Ghanaian Oil: A Blessing or a Curse?
An Exploration of Oil (Mis)Management in Ghana and Nigeria

Kathleen Abels
Senior Thesis
Department of Political Science
Advised by Craig Borowiak
April 13, 2009
# Table of Contents

Dedication ........................................................................................................... 2  

Chapter 1: Introduction ....................................................................................... 3  

Chapter 2: What is the Resource Curse? .............................................................. 6  

How is Oil’s Effect Different from Other Natural Resources? -13  

Chapter 3: The Nigerian Case .......................................................................... 17  

Chapter 4: The Ghanaian Case (Overview) ......................................................... 24  

Chapter 5: The Ghanaian Case: Oil Management  

  Voting alignments within fishing communities ................................................. 27  

  The role of fishing in Ghana ............................................................................ 29  

  Offshore Oil Drilling and Risks: Their Polluting Effects .............................. 30  

  Health Implications ......................................................................................... 30  

  Risks Involved: Oil Spills .............................................................................. 33  

Chapter 6: The Ghanaian Case: Oil Revenue Management  

  A Brief History of Political Stability in Ghana and Nigeria ......................... 35  

  National Government Structure and Freedom of the Press ....................... 38  

  Ethnic Ties Among Political Parties and Their Effects ............................ 43  

Chapter 7: A Blessing or a Curse? .................................................................... 46  

Works Cited ....................................................................................................... 50  

Cover Photo by Author, May 2008  

Fishing Boats in Akwidaa, Western Region, Ghana
Dedication: To Mom, for everything this semester. And to the people of Ghana, for welcoming me into your home for five months.
Chapter 1: Introduction

In July 2007, then Ghanaian President John Kufuor announced that 600 million barrels of oil had been found off the coast of Ghana, sending both excitement and concern throughout the national and international community (BBC News). In a country where 45 percent of Ghanaian citizens live on less than US$1 a day, 79 percent live on less than US$2 a day, and only 18 percent of Ghanaians have access to basic plumbing, the prospect of oil money entering into the nation’s economy should be incredibly enticing (EarthTrends). The fears and uncertainties surrounding this discovery are attributed to the 40-year old concept of a resource curse. For many people, scholars and non-scholars alike, the resource curse helps explain why countries rich in natural resources often fall victim to corruption, increased horizontal and vertical inequality, and heightened ethnic and regional tensions. The resource curse blames the actual resource’s existence for this trend. Recently, some scholars have rejected this notion of the resource curse, and instead argued that human mismanagement of these resources is to blame. Therefore, the recent discovery of oil in Ghana could prove to be a blessing or a curse, depending on the Ghanaian government’s management of the resource.

This case in resource management is interesting because Ghana has been considered a success story for Sub-Saharan Africa; since the mid-1990’s Ghana has “been a favorite of foreign donors and Western governments in a region known for brutal civil wars, corruption and tyranny. With its growing economy and squeaky-clean image, Ghana is frequently cited as a success story” (Polgreen 1). Regardless of whether or not Ghana actually should be viewed as a success story or role model for most of the African continent, much of the international community views the nation as such. The world is
watching with varying expectations to see how Ghana, a Sub-Saharan African “success story,” will fare in oil development and resource management.

For Ghanaians, the concept of the resource curse and oil mismanagement is not abstract, but rather embodied in nearby Nigeria’s struggle with oil wealth since the late 1960’s. Nigeria has experienced two types of resource mismanagement: mismanagement of the actual resource and mismanagement of money earned from resource extraction. Oil pollution and corruption, respectively, are examples of each type of oil mismanagement in Nigeria, and Ghanaians are very much aware of each. Therefore, conversations and news stories in Ghana about oil discovery revolve around not wanting to be “another Nigeria,” and it is through this lens that I explore the Nigerian case. There, corruption and pre-existing ethnic tensions have led to increasing inequalities and contribute to ethnic and regional conflict. Most notably, the discrepancy between where the oil is located (the Niger Delta) and who is benefiting (oil companies and corrupt government officials) has led to continued political and economic instability.

