THE EMERGENCE OF THE GULF OF GUINEA IN THE GLOBAL ECONOMY

Damian Ondo Mañe
Executive Director for 24 African Countries
International Monetary Fund

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Abstract

The Gulf of Guinea enjoys a wide geographical, geological and cultural diversity, and its potential is increasingly attracting the attention of economic powers and other major consuming markets of the globe. One main characteristic of the region is its abundance of natural resources, notably oil, forestry and mining. Nevertheless, the region faces numerous challenges, ranging from the environment and the sustainability of its development from natural resources, how to cope with the high volatility of world oil prices and that of currencies in which natural resources are traded, the need for increased economic diversification in those countries of the region that rely heavily on export of natural resources, the quality of human capital, the procyclical nature of public expenditures and inefficiencies stemming from mismanagement. Stylized facts also point to the overwhelming weaknesses of institutions and governance, which in turn add to the risks of natural resource curse and can feed the theory of the "Paradox of Plenty". Finally, experience shows that continuous instability and wars also have characterized the region and the rest of the continent.

The case is made that regional institutional arrangements and increased involvement on the part of the international community and the African Diaspora should complement the efforts that countries in the region should engage in addressing policy and governance issues. Complementary avenues are proposed, including maintaining stability and economic security, making appropriate use of the region's own (present and future) assets as an insurance to attract foreign investment and, more generally, providing more leeway to countries to tackle these challenges through the strengthening of the credibility and effectiveness of national and international policies aimed at improving the natural and business environment, boosting exports with value added, and generating sustainable employment. The gains that the Gulf of Guinea would draw from coordinated actions would spill over to the rest of the African continent and would - in a non-zero sum game - benefit the rest of the world, particularly major consuming economies that will increasingly rely on the riches of the region.

I. Introduction: Comparative Advantage

I.1. Geography and Population

The Gulf of Guinea has a market size of about 300 million consumers. It encompasses a large number of countries from West and Central Africa, namely Senegal, Gambia, Guinea Bissau, Guinea, Sierra Leone, Liberia, Côte d'Ivoire, Ghana, Togo, Benin, Nigeria, Cameroon, Equatorial Guinea, São Tomé & Principe, Gabon, Central African Republic (CAR), Congo, the Democratic Republic of Congo (DRC) and Angola. These countries enjoy a wide geological, geographical, and cultural diversity. They range from English-speaking countries to french-, portuguese-, and Spanish-speaking nations. Overall, the Gulf of Guinea generates a gross domestic product (GDP) of USD 112 billion, exports of about USD 45.5 billions and imports of about USD 31.63 billion (figures for 2002).

I.2. Coastal Region and Natural Resources

The ecosystem of the region is a source of global interest. In addition to openness to the Atlantic Ocean, countries of the Gulf of Guinea enjoy a rich bionetwork, made of diverse fauna and flora. These natural riches include, among other endowments, rain forests (accounting for much of the oxygen-generating sources of the globe) and watercourses with access to the sea such as the Congo and Niger rivers. About 4,700 kilometer-long, the Congo River possesses the second strongest streams of the world after the Amazon River in Latin America and represents the main commercial artery of equatorial Africa. The Niger River- which is 4,200 kilometer-long, takes its source from Guinea and crosses nine (9) countries – is essential to the life of 110 million people in Western Africa.[1] As for the Congo, the Niger River and its tributaries remain preferred vectors for local trade. In addition, access to the sea and other rivers from the Niger provides the neighboring countries a remarkable pool for fishing.

However, pollution is a concern in the region. During the past 50 years, the countries of the region have registered strong population growth as well as an acceleration of industrialization and urbanization without regulation. This has caused major degradation of natural resources and biodiversity in the region and in areas contiguous to the Basin. It jeopardizes the ecological base of the long-term development of the region. The international community has expressed its awareness of the environmental problems facing the Gulf of Guinea and the desire to help restore and preserve its natural environment.[2, 3]

The Gulf of Guinea is endowed with abundant natural resources which, if carefully managed, can contribute to global prosperity. The region has large reserves of mineral resources such

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[1] Besides Niger, the countries crossed by the Niger River and its tributaries include Guinea, Mali, Côte d'Ivoire, Burkina Faso, Benin, Nigeria, Chad, and Cameroon.

