anarchy» and a lack of public service ethics, to robbery and vandalism[99]. The ADI and the Trovoadas, who were so heavily criticised by Menezes before the elections, found themselves once again in government with Menezes and Pinto da Costa's MLSTP (although the Trovoadas' power was considerably weaker than a year earlier). Also, somewhat surprisingly, the new Minister of Infrastructure, Natural Resources and Environment (whose remit includes the oil portfolio) was Rafael Branco, who was personally involved in previous oil deals. Even after Menezes' appointment of a new government under Maria das Neves in

95. *Associated Press,* 11 June 2001; Personal interview with a senior PGS staff, London (April 2002).
96. *Africa Confidential*, 8 February 2002.
97. Examples include the rift over establishing diplomatic relations with Taiwan in return for aid and the economic free-trade zone proposed by the French Tage Financial Company (TFC) advocated by Charles Pasqua, the French minister of the interior at the time. See G. SEIBERT, *Comrades, Clients and Cousins…, op. cit.* : 208-210.
98. This was partly mirrored in the manner in which the 2003 coup was resolved, in that a hard currency payment by the Nigerians to the coup leaders is said to have eased the way towards a negotiated settlement. Personal communications with several unnamed sources.
99. *Xinhua*, 9 April 2002.

October 2002, Branco retained the oil portfolio. Indeed, in early 2003, Branco was STP's lead negotiator in re-negotiating the oil deal with ERHC/Chrome – the company from which he previously received personal favours (although Branco lost his ministerial position following the 2003 coup)[100].

The extraordinary close interlinkages within the elite have facilitated corruption and the lack of accountability, which we have discussed in the previous sections. Compared with other African countries, the spoils of foreign capital inflows could be shared within a smaller elite. While political events have seen power shifting out of the hands of the Trovoada family – who were in power at the time the various oil deals were made – neither the new President nor the successive Prime Ministers have demonstrated a serious desire to prosecute those involved in the ERHC/Chrome or PGS deals, rhetoric notwithstanding. This is despite the fact that both would seemingly have a lot to gain from embarrassing a family that has played a major role in Santomean politics since independence; the durability of Menezes's 'technocratic' new order depends on his ongoing ability to sideline established political actors and movements. This reluctance reflects the nature of elite formation in São Tomé, which centres on shifting alliances between the key political leaders and their factions. Periodic, seemingly bitter quarrels are resolved with new deals being made; unlike mainland tropical Africa's recurrent political strife marked by ethnic and regional divisions, there are relatively few people who have to be enticed to accept any shifts in the balance of power (or paid off). Whilst Menezes has everything to gain from the short term political marginalization of Trovoada – and for that matter, Pinto da Costa as well – there is little doubt that he has more to lose from their long term exclusion (not least because of their personal connections in Nigeria, Angola, Gabon and elsewhere). This is particularly the case as his own personal network is more shallowly rooted on the islands than those of his opponents. In the end, it is better to leave open the possibility of further deals with a few key elite figures than risk the emergence of a new «anti-system» political movement representing more marginalized segments of island society. Such a movement could well emerge in the political vacuum that would be created by the demise of long-standing political actors.

It is, of course, possible that some adjustment to the process of privatizing state resources can be made. Many foreign observers believe that President Fradique de Menezes' criticism of previous oil sector contracts was genuine and, even if it will not lead to any prosecutions, it may lead the STP government to renegotiate them in more favourable (if still comparatively modest) terms. Such a turn of events was backed by the World Bank and the IMF, which have become increasingly irritated with the Santomean failures to implement economic reforms and the propensity for self-dealing. Indeed, in May 2002, President Menezes announced his intention to abrogate or re-negotiate the previous oil contracts and agreements including the contract with Chrome Energy, the STP-Nigerian JDZ and ExxonMobil's oil licences. Menezes previously requested technical assistance from the World Bank to scrutinize the contract with Chrome Energy and to conduct a cost-benefit analysis of it, although this was reportedly a pre-condition of the IMF staff-

100. Little is known in public about this. But it has been reported that Rafael Branco's two children were among those who had received college scholarships from ERHC (*Los Angeles Times*, 24 May 2003).

monitored programme in STP. The World Bank funded a confidential review of existing contracts and treaties for the STP government, which was conducted by a Houston-based law firm. Menezes also turned personally to a multitude of US actors for legal and technical advice and assistance in re-negotiating oil contracts[101]. These included the likes of the Washington-based consultancy Petroleum Finance (a specialist energy consultancy), Joe Kennedy and his company Citizens Energy, Yale University and the law firm Williams & Connolly (which previously represented the former US president Bill Clinton)[102].

