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Equatorial Guinea seeks to shake off 'oil curse' image

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By [Pascal Fletcher](#)

MALABO (Reuters) - On land cleared of tropical forest, gleaming new office towers, apartment blocks, homes and highways dazzle the eye in Equatorial Guinea, Sub-Saharan Africa's No. 3 energy producer where oil and gas revenues have fed a frenzy of construction.

But cutting away the jungle is proving easier for President Teodoro Obiang Nguema than shedding his central African nation's dark image as a reclusive, repressive and graft-ridden poster child of the "resource curse".

Obiang, in power since 1979 and Africa's longest-serving head of state, is fronting a bid by Equatorial Guinea to break out of negative media coverage he says is one of its biggest obstacles to progress and international acceptance.

"The country is not being shown for what it is," Obiang, 72, complained in a rare recent interview with reporters just outside Malabo, capital of the small Gulf of Guinea state.

In an outreach campaign since the start of the year, Obiang has declared his country open for more business outside of oil and gas, widened its alliances by joining a global community of Portuguese-speaking states, and offered a political dialogue to domestic and exiled opponents.

Sub-Saharan Africa's only Spanish-speaking territory became independent from Madrid in 1968. Its history of colonial exploitation, dictatorship and coup bids by foreign mercenaries has provided exotic fodder for novelists and filmmakers.

Thanks to a hydrocarbons boom, Equatorial Guinea boasts the highest GDP per capita in Africa, one not far from that of Saudi Arabia and above Chile and Greece. But there is a huge gulf between this and its human development ranking of 136 out of 187 states on the U.N.'s 2013 Human Development Index.

It also has an outsize reputation for corruption. A 2004 U.S. Senate probe revealed millions of dollars channeled by Obiang and relatives into the disgraced Riggs Bank.

Obiang's eldest son, known as Teodorin and a vice president and potential successor, has faced corruption and money-laundering investigations in the United States and France that cast him as a profligate playboy splashing out millions on luxury cars, watches, homes and Michael Jackson memorabilia.

Teodorin has denied illicit enrichment, and U.S. judges have so far thrown out bids to seize a \$30 million Malibu home and a Gulfstream jet belonging to him, saying no link to illegal acts were proved. But the investigations continue.

Pro-democracy watchdog Freedom House calls Obiang among "the world's most kleptocratic living autocrats", saying he and his family enjoy riches while many of his people go hungry.

Most statistics on Equatorial Guinea are unavailable or out of date by years. A 2009 cable from the U.S. embassy in Malabo, revealed by Wikileaks, called it "one of the world's most isolated and least understood countries".

Obiang says he wants to change this.

He presided over an "Emerging Equatorial Guinea" conference in February in which he and ministers, including another son, assured investors that the country - once among the planet's poorest before oil and gas discoveries changed its future for ever - was a welcoming and "fertile" business destination.

"SOMETHING'S CHANGING"

The government hired Madison Avenue, New York-based PR company Richard Attias & Associates, which specializes in helping African leaders and states "build their global influence", to organize the two-day forum outside Malabo.

Obiang and his ministers laid out a panoply of diversified investment possibilities beyond oil and gas in sectors like farming, mining, petrochemicals, tourism and finance.

"We have gold, diamonds, coltan, bauxite," said Obiang's son, U.S.-educated Mines, Industry and Energy Minister Gabriel Mbagu Obiang Lima, viewed by many as a modernizing, reformist face in the leadership. He said the government realized oil and gas - the country produces around 400,000 barrels per day of crude, methanol and LNG - were "a finite resource".

Facing calls for more transparency, Equatorial Guinea plans to re-submit its candidacy to join the Extractive Industries Transparency Initiative, which gives an international stamp of approval. Its previous EITI candidacy attempt failed in 2010.

Already a member of the French-speaking Francophonie group, the nation is joining the Community of Portuguese Language States (CPLP) - on the basis of its original discovery by a Portuguese explorer, Fernao do Po - and also would like to join the British Commonwealth, President Obiang said.

World Bank and IMF officials see a new willingness by Obiang and his policy-makers to make reforms in the energy-dependent economy and engage with the international community.

"I'm sure something's changing, I just don't know how deep that change is going to be," Jon Shields, IMF Mission Chief for Equatorial Guinea, told Reuters.

Gregor Binkert, the World Bank's country director for Equatorial Guinea, also believes Obiang wants to rebrand the country's



image and improve economic and social indicators.

On Bioko island, where the capital Malabo is located, a Reuters reporter saw new roads and power lines dissecting the jungle and mountains of the interior, reaching even small hamlets. Such extensive infrastructure improvements are hard to find in a lot of Sub-Saharan Africa outside of South Africa.

Binkert said the infrastructure makeover was replicated on Equatorial Guinea's Rio Muni mainland, where he had seen highways, public buildings, houses, electricity and water services in place and being built - an effort he says is obscured by the chronic lack of available data on the country.

HARD SELL

But the welcoming "open for business" pitch is a hard sell.

The February symposium was attended by executives from across the world. But critics saw the slickly presented event as a bid by the government to clean up its image, not its act.

"I don't see it, I think it's PR," said Ken Hurwitz, an anti-corruption expert with the Open Society Justice Initiative, who has studied Equatorial Guinea for years.

The country has a reputation as a tough and treacherous place to do business. Transparency campaigners and critics say access to most deals is controlled by Obiang, his family and allies of his Fang Esangui clan from mainland Mongomo district.