[2] "Congo Basin Forest Partnership: US Contribution", www.state.gov/g/oes/rls/fs/2002/15617.htm

[3] "Gulf of Guinea: Water Pollution Control and Biodiversity Conservation", www.unido.org/en/doc/3637

as diamond and gold. Countries from the Gulf of Guinea, including Nigeria, Angola, Equatorial Guinea, Cameroon, Congo, Gabon, and Chad are oil producers and are expected to become major suppliers. Sao Tomé and Principe will soon join this group of countries.

Table 1 presents actual and projected oil production in selected countries of the region since 1990. One can distinguish three categories of oil producers. First, Nigeria and Angola, the two largest oil producing countries in the region, are mature producers which continue to maintain or even increase their levels of production of the 1990s. The Republic of Congo can also be ranked in this category of mature producers as its oil production, which started in the late 1970s, is expected to resume its growth path in 2004 following decreases in 2001-03, and stabilize after 2006. The second group of countries includes mature producers with oil production on a declining slope since the late 1990s (Cameroon and Gabon). The third group of countries comprises Equatorial Guinea, which along with Chad, is a relatively new oil producer. However, while Chad's production is anticipated to decline after 2008 following a six-year boom, that of Equatorial Guinea is expected to pursue its exponential-like growth path beyond 2010. [4]

I.3. Transportation Costs and Security

The geographical position of the Gulf of Guinea represents an important comparative advantage for oil supply. Indeed, despite its relative proximity to the world main consumers of energy, North America and Western Europe, the Gulf of Guinea benefit from the absence of maritime transit chokepoints between the region and those parts of the world. Major portions of world crude oil pass through the relatively narrow shipping maritime lanes known as chokepoints.[5] All these channels are passages for important flows of oil carried out on oil tankers.[6] However, the narrowness of the chokepoints makes them susceptible to blockades, pirate attacks and shipping accidents. The Gulf of Guinea is free of these risks.

Moreover, the region is relatively close to the main markets of Europe and the Americas. For instance, while it takes eight (8) hours to fly from New-York to Paris, it requires only six (6) hours and 30 minutes to fly from New York to Dakar, Senegal. By the same token, the

[4] In the paper " Fiscal Surveillance in a Petro-Zone – the Case of the CEMAC" (IMF Working Paper 04/8) that develops indicators for CEMAC fiscal surveillance that take into account the fluctuations in oil prices and oil receipts as well as the scarcity of oil resources, Wiegand (2004) presents the evolution of petroleum production in Cameroon, Chad, the Republic of Congo, Equatorial Guinea, and Gabon between 1994 and 2010.

[5] The world maritime lanes for oil transportation include the *Strait of Hormuz* leading out of the Persian Gulf through the Gulf of Oman and the Arabian Sea; the *Strait of Malacca* linking the oil supplies from the Middle East with the Asian major consuming markets by connecting the Indian Ocean to the South China Sea and the Pacific Ocean; the *Bab el-Mandab* connecting the Red Sea to the Gulf of Alden and the Arabian Sea; the *Panama Canal* linking the Pacific Ocean to the Atlantic Ocean through the Caribbean Sea; the *Suez Canal* passage from the Red Sea and Gulf of Suez to the Mediterranean Sea; and the *Turkish Straits* or *Bosporus* linking the oil supplies from the Caspian Sea to the Mediterranean Sea markets through the Black Sea.

[6] The U.S. Energy Department website provides the daily amounts of oil flowing through these chokepoints. See www.eia.doe.gov/emeu/cabs/choke.html

maritime distance between Luanda in Angola and Rio de Janeiro in Brazil is 3,489 miles. Therefore, traveling by sea at an average speed of 30 knots, it would only take slightly more than 4 days to connect both port cities. It would require the same span of time to connect Abidjan, Côte d'Ivoire, to Port of Spain, the capital city of Trinidad and Tobago in the Caribbean. Likewise, its geographical closeness to western Europe relative to the Middle East and Asia adds to the region's comparative advantage for the movement of goods and people, through reduced costs of sea transportation.

II. Growing Interest of the United States and Europe

II.1. An Important Geopolitical Factor: Source of Energy

The global economy is experiencing tremendous changes with anticipated spillover effects on the Gulf of Guinea. Indeed, given the current political events in the Middle East, which have disruptive effects on oil prices and cause shifts in the structure of oil demand, coupled with robust economic growth in China and India, the Gulf of Guinea is expected to become more important in the U.S., Europe and Asia's energy strategies.

