

## 5

## **Can the Gulf of Guinea Develop a Common Regional Oil Policy?**

By Manuel Correia de Barros

### **1. Similar Conditions, New Opportunities**

Can Angola, Cameroon, Congo, Gabon, Equatorial Guinea, Nigeria, and São Tomé & Príncipe create a regional oil policy that can promote their security and development? Although they differ in many ways, the countries of this region share several common characteristics besides their oil. They all have weak governments, underdeveloped economies and a shortage of qualified human capital. Their populations suffer from poverty, hunger, endemic diseases, illiteracy, unemployment and a life expectancy rate comparable to that of Europe in the Middle Ages. Very few of them have achieved significant levels of growth, and none of them can boast of equitable income distribution. These are not very promising ingredients for successful integration.

However, things have started to change. Most of these countries have started applying democratic principles of government. Almost all of them are involved in regional projects, and many of them enjoy political and social stability. Some are even trying to implement transparency and good governance. The end of the Cold War may have been the main cause of the changes now taking place. Or perhaps these changes are the result of internal principles. Whatever the reason, these countries should now take advantage of the present importance of oil to improve the long-term prospects for the region. Now is the time to use this non-renewable resource to develop the regional economy, because there is reason to believe that in thirty years time oil will not be as important as it is today.

The arguments in favor of a regional oil policy include the need to defend their common interests against the major multinational oil corporations, the possibility of collective bargaining with the Americans (whose increasing dependence on the region confers greater importance to its reserves) the existence of regional organizations, and the absence of major conflict among the states of the region. The arguments against such a regional policy include the chronic weakness of their state institutions, their under-developed economies, heavy foreign debts, poor social conditions and widespread poverty. All of these would undermine their ability to

negotiate advantageous conditions for their resources. Also, the projected emergence of new, cheaper, cleaner, and more accessible sources of energy may soon put an end to the quasi-monopoly enjoyed by oil as the world's premier energy source.

## 2. The OPEC Experience

What precedents are there for a regional oil policy? For an oil policy that transcends the nation state? The Organization of Petroleum Exporting Countries (OPEC) was created in 1960 to defend the rights and interests of its member states in a market that was dominated by huge multinational oil companies. Its objective was to “co-ordinate and harmonize the oil policies of member countries in a manner that would guarantee just and stable prices for oil producing countries and ensure an efficient, cheap and regular supply of oil to consumer nations as well as just capital returns for investors in the oil industry.”

Apart from negotiations with the oil majors, OPEC maintained a very low profile during its first years of existence. This did not stop it from expanding from its five original members (Iran, Iraq, Kuwait, Saudi Arabia and Venezuela) to include eight new members (Qatar, Indonesia, Libya, UAE, Algeria, Nigeria, Ecuador and Gabon). Along with this expansion, the organization set up a secretariat and moved its head office to Vienna.

OPEC acquired international prominence in the 1970s when its members began to control production in their countries and to play a role in determining the price of oil in the world markets. The first two oil crises (1973 & 1979) caused a sharp increase in the price of crude oil, which continued until the early 1980s, when the price collapsed, resulting in the third crisis (1986). A consensus was gradually reached on the need for joint action between producers in order to guarantee a steady market with reasonable prices. In the early 1990s, the members increased their production to avert a new crisis, and these prices remained stable until the end of the century, when the economies of Southeast Asia collapsed, triggering a collapse in oil prices that only ended with collective action by OPEC member states.

The Organization has achieved a lot, to the point where it now plays an important role in the production and marketing of oil. But what has been achieved by this success? While it is true that it has defended the interests of its member states, this has not necessarily helped the ordinary people who live in these countries. Do they enjoy democracy? Has the wealth generated from the sale of oil been fairly distributed? How much do the vaunted high per capita income

figures reflect the daily life of these people? Doesn't the excessive wealth rather serve only to make the rich richer, and perpetuate the impoverishment of the already very poor?

### 3. Foreign Influences

There is also the question of global power politics. Opposition to OPEC is strong. Naturally, the world's major powers do not take very kindly to the kind of influence this strong organization wields. While OPEC is comprised of members who are for the most part their friendly allies, it often causes grave energy problems for the major powers whenever it firmly and successfully opposes their interests or measures. These powers are hostile to OPEC in spite of the fact that the organization has always played a more or less conciliatory role (as can be seen during almost every major energy crisis). The role played by big oil lobby groups is also an important impediment. Nor should we forget the mergers of the oil majors, creating new super-majors like Exxon-Mobil, Chevron-Texaco, BP-Amoco and Total [Finalelf] which have increased their bargaining power and diversified their non-OPEC portfolios.

The events of September 11<sup>th</sup> brought to the surface the problems that existed between Washington and its main partners in the Middle East, especially Saudi Arabia, upon whom the US depended for a significant portion of its oil supply. The search for alternative sources of oil thus became essential for American national security. I believe that the Gulf wars had as their objective the security of oil supply in the region. The supplier chosen was Iraq, and the transportation route chosen was the Mediterranean, to avoid the narrow and dangerous Persian Gulf. While this route shortens the distance to North America, the maintenance of pipelines to the Near East has also increased US involvement in the Arab-Israeli conflict, as well as Syria and Lebanon.

The current crisis in the Middle East is forcing the US to look for alternative sources of oil. West Africa – especially the Gulf of Guinea with its high-quality and abundant offshore reserves – seems to be an ideal solution. This region has the added advantage that it shortens the distance to the North American coastline by almost 14,000 km. According to congressman Ed Royce, "African oil should be treated as a priority for US national security after September 11." According to Walter Kansteiner, "African oil is of national strategic interest to us, and this importance will increase as time goes on." If African oil exports increase, as many experts are predicting, to 25% of total US imports, then such tangible national interests will oblige America to take concrete political, economic, security and

military measures in the region. Because of American hegemony, it is now able to arbitrarily impose its will on any country. In the case where its interests coincide with those of the country concerned, it cooperates with them. When they do not, it imposes its will by force if necessary. This will have direct consequences on the ability of the states in the region to develop their own collective oil policies.

## 4. Conclusion

There are many reasons why an oil policy should be developed by the Gulf of Guinea.

However, there are also many reasons to fear that such a policy would not work. The weakness of the countries of the region is a problem that will be solved only with the end of oil's importance as the primary source of energy, and consequently, the end of American interest in the region. For now this interest is strong, and we can do nothing to stop American hegemony.

But at least some benefits could be gained. An oil policy should be developed, but not along the lines of OPEC. Rather, it should be formulated at the regional level. Regional organizations like ECOWAS, ECCAS and SADC should come together with the countries in the Gulf of Guinea and set up a mechanism that would enable them to take advantage of the enormous benefits from the sale of oil or from the foreign investments flowing into the oil sector. This could be done by setting up common projects, by creating special funds, establishing tax packages, signing trade agreements, harmonizing oil policies, and passing legislation on privatization.