São Tomé and Príncipe 1975-2015: politics and economy in a former plantation colony*

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Abstract: After independence in 1975 São Tomé and Príncipe became a socialist one-party state. The regime nationalized the cocoa plantations and the entire economy. As the country lacked adequately trained people, within a few years the local economy was run down. Due to economic failure, in 1990 the regime introduced multiparty democracy and a free-market economy. Despite political instability provoked by consecutive changes of government, democracy has done relatively well. However, the economy has been ailing, since consecutive governments failed to recover the cocoa sector and diversify the economy. Prospects of becoming an oil producer that emerged in the 1990s have not materialized either, since commercially viable oil has not been discovered. Consequently, for many years the small country has become completely dependent on international aid. The article analyses the archipelago’s policies and economy over the past forty years.

Keywords: São Tome and Príncipe; plantation economy; development; multipartyism; oil

Resumo: Após a independência em 1975, São Tomé e Príncipe tornou-se um Estado de partido único socialista. O regime nacionalizou as plantações de cacau e toda a economia. Como o país carecia de pessoas adequadamente formadas, dentro de poucos anos a economia local se arruinou. Devido ao fracasso económico, em 1990 o regime introduziu a democracia multipartidária e uma economia de mercado livre. Apesar da instabilidade política causada por mudanças consecutivas de governo, a democracia tem funcionado relativamente bem. Contudo, a economia continuou precária, visto que governos consecutivos não conseguiram recuperar o setor de cacau nem diversificar a
Introduction

São Tomé and Príncipe became independent on July 12th, 1975. The archipelago’s independence was the result of two interrelated events: the liberation struggles in Angola, Guinea-Bissau and Mozambique and the Portuguese Carnation Revolution of April 25th, 1974. Just as in Cabo Verde, there had not been any armed struggle in São Tomé and Príncipe since the Portuguese security forces had no trouble in curtailing any resistance in the two easily controllable archipelagos. Since 1960, however, a small group of Sàotomean nationalists in exile, who set up the Comité de Libertação de São Tomé e Príncipe (CLSTP), had led a modest political struggle for independence. They kept in touch with the liberation movements in other Portuguese territories, with whom they shared the intention to establish a socialist postcolonial order. At the time of the Carnation Revolution, the group – meanwhile re-organized
as Movimento de Libertação de São Tomé e Príncipe (MLSTP) – was largely unknown in the two islands. However, immediately thereafter, the MLSTP unleashed a political campaign for independence in the archipelago that was supported by a majority of the local population².

Initially the new military leaders in Lisbon only wanted to grant São Tomé autonomy within a federation with Portugal. Finally, however, they agreed to the MLSTP’s demands on full independence. Conditioned by the political context of the liberation struggles and the decolonization process in the Portuguese colonies, after independence the two small island republics also become socialist one-party states. Within a few years, increasing authoritarian rule and economic failure discredited the socialist regime. Some fifteen years after the independence, in another international context marked by the end of the cold war, São Tomé and Príncipe became the first of the five Portuguese-speaking African countries that embarked on the transition to a multiparty democracy.

The country’s socioeconomic and political development over the last forty years has been conditioned by a set of different factors. The consequences of insularity and the small size of the economy, high transportation costs and extreme dependence on imports, in combination with a colonial legacy of plantation economy based on cocoa monoculture have restricted the options for economic development. Only over the past few years has the local government attempted to turn insularity into a comparative advantage by promoting the archipelago as a potential logistics hub for the oil-rich Gulf of Guinea region. Irrespective of the ideologically different political systems, local political culture has been characterized by personalistic politics, neo-patrimonial relations, clientelistic networks, corruption and rent-seeking, to the detriment of economic rationality and administrative efficiency. Consequently, a significant share of state resources has been used for redistribution, personal consumption or enrichment rather than for investment and production to sustain economic development (CHABAL, 2002, p. 40). Besides, neo-patrimonial politics have frequently contributed to political instability, which in turn has additionally impaired government performance. Furthermore, the lack of adequately trained personnel in economy and administration has affected the country’s organizational and institutional capacities. While this problem was at its worst in the first years after independence, the problem has persisted due to a lack of adequate investments in education and professional training by

² At the time, about 75,000 people.
consecutive governments. This article seeks to analyse São Tomé and Príncipe's political and socioeconomic developments over the last forty years in the light of these conditioning factors.

The road to independence

Besides their size and insularity, colonial history also distinguishes Cabo Verde and São Tomé and Príncipe from the three Portuguese-speaking mainland countries. In the latter, the Portuguese imposed colonial rule on existing autochthonous African societies, while in the hitherto uninhabited archipelagos the colonization by white settlers and African slaves in the second half of the 15th century originated Creole societies, free of ethnic, religious or linguistic divisions. However, in comparison with Cabo Verde, São Tomé's history of plantation economy has resulted in a Creole society that is less homogeneous. Besides the majority of Creoles called Forros, there are minorities of Angolares, descendants of a maroon community stemming from the 16th century, and of former African plantation workers and their offspring, mostly of Cabo Verdan origin. While these divisions have never developed into separate ethnic identities, there has been a tendency of gradual integration into the majority Creole society.

São Tomé and Principe's first nationalist grouping, the CLSTP was formed in 1960 under the leadership of Miguel Trovoada, then a law student in Lisbon. From the beginning, the CLSTP, was divided into two small exiled groups based in Accra (Ghana) and Libreville (Gabon) respectively, was plagued by factionist struggles and personal rivalries. The group in Accra publicly accused Trovoada, who was based in Libreville, of having embezzled foreign funds received for the liberation struggle. Consequently, in 1965 the Accra group dismissed Trovoada from the CLSTP leadership (CEITA, 2012, p. 104). In February 1966 Ghana's military rulers, who had ousted Kwame Nkrumah in a coup, expelled the members of the CLSTP and all other African nationalist groups hosted by the former president. Thereafter, the CLSTP virtually ceased to exist until it was reconstituted in 1972 by nine nationalists as the MLSTP in Santa Isabel (now Malabo, Equatorial Guinea). They elected Manuel Pinto da Costa, a long-time personal friend of Trovoada and East German trained economist, as secretary-general.