"Equatorial Guinea is a family business," said Andres Esono Ondo, leader of the opposition CPDS party, which won only two seats in the country's lower assembly and Senate in May 26 elections swept by Obiang's PDGE party. International rights groups said the vote fell well short of democratic standards.

Tutu Alicante, an exile who heads rights group EG Justice, has testified to the U.S. Congress that Obiang's family controls businesses from power, telecoms and construction to timber and energy. "They've a finger in everything," he said.

Most foreign executives working in Equatorial Guinea shun publicity. Reports of influence peddling, bribery and even intimidation and arrests of businessmen are rife.

South African aviation consultant Daniel Janse van Rensburg was pulled off a plane by police in Malabo in December over a dispute over a business deal with a local politician.

South African Foreign Ministry spokesman Clayson Monyela told Reuters van Rensburg had been released to South Africa's embassy in Equatorial Guinea after it intervened.

An Italian business partner of Teodorin in a construction company, Roberto Berardi, is serving a 2 year, four month sentence in Bata prison after being convicted by a local court last year of charges of misappropriation brought by Teodorin.

In statements through his family and rights groups, Berardi says he was unjustly jailed after he demanded explanations from Teodorin for their company, Eloba Construccion S.A., being named in the U.S. investigation against the vice-president.

The Geneva-based World Organization Against Torture has appealed on Berardi's behalf, saying they have received reports he has been tortured and is in poor health in a solitary cell.

Calls to the office of Equatorial Guinea's attorney general to ask about Berardi's case went unanswered.

Hurwitz said these were cautionary tales for investors. "Not only will you lose money, it's very dangerous," he said.

This has not stopped international companies, from U.S. energy producers Exxon Mobil, Marathon Oil Corp and Noble Energy to constructors like China Dalian, Egypt's Arab Contractors and Lebanon's Setraco from pursuing multi-billion-dollar business opportunities in the country.

A IMF report for 2012 highlighted "perceptions of an unwelcoming business climate".

BASKET CASE TO BOOM

From the mid-1990s when oil started flowing, Equatorial Guinea was catapulted from being an aid-dependent economic basket case to what some call the "Kuwait of Africa".

But Human Rights Watch says in its 2013 world report most of Equatorial Guinea's population "lives in poverty".

Opponents of Obiang say that despite an updated constitution that enshrines multi-party politics, Equatorial Guinea is a claustrophobic dictatorship.

Esono told Reuters during a meeting in Malabo in February opposition members were harassed and arrested, press freedom was curtailed and the death penalty was still being applied.

A week later on February 14, Esono and other CPDS leaders were received by Obiang, who said he was willing to open a dialogue with domestic and exiled opponents, Esono told Reuters.

In his February interview, Obiang rejected the criticism.

"They call me a dictator," he complained, adding: "We have the acceptance of the Guinean people ... No one has been persecuted for what he or she says".

Wary Malabo residents point out high walled and guarded presidential complexes used by Obiang and his family. They say few dare to speak out against the president, fearing punishment and what they say is a network of government informants.

Esono and Alicante said Obiang co-opted opponents by offering government jobs, and otherwise tried to silence them.

The president, a military officer who ended the brutal 11-year rule of his uncle Francisco Macias Nguema in a 1979 coup, says his tropical petro-state is coveted by foreign powers.

He cites threats, such as the notorious 2004 failed coup bid involving South African mercenaries and implicating Mark Thatcher, son of late British premier Margaret Thatcher.

In 2009, seaborne raiders believed to be Nigerian gunmen attacked the presidential palace in Malabo, but were repulsed, a raid the government called another foiled takeover attempt.

POVERTY OR PENURY?

Obiang disputes reports of poverty: "I would say there is not poverty, there is "penuria" ("shortages" in Spanish)".

In Malabo's new suburbs, there are new ministries, housing estates, stadiums, police and army barracks built on land carved out of overgrown old cocoa plantations that surround the city beneath the forested, cloud-shrouded Basile peak.

Most ordinary people live in tin-roofed wooden homes. The government boasts of building thousands of "low income" houses but critics say these go to privileged government employees.

But in up-country jungle hamlets on Bioko, such as Musola lying between Riaba and Luba in the south, villagers welcome newly constructed roads connecting them to the outside world.

"Hombre, you can see how much better it is," said Musola's mayor Mariano Ebriday, 60, referring to the tarmac streets that run between wood-plank houses up to the neatly painted church.

Shields acknowledges the infrastructure work on Bioko and the mainland, where a new capital, Oyala, is being built.

"You compare it with a lot of West Africa and it's impressive in scale and functionality," said the IMF official, while adding there was "an awful lot of waste".

Critics like CPDS's Esono say the ubiquitous construction is a showy illusion that conceals major deficiencies in areas like sanitation, drinking water, health and education.

The IMF and World Bank have long complained about the inadequacy" of reliable economic data from Equatorial Guinea.

Even the real population size is unknown. International bodies have worked with an estimate of around 700,000, but Binkert says the reality is likely to be well over 1 million.

Obiang's government says it wants to end the statistical blackout and in December signed an agreement with the World Bank supporting the production of reliable statistics.

Estimates that do exist still seem wide apart.

Finance Minister Marcelino Owono Edu told Reuters 35 percent of this year's budget is earmarked for social spending, compared with 13 percent in 2013. But the IMF says the budget has been dominated by capital spending, of which less than 4 percent has recently been spent on education and health.

Obiang, who says Equatorial Guinea's hydrocarbons wealth is a blessing not a curse, accepts more can be done. "You can't change everything at once," he said, but adds:

"There is no turning back".

(Editing by Anna Willard)

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