Although the Ghanaian oil is not underneath a specific town or city, as it is in Nigeria, there are still ethnic and regional implications embedded in offshore oil extraction. As of yet, Ghana’s oil exists solely off the Western Region’s coast. These coastal communities rely heavily on the fishing industry for both food and employment. Therefore, the risks included in oil extraction and subsequent pollution would most dramatically affect this population, a population that seems ready to do whatever necessary to protect its land.

Ghana and Nigeria have a similar government structure and in both cases greed and corruption have resulted in slower development and greater wealth polarization. Will
Ghana learn from the mistakes of its regional counterpart, Nigeria, and prove to truly be a success story through relatively equitable growth and national harmony? Or will Ghana fall victim to the resource curse through the mismanagement of oil resources that leads to vertical and horizontal inequalities and as a result ethnic, regional, and national instability?

Many scholars dispel the notion of the resource curse, arguing instead that increased corruption, vertical and horizontal inequality, and regional and ethnic tensions are a result of poor resource management. Accepting the concept of mismanagement of resources also means accepting the fact that human beings are in control of a nation’s relationship with oil. It is possible for Ghanaian oil to be seen as a blessing not a curse. It is possible for Ghana to continue to be seen as a success story. In order for that to occur, the nation must curb corruption through government transparency and a free press. Vertical and horizontal inequality must be combated by investing in development programs throughout the country. Ethnic and regional relations must remain peaceful by acknowledging which Ghanaians are the biggest stake holders. I will investigate why Ghana has the potential to manage its resources wisely, but also explore the missteps that would enable Ghana to become “another Nigeria.”
Chapter 2: What is the Resource Curse?

The resource curse refers to the common trend that “countries with large endowments of natural resources, such as oil and gas, often perform worse in terms of economical development and good governance than do countries with fewer resources” (Humphreys, Sachs, and Stiglitz 1). Humphreys, Sachs, and Stiglitz continue to point out that many nations in which natural resources are extracted have “struggled to generate self-sustaining economic take-off and growth and have succumbed to deep economic crises” (1). Not only do many of these resource-rich countries struggle economically, but they also struggle politically, facing issues ranging from corruption to civil war. Forty years ago, this trend would have shocked economists who theorized that resource-rich countries’ economies would prosper leading to their economic growth. Relative economic equality would allow democratization to occur (Karl 3). Many oil-producing nations’ governments and citizens had high aspirations for using this new wealth to “catch-up to the developed world” (Karl 3) through economic development, equitable growth, and state harmony.

Even before the drastic drop of oil prices in 1983, oil-producing developing countries all over the world failed to meet their development goals because of “bottlenecks and breakdowns in production, capital flight, drastic declines in efficiency of their public enterprises, double-digit inflation, and overvalued currencies” (Karl 4). Many oil-producing nations borrowed heavily from other nations and international organizations during the oil boom in the early 1970’s, and when the price of oil dropped, these oil-producing countries encumbered more debt. As a result, many nations were forced to sell pieces of the national oil company to multinational oil companies, leaving
states with less potential capital (Karl 4). Juan Pablo Perez Alfonso, the founder of the
Organization of Petroleum Exporting Countries, prophesized in the mid 1970’s, “‘Ten
years from now, twenty years from now, you will see. Oil will bring us ruin’” (Karl xv).
In less than 10 years, many of the same oil-producing, developing countries that believed
oil would be the key to their development drastically shifted their opinions and began to
view oil as a curse. This negative sentiment, which has been widely embraced, can be
encapsulated in Perez Alfonso’s statement, “‘It is the devil’s excrement... We are
drowning in the devil’s excrement”’ (Karl 4). Recently, this concept of a “resource
curse” has been analyzed and confronted by citizens and scholars who have challenged
the curse’s inevitability and provided theories on how to accomplish the goals of
economic development, equitable growth, and state harmony, because of, not despite oil.

