

TRANSPARENCY AND ACCOUNTABILITY
IN EQUATORIAL GUINEA:
POLICY RECOMMENDATIONS
FOR THE OBAMA ADMINISTRATION

MARCH 2011



EG JUSTICE
TOWARD A JUST EQUATORIAL GUINEA





Transparency and Accountability in Equatorial Guinea: Policy Recommendations for the Obama Administration

Overview

Equatorial Guinea, Sub-Saharan Africa's fourth largest oil exporter, is important to the United States because of its vast oil and gas reserves. Today, it is oil—produced primarily by U.S. companies—and little else, that drives the economy of Equatorial Guinea and its engagement with the U.S. With a daily production level of nearly 350,000 barrels, oil and natural gas account for 98% of total government revenues and 99% of the nation's exports. The U.S. is Equatorial Guinea's leading foreign investor, having injected over 12 billion dollars into the country's oil and gas sector.

At current extraction rates and proven reserves, the country's oil is likely to be depleted in the next 20 years. This short window of opportunity to use massive windfall oil profits to address the nation's pervasive poverty must not be squandered. Yet the mismanagement of oil revenues by government authorities has deepened corruption and raises serious concerns about the long-term socio-economic development of the country. Without a sharp change in direction Equatorial Guinea threatens to become yet another African country to fall victim to the "resource curse," which distorts development and entrenches poverty at the expense of the vast majority of citizens.

Equatorial Guinea thus presents the Obama Administration and the U.S. Congress with both a responsibility and an opportunity. Given the billions of U.S. dollars

invested in Equatorial Guinea, the importance of maintaining access to oil in a stable environment, and President Obama's commitment to reducing global poverty, the Obama Administration must strongly encourage the government of Equatorial Guinea to manage the country's oil revenues in a transparent and accountable manner that can benefit all the people of Equatorial Guinea. The Obama Administration must pressure the government of Equatorial Guinea to take the steps necessary to rejoin the Extractives Industries Transparency Initiative (EITI) and to ensure the unimpeded participation of civil society in this critical process. Only then can oil revenues contribute to significant poverty reduction, long-term economic development, and improved quality of living for the people of Equatorial Guinea.

While the Bush Administration failed to take decisive steps in this direction, the Obama Administration can do so by making support for transparency and accountability, political participation, and human rights—all of which depend on strengthening the rule of law and improving governance—the cornerstones of U.S. diplomacy in Equatorial Guinea. As recent events across the Middle East—most notably in Egypt and Tunisia—have demonstrated, respect for human rights and true democratic procedures are the only way to guarantee long-term political stability.

An Important Opportunity that the U.S. Cannot Ignore

Africa's Gulf of Guinea is an increasingly important source of oil. It is home to seven percent of the world's known oil reserves. It supplies more than 15 percent of U.S. oil imports, a figure expected to rise to 25 percent by 2015.

Equatorial Guinea sits in the heart of the Gulf of Guinea. U.S. oil companies discovered oil there in the mid-1990s; since that discovery, the country's GDP has increased about 20 percent annually due to the expansion of its oil and gas industry. Meanwhile, the non-oil economy remains virtually non-existent. Today, oil accounts for 98 percent of government revenues and 99 percent of the nation's exports.

The U.S. private sector and U.S. government have a significant presence and influence in Equatorial Guinea. ExxonMobil, Hess Corporation, Marathon Oil, and Noble Energy—all U.S.-based oil and natural gas companies—are responsible for the vast majority of hydrocarbon production in Equatorial Guinea. ExxonMobil controls the country's largest oil reserve—the Zafiro oilfield—and produces approximately 3

out of every 4 barrels of the country's oil. In addition to significant oil production, Marathon Oil owns controlling interests in both the Alba liquid petroleum gas (LPG) plant and the Bioko Island liquefied natural gas (LNG) plant. Marathon Oil and Noble Energy each own a 45 percent interest in the methanol company AMPCO (Atlantic Methanol Production Company). Hess Corporation is the primary producer of oil located offshore of the country's mainland.