3 According to the 2012 Census, Angolares represent 6.6% of the total population of 187,000, while 8.5% are of Cabo Verdan descent. For the complete census data see at www.ine.st
The Portuguese Revolution of April 25th, 1974, took the MLSTP completely by surprise. The group did not return home, but moved the party office to Libreville, since they feared arrest by the Portuguese if they had entered São Tomé from foreign territory. Instead, the MLSTP leaders mobilized a group of Sãootomean students in Portugal to take the lead in the political struggle for total independence in the archipelago. The group called Associação Cívica pró-MLSTP successfully organized a wave of strikes, boycotts and manifestations to pressure the Portuguese to grant them full independence. Two native islanders were accidentally killed during the weeks of turmoil, which prompted the about 2,000 Portuguese residents to leave the archipelago. Finally, in September of 1974 the military government in Lisbon recognized the MLSTP as the sole legitimate representation of the people of São Tomé and Príncipe.

During the negotiations on the country’s independence in Algiers that took place in November of that year, the Portuguese delegation and the MLSTP reached an agreement on the terms of the decolonization process. As the MLSTP was not legitimized by an armed struggle, the Portuguese imposed elections for a constituent assembly on the eve of independence. The takeover by a transitional government led by the MLSTP was agreed for December 21st, the feast day of St Thomas, and the Independence Day was set to July 12th, 1975, the third anniversary of the foundation of the MLSTP. Almeida Santos, minister of inter-territorial coordination and head of the Portuguese delegation, declared that he was optimistic about the economic prospects of the archipelago that despite its small size possessed a formidable political elite (SEIBERT, 2006, p. 110). Any option other than independence, such as a federation with Portugal as favoured by Portugal’s President António de Spinola (March – September 1974) and a group of local civil servants in São Tomé, or a union with Angola, as initially considered by Almeida Santos, were in the end not discussed at all (SEIBERT, 2006, p. 88-120; NASCIMENTO, 2015).

In fact, despite its decline since the cocoa boom in the early 20th century, in 1975 São Tomé’s plantation economy was still a considerable economic asset. Therefore, in comparison with drought stricken Cabo Verde, at the time of independence, economically, São Tomé and Príncipe had a better starting condition. However, concerning human resources

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4 Unlike Angola and Mozambique, São Tomé and Príncipe never was a settler colony. Generally, the Portuguese residents did not settle definitely in the archipelago, but returned to the metropolis once their employment had terminated, either after a couple of years or sometimes several decades.
the case was the opposite, since in Cabo Verde before independence, locals occupied most positions in the administration. In contrast, São Tomé, where senior positions used to be occupied by Portuguese, lacked adequately skilled and experienced individuals to replace the departed Portuguese. The difference in education was a legacy of modern Portuguese colonialism that invested more in schooling in Cabo Verde, whose predominantly mixed race Creole society was considered culturally more akin to the metropolis than the black Creoles of the Gulf of Guinea islands. The case in point is the introduction of secondary education in the two archipelagos. In Cabo Verde this occurred as early as 1866 when a Catholic seminary was founded in São Nicolau, while in São Tomé, the first secondary school was only established in 1952 (OLIVEIRA, 1993, p. 117).

Divisions within São Tomé’s political leadership appeared again in March of 1975, before independence, when, during a conflict about the dissolution of the native colonial troops, the comparatively moderate MLSTP leadership under Pinto da Costa and Trovoada, with the support of the Portuguese high commissioner António Pires Veloso, purged the students of the Cívica and other more radically minded nationalists from the MLSTP (SEIBERT, 2006, p. 114). Since independence, factionalist struggles between competing interest groups and personalities, favoured by the personalistic and neo-patrimonial character of local politics, have continued to shape politics in the archipelago. While these disputes have frequently provoked considerable political instability, in São Tomé’s small and peaceful Creole society, they have never turned into violent conflicts.

The socialist one-party regime (1975-1990)

After its independence, São Tomé and Príncipe became a socialist one-party state ruled by the MLSTP in constitutional terms, with party leader Pinto da Costa as president and his long-time friend Trovoada as prime minister. The socialist countries of the time were considered natural allies and Cuba in particular was praised as a revolutionary example to be followed. Besides, the MLSTP established close ties with the MPLA regime in Angola, which supplied the archipelago with preferential pricing fuel. The regime’s increasing left-turn contributed to new rifts within the regime surfacing soon after independence. In 1977 health minister Carlos Graça, considered a conservative, went into exile abroad to avoid detention. Subsequently, the MLSTP regime claimed to
have discovered several alleged coup attempts to topple President Pinto da Costa. In 1978, Angola sent troops to São Tomé to protect the local regime against a supposed external imperialist threat⁵.

Meanwhile the erstwhile close relationship between Pinto da Costa and Trovoada became increasingly affected by the power struggle within the regime. In April 1979, Pinto da Costa dismissed Trovoada as prime minister. In September of that year, Trovoada was detained under the accusation of complicity in the so-called census riots that had taken place the previous month. During two days, people protested against the MLSTP regime, perceiving the population census as an attempt to oblige the native population that traditionally recused manual labour on the cocoa estates, to work on the nationalized plantations. Trovoada remained in prison without charge or trial until July 1981 when he was allowed to leave for Paris to go into exile (SEIBERT, 2006, p. 147).

At the time, Pinto da Costa had reached the height of his personal power. He was at the same time head of state and government, party leader and commander of the armed forces. While politically his dictatorship had become indisputable, his regime’s economic policies had become a complete failure. As early as 1984, Pinto da Costa publicly admitted the severe problems the local economy suffered⁶. With the socialist countries unable to provide adequate support to overcome the crisis, and desperately in search for external aid, the MLSTP regime approached the International Monetary Fund (IMF) and the World Bank. In exchange for their assistance, the government agreed to liberalize the economy and in 1987 signed an agreement with the IMF on a Structural Adjustment Programme (SEIBERT, 2006, p. 195). The signature revealed the political pragmatism of Pinto da Costa’s regime that now no longer believed that Soviet-style socialism was a suitable model for the country’s economic development.