Although many nations with a sudden influx of natural resource wealth have been
unsuccessful at achieving economic growth and political stability, it is important to note
that some countries have benefited greatly from oil wealth. In the late 1970’s, Nigeria
and Indonesia for example, had similar “per capita incomes and heavy dependence on oil
sales. Yet today, Indonesia’s per capita income is four times that of Nigeria”
(Humphreys, Sachs, and Stiglitz 1). A wide spectrum of education, health, and income
levels for resource-rich countries is displayed in the United Nation’s Human
Development Index. For 2008, the second highest-ranked country in the world is the oil-
rich Norway while Nigeria and Chad, two other oil-rich countries, are in the "Low
only was Norway second in most categories in 2008, but the country has been ranked in
the top five since the report’s conception in 1980 (“Statistics- Human Development
Report”). Norway began extracting oil in 1971, proving that nations are capable of managing oil resources wisely and therefore, of escaping the resource curse (Larsen 1).

The recent announcement by Kofi Annan, the former United Nations Secretary-General, that his native country Ghana is modeling oil management structures after Norway has made many scholars uncomfortable. Bright B. Simons and Franklin Cudjoe, scholars employed by an African think tank, do not support Norway as a model for successful Ghanaian oil management because of the enormous difference in oil reserves within the two countries. Norway has “80,000 people employed in its oil industry” (5), while “it appears highly unlikely that more than 100 Ghanaians will benefit directly from the emergent industry’s high skill job portfolio” (4). Therefore, in Ghana, Simons and Cudjoe argue that new jobs should be created in other industries, including a new service industry targeted at the needs and desires of foreign workers.

Other scholars agree with Humphreys, Sachs, and Stiglitz’s assertion that the resource curse is not actually a curse, but a product of resource mismanagement that can be overcome. While the “resource curse” has become the standard way that most people view natural resource-rich areas, Pauline Jones Luong and Erika Weinthal challenge this standard and instead write that a nation’s well-being is determined by the concentration or dispersion of wealth. Jones Luong and Weinthal theorize that the real problem in resource rich countries exists because of the horizontal and vertical economic inequalities. These inequalities are often a product of corruption, and result in a small percentage of the population controlling a majority of the wealth and power within a country (Jones Luong and Weinthal 241). The greed in this situation does not allow for equitable growth or empower individuals to improve their economic situation.
In many resource-rich countries, the resource curse is often linked to the so-called Dutch Disease. But for Ghana, the problem of the Dutch Disease will look a little different. The Dutch Disease is a common trend among resource-rich nations, and is one aspect of the resource curse that indicates a decrease in a labor force and therefore in productivity for industries that are not driven by exporting resources (Larsen 3). The name alludes to a situation in the Netherlands in the 1970’s. When the country discovered new natural gas fields, other industries, especially its export commodities sector, shriveled (Davis 4). The Dutch Disease can greatly impact a nation’s economy because “new discoveries or favorable price changes in one sector of the economy- for example, petroleum- cause(s) distress in other sectors- for example, agriculture or manufacturing” (Karl 5). Agriculture and manufacturing employees leave their old jobs in search of new employment opportunities. Working within service industries becomes more economically and socially appealing. The nature of the economy continues to shift from other industries to the oil industry as the Dutch Disease becomes more prominent. Scholars such as Karl, Davis, and Neary and van Wijnbergen suggest that the Dutch Disease is not inevitable; rather, government policies can encourage individuals and offer small agriculture and manufacturing businesses rewards for remaining in those fields. This type of policy is infrequently implemented, which remains inexplicable to scholars (Karl 6).

The Dutch Disease is not an economic phenomenon, but rather a result of social and political structures. After all, Karl argues, “commodities in themselves are not creative or destructive forces, and major explanatory power cannot be attributed to their peculiar character alone or even to the economic dynamics they encourage” (6). Ghana
may not have to worry directly about the Dutch Disease because the number of jobs available within the actual oil industry is estimated to be around 100 (Simons and Cudjoe 4). What Ghana will have to worry about, and plan for, is a surge of not only Ghanaians, but other West African residents migrating to the Western Region in the hopes of being employed by the oil industry. Unemployment would be likely for these people unless the Ghanaian government takes certain precautions. Not only should the Ghana government urge those already employed to remain at their current jobs, but they should also plan public works and developmental projects within the Western Region. This will both employ a rush of individuals looking for employment, and will also benefit the section of the nation, the Western Region, that has the most at risk during the offshore oil extraction. The small estimated number of available jobs makes Ghana different from many other oil-producing nations, like Norway, and the general awareness of the lack of jobs within the oil industry could help keep the economy multi-faceted and stable.