The United States and the European Union are paying increasing attention to the Gulf of Guinea. For instance, it is expected that the United States will invest more than USD 10 billion a year in the region over the next 10 years through oil activities; oceanic research in the deep-sea waters of Equatorial Guinea and Angola; contribution in the restoration and preservation of the forests of Gabon, Equatorial Guinea, Congo, DRC, Cameroon and CAR; the setting of a training framework for African peace-keeping forces; and discrete political interventions. This interest is driven by the US' and Europe's desire to diversify their sources of energy supply so as to reduce the risks associated with high dependence on the Middle East oil. The production of oil and natural gas in the Gulf of Guinea has the potential to fulfill the U.S. and Europe excess demand for energy.

The Gulf of Guinea bears numerous advantages for western countries. First, the crude oil from the region is of better quality than that from Latin America, with API gravity typically above 30º and often close to 40º while that of Latin America rarely exceeds the 30º mark. [7] Second, the region's oil contains little sulfur by international standards, an appreciable characteristic for U.S. oil companies for instance.[8] Third, oil in the region is mostly extracted from offshore fields, far from ground political instability and wars, and as such, can be easily protected from turmoil. Fourth, the numerous transit chokepoints facing other world oil suppliers add to the comparative advantage of producers in the Gulf of Guinea, in terms of shipping ease, lower transportation costs, and less environmental hazards. Finally, a greater presence of the United States and western European countries in the region bears a

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[7] The API gravity is an arbitrary scale expressing the gravity or density of liquid petroleum products, devised jointly by the American Petroleum Institute and the U.S. National Bureau of Standards. The measuring scale is calibrated in terms of degrees API. Oil with the least specific gravity has the highest API gravity.

[8] U.S. Department of Energy, www.energy.gov/engine/content.do

political advantage as it is intended to respond to terrorism concerns that have arisen in the aftermath of 9/11. The U.S. aims to build counterterrorism capacities in many sub-Saharan countries, particularly those with predominantly Muslim populations: Chad, Mali, Mauritania, Niger, and Nigeria.[9]

II.2. Mining and Other Riches

The Democratic Republic of Congo (DRC) is the second largest producer of diamonds as well as the second largest producer of columbine-tantalite, a key raw material used in cellular phones, satellites, and telecommunications equipment. The DRC is also the only country in Africa with extended reserves of cobalt, copper, gold and uranium. Other countries such as Angola, Ghana, Sierra Leone and Liberia are also major producers of gold and diamonds.

The Congo Basin possesses the globe's second largest reserve of rain forests, a diverse and colorful habitat and one of the most powerful rivers in the world, the *Congo River* whose power plant provides electricity to countries as far away as Egypt to the north and South Africa to the south.

As regards agricultural commodities, Côte d'Ivoire is the world's largest producer of cocoa and the second largest producer of coffee. When civil conflict erupted in this country in September 2002, world prices of cocoa skyrocketed to a twenty-year high. In Cameroon, agriculture remains a decisive sector for the economy where it employs 80% of the active population and contributes more than 40% to the country's export revenues.

In the tourism sector, the geographical position of most of these countries offers some of the most attractive beaches and destinations for leisure. Senegal is the closest country to the western hemisphere and has become a preferred destination for tourists from Western Europe and the Americas. The eastern part of the Democratic Republic of Congo is home to some of the most revered natural parks in the world, where diverse animals still live in the wild.

III. Coping with the Obstacles to Economic Development

Despite numerous resources, the Gulf of Guinea countries continue to face low growth and poverty. There have been many impediments to its development insofar.

III.1. Demographic Changes and the Quality of Human Capital

In the midst of the world major demographic transition, notably slowing population growth, there are cross-regional variations.[10] While life expectancy continues to increase and population is aging in advanced countries, Africa experiences a decline in life expectancy, mostly as a result of the HIV/AIDS pandemic and malaria. Africa is also seeing the share of

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[9] Goldwyn and Morrison (2004), "Promoting Transparency in the African Oil Sector", A Report of the CSIS Task Force on Rising U.S. Energy Stakes in Africa, CSIS Africa Program.

[10] IMF's World Economic Outlook (September 2004).

its young in the total population grow. The dynamics of these demographic changes are expected to have an important impact on African countries by 2050.

The countries of the Gulf of Guinea in particular need to adopt labor market policies aimed at absorbing the growing young population chunk into the workforce. This requires reforms to improve the flexibility of labor markets, as well as better education and training to provide the skills necessary for employment. Equipping the workforce with a larger and more labor-efficient capital stock would be achieved through higher saving, especially on the part of governments that need to run fiscal surpluses and reduce debt levels. This, together with highly needed institutional reforms (see III.3. below), are important elements of an environment conducive to domestic saving, capital inflows, and capital accumulation. The risks of not integrating the increasing young population into the labor force include political unrest and social instability.