The issue of maritime security provides the U.S. with significant interest and influence in the region. The U.S. government has invested heavily in the United States Africa Command (AFRICOM)—\$310 million in 2009 and \$278 million in 2010—to promote stability in Africa. Through the International Military Education and Training (IMET) program, the U.S. will spend \$16 million in 2011 to train military personnel from 46 African countries, including Equatorial Guinea. Through its Africa Partnership Station (APS), the U.S. Navy has sent a number of ships to Equatorial Guinea to train the country's security forces. Furthermore, in June 2010, U.S.-based private security firm Military Professional Resources Initiative (MPRI) signed a 5-year, \$250 million contract with the Equatoguinean government to provide maritime security.

The U.S. government, however, has done too little to combat the serious risks that poverty and repression pose to regional stability and security. In Equatorial Guinea, the majority of citizens struggle to live on less than \$2 a day, and human development indicators remain among the lowest in the world. Meanwhile, a handful of elite continue to disproportionately enjoy the spoils from the country's significant oil revenues. A U.S. Senate investigation revealed in February 2010 that Teodorin Obiang Nguema—the son of the Equatoguinean president—spent nearly double the country's 2007 education budget on mansions, exotic cars, and other luxury items between 2004 and 2007. In 2008, less than half of 1st and 2nd grade Equatoguinean students had access to textbooks.

In August 2010, the Equatoguinean government convicted and executed 4 Equatoguinean refugees that had been living in Benin before being illegally abducted, extradited to Equatorial Guinea, and tortured for months while being denied access to their families and lawyers. Two other individuals were illegally tried and convicted in military court after having been acquitted in civilian court, a direct violation of the country's laws regarding double jeopardy. Despite the lack of credible evidence, all 6 individuals were convicted of participating in the alleged February 2009 assault on the Presidential Palace in Malabo, an event the Equatoguinean government had previously blamed on Nigerian rebels.

We commend the U.S. State Department for expressing deep concern over these convictions and executions in its daily press briefing on August 30, 2010, and for noting that the government of Equatorial Guinea “must commit itself to upholding the rights guaranteed by its own constitution and its obligations under international human rights law.” We also commend the important leadership role the Obama Administration played in building a coalition of countries to stand against the proposed UNESCO-Obiang Nguema Mbasogo International Prize for Research in Life Sciences. The U.S. delegate’s efforts were critical to the success of the international campaign to persuade UNESCO to suspend the award.

However, the close business and diplomatic ties between the U.S. and Equatorial Guinea provides the Obama Administration with the opportunity and the responsibility to take additional steps to pressure the Equatoguinean government for much needed reforms. Equatorial Guinea has displayed a strong interest in strengthening its relationship with the U.S. government: in the past 10 years, the Equatoguinean government has spent more than \$13 million on lobbying and public relations activities in the U.S. The mutual business and diplomatic interests of the U.S. and Equatorial Guinea grant the Obama Administration the leverage to push for government reforms—including greater transparency, government accountability, and respect for civil liberties and the rule of law—in Equatorial Guinea that will contribute to long-term security and stability.

Failure to promote these principles and to ensure that the citizens of Equatorial Guinea have the capacity to work toward democracy and a better quality of life places the long-term stability of oil production in jeopardy. Events in Egypt, Libya, and Tunisia in early 2011 highlight the reality that political repression not only plants the seeds for social discontent and political instability, but also places the countries that support repressive governments at risk of becoming the targets of widespread animosity. Peace and stability are enhanced when individuals are empowered to participate in a meaningful way in the political process and to hold their leaders to account for their actions. As President Obama noted during his July 2009 visit to Accra, Ghana, “Development depends on good governance...In the 21st century, capable, reliable, and transparent institutions are the key to success.” As the experiences of other countries—including Equatorial Guinea’s neighbor Nigeria—have shown, corrupt and incompetent governments endanger the security of their own people as well as the nations that rely on their natural resources.

The United States' Role: An Imperfect Arrangement

While poor governance and corruption are the principal reasons for the lack of development in Equatorial Guinea, international actors—including the United States government and oil companies—tacitly enable the government.

