

Getting tough with the petro-elites

By Thorsten Benner and Ricardo Soares de Oliveira

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The world's fastest growing source of oil is West Africa. The United States imports more crude from West Africa than from Saudi Arabia and Kuwait combined; Angola has become China's biggest supplier; the European Union imports almost one fifth of its oil from Africa.

The African petrodollars, however, benefit only kleptocratic elites. Angola is a case in point. Five years after the end of the civil war, people are still waiting for a development dividend from the country's oil riches while Luanda's elite is awash in oil cash.

The word is out on the "oil curse." But there is nothing (super)natural about the mismanagement of Africa's oil revenues. It is the direct result of the longstanding partnership between oil producing states, oil companies and consumers. As long as Africa supplies the oil, no further questions asked.

The Group of 8 industrialized countries has finally started to challenge the one-dimensional realpolitik approach. Under German and British leadership the issue of transparency and good governance in Africa's oil producers will feature prominently at the approaching Heiligendamm summit meeting.

The bad news is that the G-8's proposed remedy is insufficient. The G-8, along with well-meaning donors such as Norway, has placed all its hope on the Extractive Industries Transparency Initiative (EITI). Under this initiative, producer governments and companies can voluntarily commit themselves to disclosing all payments from corporations to governments, and all government revenue from oil. Civil society is supposed to act as a watchdog.

Since its launch in 2002, the initiative has attracted more than 20 member countries as well as the support of leading NGOs and corporations.

The results on the ground are far less impressive. The purely voluntary initiative lacks teeth. It is easy for corrupt elites to sign the EITI principles, since they do not have to fear real sanctions. Civil society in African oil countries, moreover, is often too weak and divided to effectively push for transparency.

Still, we should not stick our heads in the sand. The West has significant market and consumer power that it has not even tried to leverage. If we are serious about promoting good governance, we should not count only on voluntary initiatives. We should base an enhanced strategy based on four key pillars:

First, move good governance to the center of the discussion on energy security, alongside security of supply, price stability and environmental sustainability. Good governance in African producer states should be a cornerstone of EU energy policies.

Second, impose travel bans on the corrupt elite. The elite in African petro-states like to indulge their consumerism in Paris, Lisbon, Brussels and London.

Third, promote transparency of financial flows not just within the producer countries but throughout the global financial system.

Offshore and onshore banking centers and tax havens (not just on the Cayman Islands but also in London, Zurich and elsewhere) allow the corrupt elite to move around and invest the stolen money at will.

A broad civil society campaign against dirty money that finds its way into the global financial system is long overdue. It is also time to change the law in all OECD countries so that holding and handling stolen funds becomes illegal.

Fourth, mobilize consumer power. It is easy for conscience-stricken Western consumers to turn against "blood diamonds," for gems are the ultimate expendable luxury good. With oil, the lifeline of our civilization, it is a different story.

Campaigns against "blood oil" have been a non-starter thus far. As long as the majority of Western consumers do not demand "development oil" at the pump, the agenda promoting transparency and good governance lacks a critical driving force.

If we treasure the security of supply and the price of oil more than good governance and development in the countries of origin, we should say so openly.

But if we want to help African populations secure the development dividend from oil, we should not shy away from using our market power and living up to our responsibilities as consumers.

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