III.2. Avoiding Inconsistent Fiscal Policies in the Presence of Abundant Oil Resources

The second challenge confronting the Gulf of Guinea is related to the quality of policy management stemming from the abundance of oil resources. Many natural resource-endowed countries have mismanaged their riches, often by overspending. Fiscal policy, which has often proven unreasonable in many of those countries, usually turns into low growth rates. [11] The abundance of the natural resource itself has often induced authorities to design and implement development strategies and shorter term expenditure frameworks based on overoptimistic assumptions, resulting in overspending, procyclical expenditures, and inefficiencies.

We have looked at the fiscal trends in three countries of the Gulf of Guinea, namely Nigeria, Equatorial Guinea and Gabon, and more specifically the respective patterns of public expenditures in correlation to oil prices and oil revenues. While the analysis for Equatorial Guinea is inconclusive given the short time span since this country started to produce oil in the mid-1990s, the cases of Nigeria and Gabon indicate that oil-driven fiscal policy is a feature to some countries at least in the Gulf of Guinea. These boom-bust fiscal policies, when they occur, disrupt the carrying out of core government obligations and steady growth in non-oil sectors. Further, policy reactions to neutralize the subsequent economic imbalances can worsen the situation. Indeed, the contraction of non-oil sectors can induce the authorities to adopt protectionist policies and capital controls, leading to even more narrowing non-oil sectors as was the case in Nigeria in the 1980s and 1990s. Nevertheless,

[11] Empirical literature shows that oil-endowed countries in Africa have experienced lower growth rates and weaker development indicators than other African countries. What is called the "Paradox of Plenty" (Karl, 1999, "The Perils of the Petro-State: Reflections on the Paradox of Plenty," *Journal of International Affairs*, Volume 53, pp. 31-48) has been evidenced, for example, by Sachs and Warner (1995), " Natural Resource Abundance and Economic Growth" (Harvard Institute of Economic Research Discussion paper No. 517), Sala-i-Martin and Subramanian (2003), " Addressing the Natural Resource Curse: An Illustration from Nigeria" (IMF Working Paper 03/139), and many others.

experience shows that there is no fatality of boom-bust policies in oil producing countries. Indonesia, among others, is an example.[12]

III.3. Institutional Quality and Governance

The third challenge facing the Gulf of Guinea is the so-called "oil curse". One factor of the "oil curse" stems from weak institutions. The abundance of oil resources can favor rent-seeking behavior, especially in an environment of weak property rights and loose law enforcement, which in turn weaken other items of institutional quality. According to six indicators of governance produced by the World Bank for 2002 (voice and accountability, political stability and lack of violence, government effectiveness, regulatory quality, rule of law, and control of corruption), all seven oil-producing countries in the Gulf of Guinea far underperform the world median, indicating poor institutions, with the exception of political stability and lack of violence in Equatorial Guinea and Gabon. Moreover, the rule of law and the fight against corruption are the areas where oil producers of the region perform the worse. Finally, comparisons with other countries in 2002 show that the Gulf of Guinea oil producers trail their counterparts not only from the Gulf of Guinea but also from the rest of sub-Saharan Africa, in all of the six indicators.[13]

This outlook highlights the lack of committed efforts to improve institutional quality related to governance, and underpins the argument that the exploitation of natural resources often promotes corruption and causes further economic imbalances. This somewhat bleak picture on the quality of institutions and governance in the Gulf of Guinea oil-producing countries, as well as on their overall policy management and exposure to external shocks, is worrisome as it lays the ground for poor, long-run economic performance. Prompt and decisive actions are needed if one wants to avoid a natural resource curse to the region.

III.4. Tackling the Impediments Related to the Oil Sector: Price and Exchange Volatility and the Lack of Diversification

Another major challenge facing the Gulf of Guinea oil-producing countries is one that all oil producers have to confront, namely coping with volatility of oil prices, often coupled with that of the U.S. dollar, which can prove detrimental to these economies. When prices unexpectedly hit lows, government oil receipts decline abruptly below their anticipated levels, affecting budget expenditures or any spending to which these revenues are earmarked.

Even on the high end, the levels of oil prices should not always be regarded as favorable to oil producers, as they can also adversely impact government budgets, albeit not immediately.