The performance of multiparty democracy (since 1991)

The political transition to multiparty rule was largely dominated by the MLSTP. Despite the socialist rhetoric of earlier years, it was a smooth and peaceful process. As the regime opened the country to western support and influences, Portugal was also welcome to strengthen bilateral relations with its former colony. At the same time, to gain an

⁵ Angolan troops remained in São Tomé until 1991.
⁶ Revolução (São Tomé), no. 425, 28 July 1984.
image of a moderate party, the MLSTP opened its ranks to open-minded citizens, while Pinto da Costa invited Carlos Graça to return from exile to give additional credibility to his regime’s political reorientation. In 1988, Graça accepted the invitation to become foreign minister. The initial objective of the regime’s political reforms had been to allow some extent of political plurality within the framework of the one-party system. In December 1989, the MLSTP organized a National Conference to discuss publicly the country’s political reorganization. It was the first National Conference of several others organized in the context of the democratization process in African countries. One month after the fall of the Berlin Wall, domestic policies in São Tomé became increasingly influenced by international political developments. Consequently, the resolutions approved by the National Conference surprisingly recommended the introduction of multiparty democracy and a free market economy. The MLSTP leadership willingly approved the resolutions adopted by the participants (BRANCO; VARELA, 1998, p. 66). Shortly afterwards, during a summit of the five Portuguese-speaking African countries (PALOP) in Praia (Cabo Verde) the leaders of the other four countries fiercely criticized Pinto da Costa for the MLSTP’s decision to abandon the one-party regime. However, as early as February 1990, Cabo Verde also announced the introduction of multiparty democracy.

Following the National Conference the archipelago’s first organized opposition appeared publicly as the Grupo de Reflexão, formed by former activists of the Cívica and dissidents of the MLSTP regime. The country’s democratization process, including the adoption of a legal framework, occurred in the course of 1990. In May, Miguel Trovoada returned from exile in France to run for presidency. In August the new democratic constitution based on the Portuguese semi-presidential system was approved by public referendum. Now the prime minister was head of government; however, the president maintained an executive role in the areas of foreign affairs and defence. Besides, the president had the power to dismiss the prime minister and dissolve parliament whenever he wanted. In October 1990, the MLSTP was transformed into a liberal party by adding the designation Partido Social Democrata (PSD), the name of Portugal’s conservative liberal party, at the time quickly embraced by the MLSTP as the new external

7 The Portuguese style of semi-presidential regime was also adopted by Cabo Verde and Guinea-Bissau. However, only Cabo Verde has enjoyed political stability under the system.
patron. Pinto da Costa abandoned the party leadership to run for the presidential elections. In the following month, the Grupo de Reflexão was constituted as Partido de Convergência Democrática (PCD), which initially also included the followers of Miguel Trovoada. Due to the increasing popular support for Trovoada, Pinto da Costa realized that he would lose the presidential elections. Consequently, in late 1990 he publicly declared his withdrawal from the contest.

Although São Tomé and Príncipe had initialized the democratization process first, due to the slow pace of the process, Cabo Verde became the first African country to hold free elections, on 13 January 1991. The overwhelming electoral victory of the opposition Movimento para a Democracia (MpD) in Cabo Verde caused consternation within the MLSTP/PSD. The legislative elections of January 20th confirmed these fears, when the PCD gained an absolute majority of 33 seats in the 55 member National Assembly, while the MLSTP/PSD obtained only 21 seats. In March, Miguel Trovoada was elected unopposed as president. The success of the opposition was due to the failures of a fifteen years of one-party rule and to the unity of the different forces opposed to the MLSTP. As in other former socialist African countries, despite the shift away from the Soviet model and the democratization process, the main political protagonists remained largely the same. Political leaders easily adopted and adjusted to the new political order, since what was at stake was power and personality rather than the legitimising political ideology.

Soon after the formation of the PCD government, the relations between the party leadership and President Trovoada (1991–2001) began to worsen. The PCD accused Trovoada of interfering in government affairs, while the president blamed the PCD for wanting to curb his executive powers. In fact, the PCD leaders and Trovoada had not trusted each other since the decolonization process, when the latter had participated in the expulsion of the young leaders of the Civica. As early as 1992, President Trovoada dismissed Prime Minister Daio (PCD), alleging lack of consensus with the government, although the ruling party had an absolute majority in parliament. In the process, five deputies close to Trovoada abandoned the PCD parliamentary group. In late 1992, Trovoada´s followers created their own party, the

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8 Frequently, Benin, where multiparty elections were held on 17 February 1991, erroneously appears as the leader of the democratization process in Africa in the early 1990s.
9 Coligação Democrática de Oposição (CODO), another opposition party obtained one seat.
Acção Democrática Independente (ADI) to strengthen their patron’s position within the party’s landscape. Constitutionally, the president could not assume the party’s leadership, which, in fact Trovoada formally never did, however, everybody considered the ADI his party. The second PCD government was also involved in a continuous power struggle with Trovoada, who after two years dismissed Prime Minister Norberto Costa Alegre and dissolved the National Assembly. The various conflicts were predominantly triggered by disputes over external funds and the distribution of perks (SEIBERT, 2006, p. 250). In the early elections held in October 1994 the MLSTP/PSD won a majority and returned to power, while the ADI and the PCD each obtained fourteen seats, sealing the definitive split within the erstwhile united opposition. Since then the MLSTP/PSD has led the majority of the archipelago’s governments. Immediately after his inauguration in September 2001, President Menezes (2001–2011) also created his own party, the Movimento Democrático Forças da Mudança (MDFM). Like Trovoada, Menezes never formally assumed the party leadership, but contrary to his predecessor, he never denied that he was the de facto party patron.