Despite her earlier admonition that “Americans must never excuse tyranny or corruption in Africa,” in 2006, and the Bush Administration’s “anti-kleptocracy” initiative, former Secretary of State Condoleezza Rice honored Equatoguinean President Obiang Nguema as a “good friend” during his visit to the U.S. In 2007, the Bush Administration appointed an ambassador to Equatorial Guinea for the first time since 2004. The appointment, however, did not lead to efforts to combat corruption or promote democracy. The ambassador failed to sternly push for transparency or respect for human rights. Today the U.S. is still Equatorial Guinea’s leading foreign investor, in spite of the U.S. State Department’s condemnation of Equatorial Guinea’s human rights record and corruption in its annual Human Rights Country Report. In 2009, the report detailed the following concerns:

[L]imited ability of citizens to change their government; unlawful killings by security forces; torture of detainees and prisoners by security forces; life-threatening conditions in prisons and detention facilities; official impunity; arbitrary arrest, detention, and incommunicado detention; harassment and deportation of foreign residents with limited due process; judicial corruption and lack of due process; restrictions on the right to privacy; restrictions on freedoms of speech, press, assembly, association, and movement; government corruption; violence and discrimination against women; suspected trafficking in persons; discrimination against ethnic minorities; and restrictions on labor rights.

A 2004 U.S. Senate investigation into the Riggs Bank revealed that the President of Equatorial Guinea regularly received and held royalty payments from U.S. oil companies in his own private accounts. Senate investigators noted that oil companies “may have contributed to corrupt practices in that country by making substantial payments to, or entering into business ventures with, individual E.G. officials, their family members, or entities they control, with minimal public disclosure of their actions.”

To help increase the impact of government spending of oil revenues, in 2006 the

U.S. Agency for International Development (USAID) signed a Memorandum of Understanding with the Equatoguinean government establishing a “Social Development Fund” in Equatorial Guinea. The Fund, however, continues to be beset by delays in implementation and funds disbursement caused by the country’s highly centralized and hierarchical government. As a result, these measures have not yet markedly improved the wellbeing of the people in Equatorial Guinea. Nor have these efforts substantially helped to promote transparency, accountability, or human rights, or to further citizens’ participation in democratic processes.

A Crucial Juncture

Unless human rights and governance improve in the next few years, it is unlikely that the oil boom will lead to improvements for ordinary Equatoguineans. Thus far, the Equatoguinean government has not taken any serious steps to address pervasive poverty and corruption, to develop the rule of law, or to allow the emergence of a legitimate, independent civil society. Furthermore, as the 2011 EG Justice report, *Disempowered Voices: The Status of Civil Society in Equatorial Guinea* documents, the government continues to thwart citizens’ efforts to freely and independently participate in civic groups and politics. As a 2009 Human Rights Watch report, *Well Oiled: Oil and Human Rights in Equatorial Guinea* concluded, Equatoguineans have “no way to hold their government officials accountable for their actions”.

During his inaugural speech, President Obama admonished governments that “cling to power through corruption and deceit and the silencing of dissent,” and warned that they are “on the wrong side of history.” He promised that America would reach out and “extend a hand” to those “willing to unclench [their] fist.” More recently, in his July 11, 2009 speech in Accra, Ghana, President Obama affirmed that “governments that respect the will of their own people are more prosperous, more stable and more successful than governments that do not... No country is going to create wealth if its leaders exploit the economy to enrich themselves.” Obama went on to state that the U.S. government will “increase assistance for responsible individuals and institutions, with a focus on supporting good governance... and on concrete solutions to corruption.”

In April 2010, Equatorial Guinea was delisted from the EITI for failing to take the steps required to successfully complete the initiative’s validation process. The government of Equatorial Guinea recently stated that it would take the measures

necessary—including allowing the full participation of an autonomous civil society—to rejoin the EITI and adhere to its principles of transparency and accountability. This will be an important test of the Equatoguinean government’s political will and commitment to meaningful reforms.

The government of President Obiang has publicly pledged on numerous occasions its desire to promote citizen participation and equitable development in Equatorial Guinea. In 1997, following major oil discoveries in Equatorial Guinea, the government convened the First National Economic Conference to present a mid-range (1997-2001) economic development strategy. In 2007, the government held the Second National Economic Conference, in which it announced “Horizon 2020,” a new agenda to—in its own words—“promote the harmonious development of the nation and ... ensure the rational and efficient use of oil revenues” by the year 2020. In June 2010, at a speech delivered in Cape Town, South Africa, President Obiang recycled similar promises from those previous national conferences and pledged to advance an agenda over the next decade that has been neglected over the last three.