Economic development is not the whole story, though. Equitable growth is another factor that resource-rich countries struggle to foster. Equitable growth not only combats issues of poverty, but also helps ensure political stability. Countries struggle with two types of internal equitable growth - horizontal (regional) and vertical (class based). Michael Ross writes about the importance of “managing the impact that mineral [oil, included] rents have on the distribution of income” (237). If not managed correctly, vertical inequality can “reduce the poverty-alleviating factors of economic growth” (Ross, Michael 237), and horizontal inequality can lead to interethnic or interregional violence. In order to combat vertical inequality, Ross recommends that oil-producing nations devalue the national currency. This proactive measure would help avoid higher
exchange rates that result in increasing prices for export goods in other sectors of the economy, including agriculture and industry that other nations are unwilling to pay. Oil exportation causes workers to shift from agriculture and manufacturing jobs to service-related jobs, and workers’ inability to change sectors could result in higher unemployment (Ross, Michael 240-1).

Examining the Nigeria and Indonesia cases, Ross explains three steps the government can take to reduce the gap between rich and poor: support and encourage “productivity and export growth” in agriculture and manufacturing; hire agriculture and industry workers who are unable to find a job, and create programs directed at the poor (241). Indonesia invested in universal health care and infrastructure development in rural areas, and lowered the exchange rate which enabled both its agricultural and manufacturing sector to grow. Nigeria failed to invest in education and other public works programs, and did not devalue the exchange rate, which led to sharp a decline in the agriculture exports and manufacturing in the 1980’s (Ross, Michael 241-2). In order to “not be another Nigeria,” the Ghanaian government can learn a lot about the actions and inactions that brought about the successes and failures of these two developing, oil-producing nations.

The degree of horizontal inequality depends on the existing economic conditions in the mineral-rich region, the varying growth in resource-rich and non-resource rich regions, the connection of resource extraction with other sectors of the economy, and the sub-national government’s ability to obtain resource income. Connecting the resource-rich sector to other areas within the local economy and taxing (by local governments) mineral incomes, “can sharply boost employment and wages in the region” (Ross,
Abels 12

Michael 245). The difference between the region's actual and expected income is another factor that can cause frustration, and lead to political and social instability and the possibility of civil war. In order to avoid this unrest, Ross lays out several tactics which include "giving mineral companies incentives to hire local workers and to purchase local products as part of their licensing agreement, restricting the migration of workers into the extractive region... encouraging mineral firms to invest in local development... encouraging nongovernmental organizations to mediate between local peoples and mineral firms... [and] promoting full transparency for all mining revenues" (246-7).

There seems to be no reason why the Ghanaian government should not follow Indonesia's lead and invest in vertical equity once the oil begins to be extracted (planned for 2010) and bring in revenue. As I discuss later, not only does Nigeria's inability to promote vertical equity damage the nation's stability, but more explicitly, the Nigerian government's disregard for the condition of the people and land within the Niger Delta, quite literally, blows up in its face. Although the oil in Ghana is offshore, the people of the Western Region, like those in the Niger Delta in Nigeria, could daily feel, see, taste, touch, and smell the polluting effects of oil extraction. In order for unhappiness and possible conflict to be avoided, the Ghanaian government should actively monitor oil companies' treatment of the waters off the coast of the Western Region, and stand-up for its constituents if their livelihood, the fishing industry, is being destroyed. In addition, the national government's awareness of the indirect effects of the Dutch Disease could help combat unemployment and dissatisfaction in the region. It proves challenging to try to separate the concepts of corruption, horizontal and vertical economic inequalities, and a nation's ethnic and regional harmony because of their inherent interconnection. A
nation’s stability can be a product of both corruption and economic disparities. Corruption is very much affected by a nation’s stability, and increases horizontal and vertical inequalities by favoring wealthy members of the ruling party. In order for oil extraction in Ghana to be viewed as a blessing, the government must realize the interconnected nature of corruption, horizontal and vertical inequalities, and ethnic and regional stability. If ethnic and regional tensions turn violent in Ghana, as they did in Nigeria, the violence will have been caused by inequitable growth and will certainly hinder economic development.