The Nigerian government was highly displeased with this course of events. President Obasanjo flew to São Tomé in early June 2002 insisting on the sanctity of previous oil contracts and the Nigerian government made serious threats against STP[103]. But the Nigerian pressure did not change the position of Menezes who could count on the protection of the US government, which pledged military assistance to STP, beefed up security at its Voice of America relay station in STP and had – at some point – even considered the establishment a regional naval base for aircraft carriers and patrol boats in STP[104]. It would appear that Menezes is hoping to be able to rely on US protection in a departure from the strategies of his predecessors, who relied on Angolan, Gabonese or Nigerian patronage.

Obviously, Menezes' intention to re-negotiate oil contracts is unlikely to lead to prosecutions of past corruption since this would cause too much upset within the Santomean political elite. Some cynics have privately stated that the renegotiation of contracts may be simply used to make personal gains for some members of the elite (even if not Menezes himself), who did not share in the earlier deals (with the by-product of providing more favourable business terms for the country). At the time of writing (September 2003), no-one in the Santomean elite have been tried in connection with the earlier oil contracts. A genuine investigation of past corruption and mismanagement would constitute a discontinuity, as – until now – any skeletons in the closet, even those belonging to political «rivals», remained firmly under lock and key.

101. Menezes' personal lead on this issue was quite significant, as it threatened to sideline the Minister of Infrastructure, Natural Resources and Environment Rafael Branco, who was nominally in charge of oil affairs. Some of the different actors approached by Menezes also felt somewhat perplexed as they learned that they were one of many «consultants» to the President.
102. Personal communications with a senior staff of an inter-governmental organization (August 2002).
103. ECONOMIST INTELLIGENCE UNIT, «EIU Country Report – July 2002», *op. cit.* : 35; personal communications with a senior staff of an inter-governmental organization (August 2002). Likewise, ExxonMobil was displeased with Menezes' statements and the company sent a delegation to STP in July 2002 to talk with the Santomean authorities.
104. The idea of a naval base emerged in the wake of the events of 11 September 2001 in the US. It was promoted by the African Oil Policy Initiative Group (AOPIG), whose members include representatives from ChevronTexaco (which produces vast amounts of oil, amongst others, in Angola and Nigeria), the US junior oil firm Vanco Energy (which controls vast oil concessions in Africa including Equatorial Guinea, Morocco and Namibia) and the State and Defense Department officials. *Energy Compass*, 28 June 2002; Personal communications with a senior AOPIG member. President Menezes strongly supported the creation of a naval base, not least because this would provide STP with a deepwater port which the country lacks (and the Nigerians failed to deliver despite some promises made in the past). However, in October 2002, the US Assistant Secretary of State for African Affairs, Walter Kansteiner, denied reports that the US was planning to build a military base in STP but he revealed that the US was still exploring other ways of expanding military co-operation with STP, amongst others, by providing patrol boats to STP. *BBC News Online*, 9 October 2002.

Indeed, despite all the presidential rhetoric about the unfair oil contracts, the Santomean government was able to reach an accommodation with the foreign oil companies. In early 2003, the government re-negotiated the oil-related contracts including those with ExxonMobil and ERHC/ Chrome. While some of the most onerous terms have been eliminated from the new ERHC/Chrome contract – i.e. terms which entitled the oil company to a share of future government taxation – ERHC/Chrome was able to gain some concessions elsewhere[105]. As a result, the Nigerian owners have been left with a highly favourable contract. Meanwhile, President Menezes admitted that he previously received a secret payment of US$ 100,000 from ERHC's chairman, which he claimed was a political party contribution[106]. While this payment appears to have been made before the cooling of relations with Nigeria and seems to have been unrelated to the contract re-negotiation in early 2003, it tainted the reputation of the president. It confirmed our prediction made in September 2003 that Menezes' rhetoric about re-negotiating oil contracts would amount to little more than minor changes in contract terms.

In this context, we strongly disagree with the assessment of Patrick Chabal who argued that «strong social bonds and pressures» in STP make it difficult for politicians to plunder the state for their own ends[107]. We believe that the opposite is true. While Chabal rightly observed that it is «not uncommon for members of the same family to support opposite parties», strong social bonds and pressures and the absence of a large number of groups for sharing the pay-offs made plunder more feasible. Indeed, as Seibert argued:

In an environment where corruption and other malpractices have become a structural feature, the social pressures exercised on somebody who tries to refrain from such practices cannot be underestimated. A state functionary who does not participate in corruption or malpractices is easily insulted as an oaf[108].