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[12] Apart from Nigeria, Baunsgaard (2003) shows the patterns of oil-driven fiscal policy in Venezuela. However, he also, describes the case of Indonesia where there has been success in insulating the economy against oil-related volatility, primarily by achieving a broader diversification of the economy. Baunsgaard (2003), "Fiscal Policy in Nigeria: Any Role for Rules?", IMF Working Paper 03/155.

[13] This compilation of institutional quality measures is owed to Kaufman, Kraay and Mastruzzi (2004), "Governance Matters III: Governance Indicators for 1996-2002," (World Bank Policy Research Working Paper 3106). See appendix table 2.

Indeed, rises in prices well above their historical trends (e.g. current oil prices) can restrict economic growth in net importing countries, which happen to be the main engines of the world economy (United States, European Union, China). When coupled with the diminished value of the dollar and fiscal imbalances that lead to higher interest rates, this can lead to the contraction of, or growth containment in, the world economy and adversely affect oil producers themselves.

In light of the high volatility in oil prices and dollar fluctuations, countries that rely heavily on oil exports are highly vulnerable to the exogenous events that disrupt oil markets. This is the case of oil producing countries in the Gulf of Guinea where ratios of oil exports to total exports have consistently been above 80% since the mid-1980s, with the noticeable exception of Cameroon. This precarious situation is a strong argument for these countries to cushion against external disturbances by diversifying their export base.

When shocks nevertheless occur, the countries should be able to react to these disturbances by accessing funds to mitigate their impact. In this view, constituting stabilization funds and setting provisions at times of prosperity is desirable. The international community, through the International Monetary Fund, the World Bank, the African Development Bank, and other multilateral financial institutions, should also help especially countries that cannot afford such stabilization funds.

Lasting global prosperity requires stable oil markets and prices. To this end, it is desirable that the two sets of the market actors play fully their role : on the one hand, oil-producing countries must continue to expand production and adopt measures to increase capacity ; on the other hand, oil-consuming countries should take measures to promote energy sustainability and efficiency. In so doing, the two sides must maintain a constant dialogue and further improve oil market information and transparency, which will curb speculative movements.

III.5. Security and Stability

Natural resource-rich countries in the Gulf of Guinea have been the landscape of continuous instability, in the form of internal turmoil, cross-border conflicts, or both. One can mention the internal instability in Nigeria, the twenty-five year-long civil war in Angola, the turmoil in the Democratic Republic of Congo since the mid-1990s, the repeated internal conflicts in the Republic of Congo since 1994 and in the Central African Republic, as well as failed coup attempts in Equatorial Guinea recently. While the conflicts have involved local regimes, opposition forces and rebels, they have been complicated and exacerbated by external influences driven by geopolitical and economic interests. All these conflicts have had – and continue to have - humanitarian spillover effects. Natural resources have also been the center of cross-border tensions between producing countries in the Gulf of Guinea. An example is the long-lasting dispute between Cameroon and Nigeria over the oil-rich Bakassi peninsula.

More recently, Gabon has claimed ownership over the small Mbanié island which sits on important oil reserves. The island has been regarded as territory of Equatorial Guinea.[14]

While conflicts in Africa are not peculiar to countries in the Gulf of Guinea, the latter seem to have been more exposed to instability. The conflicts mentioned above can be compared to the more peaceful experiences in Gulf of Guinea's countries that have not enjoyed (yet) natural resource booms, including Ghana, Togo, Benin, and São Tomé and Príncipe. Evidently, natural riches in the region attract covetousness and generate predatory-like behavior by countries within or outside the region. Given the growing importance of the Gulf of Guinea in the global economy, it is the utmost interest of both the region and the international community to ensure stability in the Gulf. Indeed, if this region remains stable, natural resource-endowed countries will grow as reliable suppliers. Conversely, if the region faces unrest, it will create shocks to the global economy in addition to becoming a vector for violence, a potential haven for terror and a pretext for the disrespect for democratic norms, human rights and environmental standards.

IV. Prospects and Future of the Region's Economic Advantage

IV. 1. Projected Oil Revenues

The prospects of the Gulf of Guinea are bright notwithstanding the numerous challenges. Today, outside the Persian Gulf, one in four barrels of oil produced worldwide comes from the Gulf of Guinea. In the near future, the latter will supply 1/5 of US imported oil. In a longer term perspective, the region's oil revenues will expand exponentially, although it is anticipated that production will decline in some countries based on the currently available oil fields. Indeed, the seven oil-producing nations of the Gulf of Guinea are expected to generate more than USD 350 billion from this natural resource over the 2002-2019 period, that is more than the current annual GDP of a country like Russia (USD 310 billion in 2003) and close to the current GDP of all Sub-Saharan African countries combined.