As it has been already point out, multiparty politics in São Tomé and Príncipe have been marked by political instability provoked by frequently changing governments. From 1991 to 2015 the country has had eighteen different governments headed by fourteen different prime-ministers. None of the governments has ever reached the end of the four-year legislature. The absence of debates of substance, the struggle for access to state resources, and the weight of personal quarrels between principal politicians have contributed to the frequent changes of governments. What is noteworthy, however, is that, while frequently triggered by personal quarrels and disputes over resources and perks, all political conflicts were resolved according to constitutional rules. The existence of four major parties in combination with the existing system of proportional representation has contributed to a situation impeding single party majorities. Consequently, a stable two-party system like in Cabo Verde could not develop. Most governments were coalitions with changing compositions, whereby former political allies have become rivals, while erstwhile adversaries have become partners. The fact that the parties do not differ from each other ideologically has facilitated the formation of changing coalitions.

Three times only has a party succeeded in obtaining an absolute majority in parliament; however, two of these governments headed by
the PCD, in 1991, and the MLSTP/PSD, in 1998, did not reach the end of the legislature either, since they were dismissed by President Trovoada and President Menezes respectively. Due to personal quarrels, the latter dismissed another two prime ministers, Gabriel Costa (independent), in 2002, and Maria das Neves (MLSTP/PSD), in 2004. Frequently, the ambiguous provisions with regard to the executive powers within the semi-presidential regime were blamed for the outbreak of recurrent power struggles between president and government. During the Trovoada presidency, parliament never disposed of a two-thirds majority to readjust the semi-presidential system. Only following the controversial dismissal of Costa in 2002, was a majority in parliament willing to reduce the presidential powers. The constitutional amendments were adopted in early 2003, but only became effective in 2006, after the end of Menezes’ first term. Under the new constitution, the president is no longer in charge of foreign affairs and defence. Besides, he can now only dismiss the government or dissolve parliament under certain circumstances and only after consulting the newly created council of state (SEIBERT, 2006, p. 277-278).

Constitutional revision, however, has not brought the expected political stability, for since 2006 the country has had another six different governments, of which three were headed by Patrice Trovoada, son of Miguel Trovoada and since 2001 leader of the ADI. Both in 2008 and 2012 Trovoada was ousted by a motion of no confidence in parliament, first as head of a coalition government and thereafter as leader of a minority government. For political and personal reasons, Patrice Trovoada, a wealthy businessman who made his fortune abroad has always been contested and mistrusted by his political adversaries, who have repeatedly accused him of corruption and running the country as his private property. Interestingly, since the implementation of the constitutional amendments the stage of instability has shifted from the presidency to parliament. Since 2006, parliament has dismissed the prime minister three times, while before the constitutional amendments this happened only once. Finally, in October 2014, Trovoada’s ADI surprisingly succeeded in obtaining an absolute majority, the third party to do so since 1991. Unlike the PCD and MLSTP/PSD majority governments before, thanks to the constitutional amendments, the ADI government has a good chance to become the first one ever to reach the end of the legislature in the country’s twenty-five-year democratic history. The frequent changes of government have provoked a high turnover of ministers and other senior office-holders, which in turn has
additionally debilitated the already fragile government institutions. In 2014, an IMF report on São Tomé complained that ‘institutions are weak, lack skilled human resources, are poorly managed, and corrupt’ (IMF 2014b, p. 47). Despite consecutive externally financed administrative reforms, these features have persisted and hampered the country’s development since independence.

Since 1990 more than ten new small parties have appeared, but only the four major ones have enjoyed sustainable electoral support and dominated local politics over the last fifteen years. As indicated before, the four parties do not differ in terms of political ideology or opposing programmes, but rather represent competing interest groups struggling for power and access to state resources. The parties have become an integral part of local neo-patrimonial politics (CHABAL, 2002, p. 128). One major difference between the MLSTP/PSD and PCD on the one side and ADI and MDFM on the other is that competitive leadership elections exist in the former two, while the latter two are autocratic parties that were created on the initiative of presidents while in office. Their creation was also a consequence of neo-patrimonial politics, since the presidents used the party as an instrument to secure access to resources and maintain clientelistic networks. The ADI would be unthinkable without its patron Patrice Trovoada, while the MDFM would not be viable without Menezes. However, after his departure from the presidency he lost many of his followers, since he was no longer able to attract political clients. His party might disappear after having lost its only remaining parliamentary seat in the 2014 elections.

Since 1991, human rights are being respected, while legislative and presidential elections have always been held regularly and peacefully. Five times, in 1994, 2002, 2006, 2010 and 2014 legislative elections resulted in a change of government, which is rather unique in African politics. However, repeatedly outgoing ministers have removed office equipment and files to hinder the job of their successors. Election campaigns have been dominated by mutual accusations of corruption, mismanagement and incompetence rather than by political issues of substance. Notwithstanding, unlike in other African countries, there has never been any accusations of vote rigging. Instead, the losing parties and candidates have always recognized their electoral defeat, since in a small society where personal ties frequently supersede different party affiliation, electoral defeat did not necessarily mean total exclusion from patrimonial politics. Electoral defeat reflected
both a sanction against the failures of the government and a means
to avoid resources always being controlled by the same faction
(CHABAL, 2002, p. 95). For the same reason, except once, in 2006,
the party of the incumbent president never won the parliamentary
elections.

The presidential elections have been largely dominated by the
personal rivalry between Pinto da Costa and the Trovoadas. In 1996
President Miguel Trovoada was re-elected when he defeated Pinto da
Costa in the final ballot. In 2001, Menezes, supported by the Trovoadas,
won against Pinto da Costa. He was re-elected in 2006 after having
beaten his erstwhile mentor Patrice Trovada by a wide margin. Finally,
in 2011, twenty years after his departure from the presidency, Pinto
da Costa was democratically elected president after winning the
run-off against Evaristo Carvalho, the ADI candidate. The country´s
record of fair elections has been stained by the persistent phenomenon
of vote-buying, locally called banho, literally meaning bath, which
is another feature of venality in local politics. Like other forms of
corruption, the same parties that have practiced it have condemned
this practice.