To date, however, such rhetoric has not adequately translated into actionable policies to improve the lives of ordinary Equatoguineans, raising concerns about the political will of the Equatoguinean government to fulfill its reform promises. Promises of reform must address the fundamental changes that are necessary to improve the governance of the country, including ending impunity for human rights violations, building respect for the rule of law, and enabling the people of Equatorial Guinea to hold their leaders accountable. Moreover, immediate steps must be taken to open space for the emergence of a civil society independent of government control and to allow access for international human rights NGOs—in addition to the International Committee of the Red Cross, which was admitted in January 2011—to be allowed into the country to monitor developments. Without these steps, any reform will lack the credibility to be taken seriously by the people of Equatorial Guinea and the international community.

In January 2011, President Obiang was appointed the new Chair of the African Union. In his January 30 acceptance speech, Mr. Obiang pledged to uphold the African Union’s principles by promoting democracy, good governance, and respect for human rights and the rule of law. Just one week later, Mr. Obiang’s government instructed the country’s state-owned television and radio stations to cease reporting on the political protests occurring in Egypt and Tunisia, a troubling incident that signals a continued disconnect between his regime’s rhetoric and its policies.

In light of President Obama's expressed core principles related to good governance and development, the Obama Administration must make democracy, human rights, transparency, accountability, and rule of law the cornerstones for its foreign policy with Equatorial Guinea. EG Justice makes the following recommendations to guide the Obama Administration's policy toward Equatorial Guinea:

- President Obama should ensure that the U.S. Ambassador to Equatorial Guinea, Alberto Fernandez, promotes human rights, transparency, citizen participation, and the rule of law alongside U.S. security and commercial interests.
- The Obama Administration should support and encourage the Equatoguinean government's efforts to rejoin the EITI. The disclosure of revenue payments for oil and natural gas would provide civil society organizations and individuals in Equatorial Guinea access to information that is critical for holding their government to account for the use of natural resource revenues.
- Given the important role that a strong, autonomous civil society plays in counterbalancing government authority and promoting civil liberties, the Obama Administration should establish a fund of \$1 million dollars to be housed at the U.S. Embassy in Equatorial Guinea, to be used to encourage and support civil society participation in the critical areas of human rights, transparency, and the rule of law—including the participation of independent civil society in the EITI process as required for validation.
- The Obama Administration should pressure the Equatoguinean government to fulfill its rhetorical commitments to democracy and introduce political reforms that protect civil liberties and guarantee the full political participation of all citizens, including:
 - The cessation of tactics used to intimidate voters and to obfuscate the efforts of civil society groups and opposition leaders to push for greater government accountability and transparency.
 - The enactment of a Freedom of Information Law to grant access to and protect the dissemination of information.
 - The elimination of restrictive press permit requirements that impede local and international journalists from reporting on news inside the country.
 - The elimination of all internal police roadblocks to protect the right of all Equatoguineans to travel freely.

- The Obama Administration should continue to condemn the ongoing human rights violations taking place in Equatorial Guinea, and set concrete benchmarks for improvements in human rights and overall respect for the rule of law as a condition for any future high-level diplomatic visits. Such benchmarks should address democratic procedures, institutions, and legal frameworks, including:
 - The elimination of laws that preclude robust civic participation by civil society groups, citizens, and political parties.
 - The cessation of the abduction of Equatoguineans at home and abroad, the discontinuation of torture, and the assurance that prisoners are granted the rights of due process codified in both domestic and international law.

While the U.S. has significant commercial and energy interests in Equatorial Guinea, these should not be allowed to trump the U.S. policy of promoting transparent and accountable governance. Advancing these objectives will help Equatorial Guinea overcome decades of repression and corruption, escape the resource curse, and create a more prosperous future for all its people. At the same time, transparency and accountability will make Equatorial Guinea a more dependable long-term U.S. partner at a time when our energy security and national security can be reinforced by better governance—and governments commanding the legitimate support of their people—around the world.



P.O. Box 57297
Washington, DC 20037

www.egjustice.org