For the 200 million Africans living in the oil-rich area, these prospects bring enormous hopes. It is important that the leadership of the region takes advantage of this potential and draws lessons not only from the past but also from the experience of other countries and regions of the world. This anticipated revenues should be used as the basis for the creation of economic activities. The international community and the African Diaspora should help put in place, develop and benefit from such opportunities.

IV. 2. A Role for the African Diaspora in Promoting Economic Opportunities

The large African Diaspora from North America, Latin America, the Caribbean, and Europe should participate in the development of the Gulf of Guinea, which has a potential which, if properly exploited, would spillover and benefit the whole African continent. The actions of the Diaspora should take multiple forms, including political and economic lobbying to induce

[14] Gabon and Equatorial Guinea are working together to resolve the dispute.

direct investment to the region, especially in mining, manufacturing, tourism, and urban development; Diaspora's participation in joint-venture businesses; increased remittances (transfers of unofficial funds to families and communities in the region) that have proven to be a stable source of capital flows to Africa; and well informed aid and business decisions through trips to the motherland. The Diaspora can use its experience and know-how to develop service industries, especially financial services which are presently lacking.

V. A Proposal for the Development of the Region

The following is a proposal on how to help develop the Gulf of Guinea, from making a good utilization of its oil resources to ensuring the everlastingness of the wealth generated around this potential. It is a three-fold proposition: (i) using the oil revenues as an insurance in attracting foreign direct investment; (ii) departing from an approach based mainly on exporting the narrow spectrum of raw materials to an approach with value addition and greater market access; and (iii) creating a virtuous circle of wealth sustainability and job creation.

V.1. Using Oil Revenue as Collateral for Foreign Investment

The expected oil revenue of the Gulf of Guinea in the period ahead (see III.1. above) should be used as guarantee for foreign investment to development activities in the region. This would in no circumstances be a pawn on future oil receipts by governments against budget support that has proved misused in some of the oil-producing countries of the region. Rather, it would induce *private* investors to commit and deliver funds for infrastructure and business investment.

The legal arrangements would be worked out between the national government and foreign investors, and the implementation of the contract – including the effective delivery of the infrastructure and businesses - be monitored by an independent body comprising the representatives of the civil society, local business community, and international NGOs.

V.2. Encouraging Value Addition, Integration, and Market Access

Relying on exporting a restricted field of raw materials with no value addition, while exporting both money and jobs to the outside world have been detrimental to the development of Africa. Establishing transformation industries on the continent is highly desirable. It is important to add value to raw materials and intermediate products so as to expand the production and export bases, and improve the return on exports.

Intra- and inter-regional movements of capital and goods through increased integration and larger market access will also carry weight. In particular, advanced countries must eliminate all impediments to fair trade by ending subsidies and allowing a greater access of developing country products to their markets.

V.3. Ensuring Wealth Sustainability through Distribution and Employment

As highlighted above, macroeconomic stability is a fundamental pillar of the development of the Gulf of Guinea. Many countries in the region have achieved this intermediate objective, with IMF support. Countries like Nigeria have begun to build up homegrown economic strategies with strong ownership involving all parties. Stakeholders have begun to see the importance of creating more jobs for the stability of the region and call for the same analysis for the rest of the Gulf.

Macroeconomic stability is the prerequisite on which policies can be developed to distribute to the populations, in a stable, sustainable and equitable manner, the natural riches and the wealth created through transformation and value addition. Such growth will generate jobs, which in turn will maintain growth and prosperity. It is important to put in place this virtuous circle that will ensure the sustainability of the region's prosperity.

Countries in the region should adopt a sectoral approach to job creation. For instance, more than 100,000 jobs in the United States depend on services delivery to the Gulf of Guinea. A key question for the countries in the Gulf is how to take advantage of these 100,000 jobs to create concurrently the same number of jobs at least in the region. With comparative advantage from lower labor costs, the Gulf of Guinea countries should be able to create the needed jobs for the populations.