The performance of multiparty democracy has also been
overshadowed by two bloodless military coups and two police revolts.
The four incidents revealed both the fragility of local institutions and
the weakness of the government. In August 1995, dissatisfied soldiers
assaulted the presidential palace and detained President Trovoada. After
one week of negotiations between government and the coup plotters
constitutional order was restored and the insurgents were granted
amnesty (SEIBERT, 2006, p. 257-269). A second military coup occurred
in July 2003, while President Menezes was abroad. The second coup
was immediately associated with the archipelago´s supposed future
oil wealth. Again constitutional order was reinstated after one week
of negotiations and the conspirators were pardoned (SEIBERT, 2003).
In both cases, the coup plotters were primarily motivated by corporate
grievances and had no ambitions to take over political power. The same
applies to two consecutive revolts by the Rapid Deployment Police in
January of 2006 and October of 2007, whose members claimed the
payment of additional subsidies supposedly promised by the government.
Curiously, this special unit was trained by Angolan security forces was
created after the 2003 coup to prevent future upheaval by the military.
Eventually the unit was dissolved after the second revolt, for being a
source of instability.
The precarious economy

São Tomé and Príncipe is Africa’s smallest economy with a GDP of $337.4 million (2014)\(^\text{11}\). The country’s economic development over the past forty years has been considerably less favorable than the performance of multiparty democracy since 1991. The local economy has been characterized by a narrow export base and excessive dependence on imports. In 2014, total export income covered only 11.1% of import expenditures (AICEP 2015, p. 12). Although cocoa is frequently mentioned as the country’s principal export, in fact, for years now tourism has surpassed cocoa as the principal export income earner. In addition, for many years São Tomé and Príncipe has been predominately dependent on foreign assistance. While politically a sovereign state, economically the country has not been viable without considerable inflows of external aid.

As mentioned before, by independence the archipelago’s colonial legacy of a plantation economy based on cocoa monoculture was considered an asset that would safeguard economic viability. Maintaining the plantation economy and its transformation into a diversified economy was considered crucial for the country’s sustainability as an independent nation. In fact, however, the cocoa sector proved a failure under both the socialist one-party regime and the multiparty democracy. Two consecutive agricultural reforms conceived by foreign experts and implemented by the local government failed. Finally, in the 1990’s, the plantation economy ceased to exist. The large state-owned plantations were dismantled and their lands divided into small plots and medium-sized enterprises, which were distributed to former plantation workers and local merchants and politicians respectively\(^\text{12}\).

Guided by Soviet-style socialism and the tenets of a planned economy, after independence the MLSTP regime nationalized the Portuguese-owned plantations and regrouped them into fifteen large agricultural enterprises. Denounced as a symbol of colonial oppression, the nationalization of the plantation economy was considered inevitable. The objective was to maintain the plantations to finance the successive diversification of the national economy. In a message in February 1975, the MLSTP leadership announced that ‘with cocoa money we shall be able to create hospitals, crèches, schools, and contribute to the establishment


\(^{12}\) On the land reform project see SEIBERT, 2006, p. 339-354.
of certain industries, which will not have any other objective than to serve the people, and, consequently the workers themselves’ (CEITA, 2012, p. 249). Theoretically, this was well thought out, yet in practice, it would become a complete failure due to the regime’s incapacity to properly run the plantations. Despite the nationalizations, the nature of cocoa production after 1975 largely remained unchanged. The private Portuguese ownership was transformed into state property, while Portuguese managers were replaced by largely unskilled and inexperienced local staff. The state-owned plantations frequently served individual appropriation by the people in charge rather than state accumulation (SEIBERT, 2002, p. 301). Due to the same shortcomings, newly established public enterprises in other sectors were also doomed to fail and contributed to increasing public debts.

For five years at the beginning of the 20th century, São Tomé and Príncipe even became the world largest cocoa producer in terms of quantity. Since then cocoa has always remained by far the most important export of goods, although production has decreased dramatically over the last hundred years. In 1913 São Tomé’s cocoa production reached its peak with a production of 36,500 tons (SILVA, 1958, p. 106). In 1918 the crops were severely hit by a pest of cocoa thrips (Heliothrips rubrocintus). Subsequently international cocoa prices dropped sharply, resulting in a drastic decline of cocoa production and a contraction of the planted area. São Tomé’s cocoa exports decreased from 26,283 tons in 1921 to only 6,972 tons in 1940. Between 1954 and 1957 cocoa exports recovered from 7,416 tons to 10,562 tons. By 1968, cocoa exports amounted to 11,086 tons, less than a third of the quantity produced in 1913 (RODRIGUES, 1974, p.70). By independence in 1975 the total area planted with cocoa had dwindled from about 72,500 ha in 1913 to less than 25,000 ha. Nevertheless, then cocoa monoculture was still a significant source of income for the local economy.

Due to a lack of adequately trained personnel, mismanagement, corruption and insufficient investment, the MLSTP regime was unable to maintain infrastructure, keep production and productivity of the cocoa sector at pre-independence levels or to maintain the physical infrastructure of the plantations. Besides, the regime was unable to replace the colonial regime of coercive labor by a productive work ethic and incentives for the plantation workers, who were almost exclusively former Angolan and Cabo Verdean contract workers, since the local Creole population used to refuse manual work on the estates. The negative attitude of the local population towards plantation work
did not change after independence, although according to the socialist rhetoric of the time the nationalized plantations were no longer owned by Portuguese colonialists, but by the people. In fact, the country’s political elite has never showed any affinity with tropical agriculture either. It is not a coincidence that the country’s most prominent plantation owner is an Italian expatriate, who settled in São Tomé in 1995. Generally, the local elite strive for white-collar jobs in the public administration, which since the modern colonial period have enjoyed the highest esteem in the Creole society. Consequently, within a few years after independence the buildings and infrastructure on the plantations became dilapidated, while cocoa production gradually collapsed. By 1984, annual cocoa production had dropped to 3,400 tons, but still represented more than 90% of agricultural exports. As said above, the resulting economic crisis prompted the regime to shift away from the socialist allies and to approach the IMF and the World Bank. The MLSTP regime and the international financial institutions agreed to rehabilitate the cocoa sector by conceding private management contracts to foreign investors, while state ownership of the estates was maintained.