Since all the major political parties used the state coffers for private enrichment, few genuine anti-corruption measures were ever undertaken. Prosecution of corrupt officials could compromise other members of the elite and could backfire. For instance, in May 1994, an MLSTP-initiated parliamentary commission of inquiry submitted a report to the National Assembly on the misuse of funds arising from the sale of foreign food aid which implicated PCD-GR members; in turn, the parliamentary leader of the ruling PCD-GR threatened to disclose corrupt dealings involving the MLSTP. Subsequently, the corrupt dealings involving food aid proceeds were never prosecuted or even properly investigated and they continued

105. According to the old 2001 contract, ERHC/Chrome had the option to acquire a 15% interest in up to two oil blocs of ERHC's choice in the Joint Development Zone (JDZ). The new 2003 contract gave ERHC/Chrome a 14% stake in nine especially promising oil blocks in the JDZ. Therefore, while ERHC/Chrome will not automatically receive part of the government's petroleum taxation, the company will have a stake in all oil blocks in the JDZ. From an oil company's point of view, this is very favourable in that risk is diversified. If you only have a stake in two oil blocks and they strike no oil, you go empty-handed. With a stake in nine blocks, your chance of striking oil in at least some of them gives a much better likelihood for a steady flow of future revenue.
106. *Los Angeles Times*, 24 May 2003.
107. P. CHABAL, «The Prospects for Democracy in Lusophone Africa», *Portuguese Studies*, 12, 1996.
108. G. SEIBERT, *Comrades, Clients and Cousins…, op. cit.:* 245.

during the rule of the MLSTP and the ADI[109]. So political parties usually decry corruption whilst in opposition but fail to implement veritable anti-corruption measures whilst in office.

If we go by the past experience of other oil-rich states, corruption and mismanagement are likely to be exacerbated with the arrival of oil money and the affairs of ordinary Santomeans are likely to become even more remote from the political decision-makers. Perhaps the best hope for STP is that there is sufficient external pressure from international institutions, creditors and the incipient civil society to ensure greater transparency in the distribution of oil revenues. Otherwise, STP is likely to suffer the same ills as other oil-rich states in Africa, except that any civil war or social unrest is highly unlikely in the gentle Santomean society. STP has always been very peaceful and, from this perspective, a highly positive role model for the continent. Unlike other emerging or existing African petro-states, STP did not experience violent internal conflict (like Sudan or Chad), it did not have a history of mass murder and internal repression (like Equatorial Guinea), and it did not witness any ethnic or religious clashes (like Nigeria). Despite the very peaceful political environment, STP has experienced two military coups – in 1995 and 2003 – but these were mostly bloodless events and were quickly resolved in a very peaceful manner ending with the restoration of civilian rule in both cases[110]. An oil boom is thus unlikely to trigger any violent conflicts as elsewhere in Africa, yet it may breed further corruption and may introduce further economic distortions.

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This article has demonstrated STP's unacknowledged double transformation away from domination by cocoa exports through unviability towards the imminent emergence of a petro-state. The cocoa sector is still a very important provider of local employment, but it is of little importance to the country's balance of payments and the state treasury. The basis of STP's political economy has firmly shifted towards overwhelming dependence on external resources.

While we were able to show important transformations at work, we also acknowledge the strength of continuity in the fabric of STP's society. As was the case with the country's previous commodity booms, the imminent emergence of an oil sector and the resulting exponential increase in GDP will, once again, most likely be of disproportionate benefit to a small elite. Indeed, even the initial process of granting concessions has resulted in a significant slice of future petroleum revenues being ceded to a Nigerian consortium with close links to that country's government, and key figures in the Santomean establishment. This reflects both the continued influence of a few key families and factions and the persistence of a large «uncaptured» independent peasantry.

109. *Ibid.:* 237.
110. On the 1995 coup, see G. SEIBERT, «São Tomé and Príncipe: Military coup as a lesson?», *Lusotopie* (Paris, Karthala) 1996. On the 2003 coup, see Gerhard Seibert's article in the current issue.

The Santomean political elite has proved remarkably adept at shoring up the fortunes of what turned out to be an unviable state, profiting from Cold War rivalries, colonial era linkages and sentimentalities, and the sale of the trappings of statehood, ranging from flags of convenience to the diplomatic recognition of Taiwan. However, whilst it would seem likely that they would have materially benefited from a number of recent petroleum deals, their inexperience in this area would suggest that individuals based on the African mainland will gain very much more. In the end, a small island society is being impelled 'backwards into the big world' of unregulated markets, free trade and movement of commodities, and is confronted with both the smiling face and seamy underbelly of the international petroleum industry. This will have far-reaching consequences for elites – who, in their scrambling for resources seem already to have been short-changed – and the masses, who are likely to be confronted with many of the social ills of modernization, whilst experiencing few of its benefits.

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