VI. Conclusion and Recommendations

The Gulf of Guinea is undoubtedly emerging as an important element of the global economy. Equatorial Guinea is a rising economic force in the region. Other countries such as São Tomé and Príncipe, are expected to evolve in the future. Natural resources and changes in geopolitical parameters remain the main advantages of the region. However, its enormous potential can be challenged by the ongoing demographic changes, unreasonable policy choices, weak institutions, as well as persistent exposure to adverse factors (wars, natural disasters, commodity price and exchange rate volatility, etc.). This should prompt actions on the part of the region's policymakers to prepare the economies of the region face challenges ahead so as to maximize the benefits drawn from the region's economic potential. The international community can help prevent these risks. The African Diaspora has also an important role to play in this regard by greater involvement in business activities in the continent.

In order to become a development zone, the Gulf of Guinea must be a haven of stability.
It should be regarded as a global common good. Increased regional arrangements to safeguard peace, including prompt resolution of internal and cross-border conflicts in line with what is being instituted at the African Union level, must be undertaken. A credible and sustainable development of the region will also entail transparency, accountability and reform ownership. As regards the natural riches of the region, it is critical to prevent the symptoms of natural resource curse, while taking into account other regions' experience in dealing with natural resource booms, so as to ensure that the benefits from these riches are maintained over the very long term. In particular, the expected USD 350 billion in oil revenues over the period 2002-2019 should be properly used, and we suggest using much of it as guarantee for foreign direct investment. The gains that the Gulf of Guinea would draw from country-wise efforts complemented by coordinated regional and international actions

will spill over the rest of the African continent and would - in a non-zero sum game - benefit the rest of the world, particularly major consuming economies that are anticipated to increasingly rely on the riches of the region.

Good governance and transparency in managing resources will carry weight. Indeed, countries should improve governance, so as to make the public administration a supportive, credible and reliable institution for the development of the private sector. The International Monetary Fund and the World Bank are helping in this direction and we are starting to see positive results in some of the countries. As regards the domestic oil sector, the main actors should be committed to transparency in the management and sharing of oil resources. The Extractive Industries Transparency Initiative (E.I.T.I.), which requires oil and mining companies in participating countries to disclose their payments from those nations, is in the right direction. All countries of the Gulf of Guinea should be encouraged to participate in the Initiative.

Finally, an important part of the solution to the development concerns facing developing countries, including those endowed with natural resources, is *what the international community can do to help them cope with these challenges and take full advantage of their potential*. Hopefully, the international community will continue to support their efforts both at the multilateral and bilateral levels. As regards the International Monetary Fund (IMF), the ultimate goal for the countries in the Gulf of Guinea is to go beyond IMF-supported programs and have access to international private investment flows. In this context, multilateral institutions can and must play facilitating roles. These should include:

- *Partners for reforms*: The main task ahead to ensure a successful integration of this region into the world economy is to consolidate macroeconomic and structural reforms. One must acknowledge that the IMF plays an important role through policy advice, financial support, and technical assistance, which emphasize macroeconomic stability as pre-requisite to prosperity and development, and more reform ownership for poverty reduction. We must also recognize that there has been some improvements in aligning the IMF-supported programs with country-owned poverty reduction strategies.

- *Catalytic role for financing*: These nations look at the IMF as a catalyst for further financing from other creditors and donors. A green light from the IMF sends signals to the donor community and the private sector that the country is adopting the right policies. Providing debt relief is also important. This is done through the joint IMF/World Bank Enhanced Initiative in favor of Heavily Indebted Poor Countries (HIPC Initiative). We recognize that more should be done to increase the number of countries in the process and accelerate debt relief through broader, faster and more effective debt reduction.

There has been much criticism on the actions of the Bretton Woods Institutions, particularly their recommendations on fiscal policy stance. It is believed by critics that the IMF programs have had a bias towards too tight fiscal policies, which have constrained the role of the public sector and reduced the populations' incomes in many developing countries. The lack of attention for how to cope with the absence of reliable sources of growth – ones that would ensure long-term fiscal sustainability – has also been noted. Finally, it is important for the IMF to respond to the concerns related to the social impact of recommended structural reforms, for instance the privatization programs. The IMF is currently working on these issues.

The perception, whether justified or not, that the actions of those institutions have contributed to the dismal outlook of developing countries has unfortunately triggered some of the resistance against the principle of macroeconomic stability in support of sustainable development. As members of the IMF, African countries have to press this institution to emphasize the creation of economic and social environment conducive to free enterprise, business expansion, and employment, which can secure the long-term fiscal sustainability of poor country governments in meeting their obligations. These countries should make their voice heard with greater participation in - not withdrawal from – the Bretton Woods Institutions. This leads to the last point:

- *Increased voice in International Financial Institutions*: In the emerging global economy, international organizations play an important role as they set the rules and standards that shape the life of many nations. These rules affect poor nations more forcefully. This paper made a reference to global trade issues. To strengthen the international dialogue and address the development needs and concerns of those nations more effectively, one should stress the need to broaden and strengthen their participation in international economic decision-making and norm-setting.