From 1986 to 1990, the management of five state-owned estates was conceded to private foreign companies under renewable contracts with a fixed term of between ten and fifteen years. The remaining ten plantations did not succeed in attracting foreign investors. The management contracts, agricultural inputs and machinery for the five enterprises under rehabilitation were financed by international financial institutions with funds of some $40 million. The principal objective of the cocoa rehabilitation project was to increase cocoa output in order to assist the country to achieve quick economic recovery. Once again, on paper this was a sensible programme, still, in practice it did not work either. Although overall cocoa production increased to 4,560 tons in 1988, it again dropped to 3,640 in 1990. Due to decreasing cocoa prices on the world market, the initially increased annual production did not result in higher export incomes either.

Following the failure of the cocoa rehabilitation under private management, the World Bank issued a recommendation to São Tomé to dismantle the estates. Soon after the country’s democratic transition in 1991 the PCD government initiated a land reform intended to transform the plantation economy into a new agrarian structure dominated by small and medium-sized farmers. The former were mainly former African contract workers and their descendants. The latter were local merchants and politicians mostly without any agricultural expertise. The
project financed by the World Bank aimed at diversifying and increasing food and cash crop production to considerably reduce food imports and increase exports.

Between 1993 and 2003 a total of 43,522 ha were distributed to a total of 8,735 small farmers on a usufruct basis. The average size of their plots was 3.2 ha. For the first time ever, former plantation workers received land rights. Before, only the native islanders were entitled to own private plots of land. Many of the new owners were constrained by several shortcomings including a lack of training, a shortage of tools and credit, and poor access to markets due to deficient transport. One objective of the privatization of agriculture had been to increase the output of cocoa to 8,000-10,000 tons, the production level prior to independence. However, the privatization of agriculture failed to increase cash crop production: cocoa exports stagnated at 3,200 tons in 1996, less than the low 1984 output of 3,400 tons that had prompted the cocoa rehabilitation program. Thereafter cocoa production fluctuated between 3,161 tons in 1999 and 3,820 tons in 2003. Low yields were partly provoked by insect infection of *Heliothrips rubrocinctus*, which, due to the government’s poor provision of agricultural services had affected almost half of the cocoa crops. In recent years, cocoa exports have varied between 2,413 tons in 2005 and 2,229 tons in 2012. In 2013, cocoa exports stood at 2,617 tons, equivalent to export revenue of $5.5 million and 92.4% of agricultural exports (SEIBERT, 2014, p. 1014). These figures indicate the complete failure of the land distribution program to boost cocoa production and diversify agricultural exports. Instead, the setback of the agricultural reform further accelerated the rural migration that had begun as a result of the downfall of the plantations after independence. Consequently, the urban population continuously increased from 33% in 1991 to 54.5% in 2001 and to 67% in 201213.

Table 1. Cocoa, annual production in tons 1988-2003 (SEIBERT, 2006, p. 601)

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<tbody>
<tr>
<td>Quantity</td>
<td>4,560</td>
<td>3,640</td>
<td>3,688</td>
<td>3,392</td>
<td>3,500</td>
<td>3,928</td>
<td>2,883</td>
<td>3,462</td>
<td>3,820</td>
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</tbody>
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Table 2. Cocoa, annual exports in tons 2005-2013 (SEIBERT 2014, p. 2014)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2009</th>
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<th>2013</th>
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<tbody>
<tr>
<td>Quantity</td>
<td>2,413</td>
<td>2,434</td>
<td>2,728</td>
<td>2,413</td>
<td>2,208</td>
<td>2,229</td>
<td>2,617</td>
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13 See the 2012 Census data available at <www.ine.st>.
The oil debacle

In view of the failure of tropical agriculture and the low pace of tourism development, since the end of the 20th century São Tomé and Príncipe has placed high hopes in the development of offshore oil. Despite the consequences of the oil curse in Angola and other neighbouring oil producers, oil was expected to quickly end mass poverty and turn São Tomé and Príncipe into a wealthy nation14. The local political elite were enthusiastic, since offshore oil production did not depend on government policies and matched with widespread rent-seeking attitudes. However, after a few years the initial enthusiasm was replaced by increasing frustration due to consecutive failures to discover commercially viable oil in the country’s ultra-deep offshore oil blocks.

São Tomé’s oil saga began in 1997 when the government signed the first oil agreement with the small and unknown company Environmental Remediation Holding Corporation (ERHC). Initially US-owned, in 2001 the company was taken over by the Nigerian business tycoon Emeka Offor and renamed ERHC Energy. In 1998 and 2001 the government signed two other oil contracts with ExxonMobil and the Norwegian company Petroleum Geo-Services (PGS). Meanwhile, São Tomé and Príncipe had signed treaties with Gabon and Equatorial Guinea on the delimitation of the maritime borders. Similar negotiations with Nigeria failed, since the two governments could not agree on the terms of the demarcations. Consequently, in 2001 they established a Joint Development Zone (JDZ) in the disputed maritime area, which expenditures and profits were divided to the ratio of 60% and 40% between Nigeria and São Tomé and Principe. The JDZ was to be managed by an Abuja-based Joint Development Authority (JDA) staffed by personnel from both countries.

From the beginning, the three oil agreements were surrounded by suspicions of irregularities and excessive concessions in favour of ERHC, Mobil and PGS. Consequently, the three contracts were all renegotiated in early 2003. However, experts still considered the second agreement with ERHC Energy excessively generous. In exchange for the support provided for the development of the country’s oil sector, ERHC Energy received working interests ranging from 15% to 30% in six blocks of the JDZ. Four of these blocks were exempted from the payment of signature bonuses. In addition, ERHC Energy received

14 On São Tomé and Principe’s oil developments in the period from 1997 to 2007 see SEIBERT, 2008, for the period thereafter see SEIBERT, 2013.
interests in the archipelago’s Exclusive Economic Zone (EEZ). The renegotiated agreements paved the way for the first licensing round for blocks in the JDZ. The JDA fixed the minimum bid per block at $30 million.