How is Oil’s Effect Different from Other Natural Resources?

Ghana is the second largest producer of gold in Africa, and also has other natural resources like timber and diamonds, but the level of fear surrounding the Ghanaian oil discovery is more intense than any other natural resource (“GHANA: Favouring gold over farmers”). “Oil and wars have been linked since the beginning of the 20th century, but the nature of this relationship has changed over time” (Kaldor, Karl, and Said 2). What about oil causes it to ignite or exacerbate conflicts? Some scholars argue the huge amount of money at stake is the main reason that oil and conflict have been so closely tied. “Oil wars are rentier wars” (Kaldor, Karl, and Said 3), and while identity politics help start conflicts, these wars are about benefiting from this prosperous resource. Throughout the Cold War, oil wars were centered on geo-politics, but recently scholars have stressed internal political conflicts sparked by the “greed of insurgents or the grievances of the general population” (Kaldor, Karl, and Said 3). Although the extraction of any natural resource can cause conflict, “dependence on oil for export is associated
with conflict” (Kaldor, Karl, and Said 12). Kaldor, Karl, and Said believe that oil is “neither a blessing nor a curse, but simply a black viscous material” (12) whose worth and ability to cause conflict is not inherent, but has been a product of the world’s dependence on oil. While a shortage of diamonds would certainly affect many people all over the world, diamonds (or any other resource, besides water) do not have the same global impact as oil does.

Many oil-producing countries are rentier states which do not have economies that rely on an individual’s employment income from industries other than the oil industry. Rather the majority of the money coming into the country is from the exportation of oil which “exceed reasonable levels of return of labor and capital” (Kaldor, Karl, and Said 12), and discourages a diverse economy. The problem is that the country’s main source of income moves from the global oil consumer to the global oil producer, and does not need to trickle down to those who are not taking part in its production. Many oil states do not tax their citizens which discourages interaction between government officials and civilians. As a result, citizens are less informed about government decisions, and are unable to financially express discontent with government actions (Humphreys, Sachs, and Stiglitz 11). Unlike other natural resources, initial investment in oil is expensive, but often only creates a small amount of new jobs that are often given to foreigners who have been trained outside the oil-producing nation (Kaldor, Karl, and Said 12).

In addition, oil production builds high expectations among citizens which are challenging to meet when oil prices shift so drastically. Oil prices are incredibly unstable. Between 1998 and 2006 a barrel of oil has cost anywhere between US$12 to US$78.40, which makes planning a country’s national annual budget a challenge (Kaldor,
Karl, and Said 14). When oil prices are high, many oil-producing countries borrow money from international lenders in anticipation of reaping large revenues from the sale of oil. But as oil prices drop, internationally borrowing nations are unable to pay off their loans and remain indebted (Humphreys, Sachs, and Stiglitz 8). Humphreys, Sachs, and Stiglitz refer to oil as an asset, not as income because it is a non-renewable resource - “If all revenues are consumed in each period, then the value of the country’s total capital declines” (9). While investing resource wealth in a diverse portfolio would allow for financial gains, politicians face internal and external pressures that lead them away from investing in financial markets. Citizens may have high expectations of how quickly quality of life standards will rise. Politicians do not want to disappoint their constituents, and also want to make national investment decisions while they have the opportunity (Humphreys, Sachs, and Stiglitz 10).

Not only do oil-producing countries tend to spend beyond their budget, but they also fail to invest in national development programs. This failure is a result of many countries’ contentment with resource wealth, and a lack of recognition of oil’s finite nature. One manifestation of this is a trend that affects many oil-producing nations, as “secondary school enrollment and the expected years of schooling for girls” drop, economic diversification in future years is challenging (Humphreys, Sachs, and Stiglitz 10). Ghana is not immune from any of these challenges that mismanagement of oil extraction and production generate. Without budgeting that reflects oil’s non-renewable nature and communication between the government and its citizens about realistic expectations for economic development and proposed timelines, oil mismanagement could result in Ghana becoming “another Nigeria.” These are just some of the ways that
oil differs from other natural resources, and how oil-specific characteristics contribute to
the construction of the resource curse.