Appendix Tables:

Table 1 : Selected Countries in the Gulf of Guinea: Oil Production and Projections, 1990-2033

in thousands of barrels per day

	Angola	Cameroon	Congo, Rep. of	Equat. Guinea	Gabon	Nigeria
1990	473	145.8 (†)	165.7	0	270.0	1,812
1991	497	136.7 (†)	160.8	0	296.0	1,894
1992	549	129.9 (†)	172.8	3.1	294.0	1,959
1993	504	113.7 (†)	189.8	4.5	312.0	2,038
1994	550	107.9 (†)	180.8	4.9	356.0	1,897
1995	617	101.1 (†)	180.0	6.2	368.0	1,990
1996	679	107.7 (†)	196.0	16.9	364.0	2,179
1997	698	114.8 (†)	238.0	56.6	368.0	2,271
1998	739	119.5 (†)	252.8	82.9	350.0	2,231
1999	746	113.4 (†)	259.4	103.1	312.0	2,110
2000	748	114.2 (†)	268.0	117.9	272.0	2,261
2001	740	103.3 (†)	235.2	205.1	260.0	2,238
2002	903	102.5	231.6	247.0	252.0	1,960
2003*	n/a	97.3	218.0	n/a	270.0	2,450
Projections :						
2004	n/a	90.1	n/a	n/a	266.0	2,500
2005	n/a	85.8	n/a	n/a	220.0	2,630
2006	n/a	81.4	n/a	n/a	204.0	2,700
2007	n/a	n/a	n/a	n/a	n/a	2,750
2008	n/a	n/a	n/a	n/a	n/a	2,810
2009	n/a	n/a	n/a	n/a	n/a	2,880
2010	n/a	n/a	n/a	n/a	154.0	n/a
2015	n/a	n/a	n/a	n/a	112.0	n/a
2020	n/a	n/a	n/a	n/a	82.0	n/a
2025	n/a	n/a	n/a	n/a	60.0	n/a
2030	n/a	n/a	n/a	n/a	44.0	n/a
2033	n/a	n/a	n/a	n/a	36.0	n/a

Note: (*) Estimations.
(†) Production corresponds to the fiscal year beginning in the year specified, e.g., 1990 stands for fiscal year 1990/91.

Source: IMF Country Reports

Table 2: Indicators of Governance, 2002

	Voice and Accountability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Angola	-1.39	-1.60	-1.16	-1.33	-1.56	-1.12
Cameroon	-1.10	-0.50	-0.62	-0.88	-1.28	-1.10
Chad	-0.95	-1.78	-0.75	-1.11	-0.93	-1.02
Congo, Republic of	-1.10	-1.64	-1.25	-1.00	-1.22	-0.94
Equatorial Guinea	-1.44	0.31	-1.37	-1.45	-1.19	-1.89
Gabon	-0.42	0.20	-0.45	-0.19	-0.27	-0.55
Nigeria	-0.70	-1.49	-1.12	-1.18	-1.35	-1.35
Average for Oil-						
GG Countries (1),(2)	**-1.01**	**-0.93**	**-0.96**	**-1.02**	**-1.11**	**-1.14**
Average for Non-Oil						
GG Countries (1),(2)	**-0.66**	**-0.75**	**-0.91**	**-0.67**	**-0.80**	**-0.75**
Average for Other Selected						
SSA Countries (1), (3)	**-0.39**	**-0.39**	**-0.55**	**-0.50**	**-0.48**	**-0.34**

(1) Arithmetic average for the given set of countries

(2) GG stands for Gulf of Guinea. The non-oil GG countries include Benin, Central African Republic, the Democratic Republic of Congo, Cote d'Ivoire, Ghana, Sao Tome and Principe, and Togo.

(3) SSA stands for Sub-Saharan Africa. The selected SSA countries include Burkina Faso, Cape Verde, Comoros, Djibouti, Ethiopia, Guinea, Guinea Bissau, Kenya, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, South Africa, and Zimbabwe.

Note: A zero figure represents the value of the given indicator for the *median* country. The higher the value of the indicator, the stronger the institutional quality.

Source: Kaufmann, Kraay, and Mastruzzi (2004); Author's calculations.