When the bids were publically opened during a solemn ceremony in São Tomé in October 2003 a wave of enthusiasm grasped the country. The highest bids offered for seven blocks totalled $500 million, then about eight times the country’s GDP. Chevron offered the highest bid of $125 million for Block 1, considered the most promising acreage. Finally, however, in April 2004, the JDA only awarded exploration rights for Block 1, while five blocks were put in another auction held in December that year, since the JDA did not trust the financial and technical capacities of many bidding companies. Block 1 was awarded jointly to ChevronTexaco (51%), ExxonMobil (40%) and Dangote Equity Energy Resources – DEER (9%), a company owned by Nigerian business tycoon Aliko Dangote. Block 1 entitled São Tomé to a signature bonus share of $49 million, a considerably amount, but only a quarter of the $200 million share initially expected when the bids were opened.

The outcome of the second licensing round was disappointing, since no major oil company participated and only a bid of $175 million for Block 4 was considerably higher than the previous one of $100 million. The announcement of the five block awards by the JDA in April 2005 provoked fierce accusations of irregularities, which caused a political crisis in São Tomé. Despite the contestations, both governments approved the decisions taken by the JDA. Due to ERHC Energy’s bonus-free options São Tomé only received signature bonuses of $28.6 million when the production sharing contracts (PSC) were signed for blocks 2-4 in early 2006. The signature of PSC’s for Blocks 5 and 6 was postponed. Only in 2012 a PSC for Block 5 was signed with an Iranian company. Between 2005 and 2009 the ownership of the blocks 2-4 changed when the Swiss company Addax and the Chinese Sinopec acquired the majority shares from the original bidders. Besides, Addax took over ExxonMobil’s 40% stake in Block 1.

In 2006, Chevron provoked consternation in São Tomé by announcing that the exploration drillings carried out in JDZ Block 1 had not discovered commercially viable oil in the acreage. In late 2009 Sinopec and Addax, which had been taken over by Sinopec in October that year, started exploration drillings in JDZ blocks 2-4. Finally, in March 2012, the two companies also reported not to have discovered
commercially viable oil. Consequently, still in 2012 Sinopec, its subsidiary Addax, and other investors abandoned the three oil blocks, leaving ERHC Energy as the only stakeholder.\footnote{Due to its controversial preferential rights the Nigerian company owns working interests in Block 2 (22%), Block 3 (10%), and Block 4 (19.5%).}

In late 2011, the French Total, which meanwhile had acquired Chevron’s majority stake in Block 1, triggered renewed expectations by announcing an investment of $200 million in exploration drillings in 2012. Finally, in September 2013, Total provoked a shock in São Tomé when it decided to abandon Block 1 arguing that the hydrocarbon reserves discovered were too limited to justify further investments. Subsequently, Addax also withdrew from Block 1, leaving DEER as the only remaining investor. During a debate in the Nigerian parliament in March 2014 the JDZ was blamed for being a loss-making enterprise, and the possibility of revoking the treaty signed with São Tomé in 2001 was discussed. To create at least a glimmer of new hope, in June 2015, the JDA signed a new PSC for Block 1 with two Nigerian companies to replace the 91% of shares returned by Total and Addax. Despite the JDA’s affirmations about the deployment of non-conventional technology to speed up the block’s development, it seems unlikely that oil production will start any time soon. From 2001 to 2014 the JDZ has generated a revenue of $303 million, of which $272 million as signature bonuses. However, in the same period, the operation costs of the JDA were $129 million (43% of total revenue). Although the JDA has not organized any licensing round since 2004, it has maintained an annual budget of about $12 million, equivalent to 8% of São Tomé’s state budget. Since 2008 São Tomé has not paid its 40% share of the JDA’s expensive operation costs resulting in a $27 million bilateral debt with Nigeria (PRINCEWATERHOUSECOOPERS, 2015, p. 17).

Developments of the country’s EEZ have not been promising either. The first licensing round for seven out of nineteen EEZ blocks held after consecutive delays in 2010 proved to be a failure, since only six third-tier companies submitted bids. In the end, only one block was awarded to a Nigerian company for a signature bonus of $2 million. By February 2016 PSCs for another five blocks had been signed with different oil companies in exchange for signature bonuses of $9.5 million. So far, no exploration drillings have been carried out in any EEZ block. In view of falling oil prices the prospects for both JDZ and EEZ have become increasingly uncertain for the near future. Oddly, despite the absence
of any oil production, since 1999 São Tomé has had fifteen different oil ministers.

Regardless of the consecutive setbacks in São Tomé’s oil sector, international financial institutions have always maintained optimistic economic growth forecasts. In 2006 an IMF economist expected annual oil revenues to start with $26 million in 2012, reaching a peak of $396 million in 2015 and gradually declining thereafter (SEGURA, 2006, p. 20). In a report published in 2012, the African Development Bank (AfDB) asserted that ‘A key event in STP’s recent history was the discovery of commercially exploitable offshore oil reserves… large-scale oil production is expected to start as of 2016’ (AFDB, 2012, p. vii). Based on such erroneous oil production forecasts, in October of the same year, the US online business news site Business Insider even predicted São Tomé and Príncipe as the world’s fastest-growing economy over the period from 2013 to 201716. As recent as in July 2013 the IMF predicted GDP growth to jump from 5.5% in 2014 to 38.7% in 2015 (IMF, 2013, p. 15). However, the consecutive exits of Chevron, Addax, Sinopec and Total from the JDZ have revealed such optimistic growth projections as sheer wishful thinking. In fact, it can no longer be taken for granted that São Tomé and Príncipe will become an oil producer in the near future at all. Finally, in a report released in January 2014, the IMF recognized that ‘Total’s withdrawal has diminished oil prospects for the foreseeable future’ (IMF, 2014a, p. 24).

São Tomé’s oil prospects have entailed ideas to capitalize on its geographic location by transforming the archipelago into a logistics hub for the entire Gulf of Guinea region. In 1997 the government and a South African company signed an agreement on the construction of a large free-trade zone in Príncipe. However, as early as 2000 the company was forced to abandon the project due to a lack of investor interest. In 2008 a French shipping group reached an agreement with the government to construct a large deep-sea container port in São Tomé. The project has never got off the ground either, since both parties failed to raise the necessary funds. In October 2015, the government entered into another agreement on the construction of a deep-sea port with a Chinese company. As the company has agreed to only finance $120 million of total investments of $800 million, it is highly uncertain if São Tomé will be able to obtain the

16 See at <http://www.businessinsider.com/worlds-fastest-economies-2012-10?op=1>
remainder\textsuperscript{17}. In any event, it seems more likely that the country will remain highly dependent on foreign aid, which for a long time has financed some 90\% of the country’s annual national budget, currently about $150 million.

Table 3. São Tomé e Príncipe: Official Development Aid (ODA) conceded by members of DAC/OECD, annual average/annual amount in millions of US$ (2012 exchange rates)

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<td></td>
<td>34</td>
<td>71</td>
<td>45</td>
<td>54</td>
<td>69</td>
<td>49</td>
<td>51</td>
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Table 4. São Tomé and Príncipe: ODA received, per capita in US$

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<th>2006</th>
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<td></td>
<td>144</td>
<td>313</td>
<td>281</td>
<td>176</td>
<td>277</td>
<td>395</td>
<td>259</td>
<td>268</td>
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Despite considerable flows of foreign aid in per capita terms and the adoption of a National Poverty Reduction Strategy in 2002, between 2000 and 2010 the part of the population living in poverty decreased only slightly, from 53.8\% to 49.6\% (IMF 2014b, 20). The decay of the plantations and the consecutive failures of agricultural development have contributed significantly to this scenario. Due to rural migration, urban poverty increased, while the share of the population engaged in agriculture has dropped accordingly. Urban poverty went up from 39.3\% in 2000 to 52\% in 2010 (IMF 2014b, 20). In 2012 the primary sector employed 24.2\% of the population (30.2\% in 2001), the secondary sector 17.0\% (16.7\%) and the tertiary sector 52.1\% (53.1\%). Officially, the unemployment rate was 13.6\% (14.5\% in 2001); however, a large section of the active population has been self-employed in the informal economy, mostly in precarious conditions\textsuperscript{18}. Poverty and unemployment have triggered an increase in emigration abroad, particularly to Portugal, but also to Gabon and Angola. Between 1986 and 2006 the Sãotomean immigrant community in Portugal increased from 1,583 to an estimated 15,000-20,000 people (NASCIMENTO, 2008, p. 58).


\textsuperscript{18} Instituto Nacional de Estatística, <www.ine.st>.
In recent years São Tomé has successfully diversified the countries of origin of foreign aid. In 1997, President Miguel Trovoada established diplomatic relations with Taipei in exchange for development assistance of annually $15 million. The decision was solely motivated by Taipei’s checkbook diplomacy rather than based on any genuine political considerations. In return, Beijing broke off the bilateral relations with São Tomé established in 1975. Since then Taiwan has always been one of the country’s most important bilateral providers of development aid. Currently, São Tomé and Príncipe is one of only three African countries that maintain diplomatic relations with Taiwan. In late 2013, following the reestablishment of commercial relations, China opened a trade mission in São Tomé. The Taiwanese got worried, but São Tomé’s government denied any intentions of restoring full diplomatic relations with China and repeatedly assured Taiwan of their intention to maintain bilateral ties. Other so-called non-traditional bilateral aid providers have been Angola, Nigeria, Equatorial Guinea, Gabon, Congo-Brazzaville, Morocco, and India. Meanwhile, Angola has surpassed Portugal as São Tomé’s principal bilateral creditor (IMF 2015).

Several donors provide direct budget support, either as grants or loans. Despite the intervention of many different aid providers, the government does not run any central agency to coordinate the inflow of development assistance. For São Tomé the priority is the multiplicity of aid flows, not necessarily their efficiency, since they provide income opportunities. Neo-patrimonial politics and rent-seeking practices are thriving largely on external resources, while many donors are privileging their own bilateral interests.

Conclusion

The 2015 Mo Ibrahim Index of African Governance placed São Tomé and Príncipe 13th out of 54 countries. This favourable position has largely been owed to safety, human rights, and human development indicators, while the country’s economic scores are much less favourable (IMF 2015). It is undisputed that since the introduction of multiparty democracy the country has enjoyed civil and political rights. Legislative and presidential elections have been held regularly and five times the government has changed through the ballot box. However, democracy has not entailed potent governments, a sound economic policy, a more efficient administration or a flourishing market economy. Rather multiparty democracy has interacted with local political
culture marked by neo-patrimonial politics and resource competition that contributed to political instability provoked by frequent changes of government. The resulting high turnover of ministers and senior office-holders has significantly affected government performance by frequent changes of priorities and interruption of previous projects. In addition, the execution of projects and programmes has been affected by weak institutional capacities due to a lack of adequately skilled human resources and a bureaucratic culture characterized by inefficiency, mismanagement, sluggishness and widespread corruption.

Undoubtedly, these features have contributed to the poor performance of the local economy, which in turn has perpetuated high levels of poverty. The plantation economy once considered a valuable asset, has been dismantled due to its unviability. Consecutive reform programmes conceived by foreign consultants have neither succeeded in rising cocoa outputs nor in diversifying agricultural exports. Tourism has performed relatively better, but the sector’s growth has lagged considerably behind government targets. While other alternative growth sectors have not materialized at all, in the 1990s suddenly oil appeared as a panacea for the country’s economic problems. So far, however, oil development has been another failure, since several exploration drillings carried out between 2006 and 2012 did not discover commercially viable oil resources. The difference with other sectors of the economy is that the oil debacle has been completely unrelated to local policy constraints. Anyway, as a result of consecutive economic failures, for the time being, forty years after independence, São Tomé and Príncipe’s economic viability will continue to depend almost entirely on foreign donors.

References


Fontes


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