For most Ghanaians, the concept of the resource curse is very tangible and embodied
through Nigeria's struggle with oil wealth, corruption, horizontal and vertical inequality,
as well as national instability. Ghanaian journalists and the media from all over the world
have used Nigeria as a model of what Ghana should not become. BBC.com allows for
comments under articles about oil in Ghana, and some Nigerians write that they hope
Ghana enjoys the prosperity and peace which they have not (Ross, Will). Because of
their geographically close, but not always amiable, relationship rivalries and commonly
believed stereotypes between the two nations result in inter-nation tension. Ghanaian-
Nigerian relations remain tense from the Nigerian government's 1983 expulsion of
undocumented foreign workers from the country. Foreign workers were ordered out of
the country in response to sinking oil prices and rising unemployment. Ghanaians
comprised more than half of the 2 million foreigners who were forced to leave (Bump).
Ghana, therefore, does not want to be “another Nigeria,” not only because of the
extensive mismanagement of oil resources that has led to secessionist movements and
growing inequality, but also for more nationalistic reasons. Nigerian oil also embodies
an expulsion of Ghanaians that was viewed as Nigerian assertion of superiority.
Chapter 3: The Nigerian Case

Nigeria is an incredibly diverse country ethnically and linguistically. There are three economically and politically powerful ethnic groups - the Hausa/Fulani, Ibo, and Yoruba. Although these are the dominant ethnic groups in Nigeria, most of the oil is not located in their indigenous lands, but instead within the Niger Delta (Alao 162). The Niger Delta is located in the southeastern part of the country, and is home to roughly 20 different ethnic groups, and spans about 70,000 square kilometers (Alao 189). Nigeria is the biggest producer of oil on the African continent, and in 2000 produced 2.105 million barrels per day. In 2010, that number is estimated to increase to 3.20 million barrels per day (Alao 169). The Nigerian government has received more than US$1.6 trillion of oil wealth from two sources. The first source is from owning shares in the national oil company, the Nigerian National Petroleum Corporation, and the second is from taxes paid by other by oil companies on the oil they extract (Walker 1). Oil is Nigeria's main export, and “contributes about 50 percent of the country’s GDP, 95 percent of foreign exchange earnings and 80 percent of budgetary revenues” (Kaldor, Karl, and Said 41).

For Ghanaians, Nigeria is an ever-present example of the possible effects of a resource curse: inequitable growth has led to several violent conflicts and national dissonance.

The extent of inequitable growth can be seen in wealth polarization - “two-thirds of the population lives below the poverty line, even though Nigeria is Africa’s second largest economy and has reaped more than US$280 billion from oil in the past 30 years” (Hale, 1). Corruption and mismanagement of resources have empowered the government to build a sports stadium that is more costly than the country’s annual education or health budget, and has led to wealth polarization along ethnic lines. For the past 40 years, oil
has been a crucial issue in Nigeria, and multinational corporations, as well as Nigeria’s elite have benefited handsomely from their friendships with Shell and Chevron (Kaldor, Karl, Said 42) while the “average Nigerian is poorer... now than at independence in 1960” (Hale 1). Inequality has sparked violence throughout the country, but especially in the Niger Delta, a topic that I will address later.

The inequitable growth can be seen in the underdevelopment of resource rich areas in Nigeria. In the Niger Delta, “basic amenities such as electricity, pipe-borne water, hospitals and schools were for a long time not available in most oil-producing areas” (Alao 173). In addition to not having adequate education and medical facilities (which would need to be imported into the region), even obtaining the area’s most prominent resource is difficult. In 1998, there was not one gas station throughout the oil-rich “areas of Ijaw, Itsekiri, and Ilaje in Bayelsa, Delta, Edo, and Ondo States” (Alao 173). The government has recently set-up departments and organizations to help address development issues in the oil-rich areas, but corruption has led to little progress. This corruption is unfortunate not only Developmentally, but also because often indigenous people head these development organizations. Corruption, therefore, has “supported the government’s claim that local people cannot be trusted to protect the interests of their own people ”(Alao 173). Indigenous peoples responded that these community “leaders” have been chosen by the national government in order to make the indigenous communities appear not unified (Alao 173).

Until 1992, only 1.5 percent of the national budget went into development projects in the Niger Delta. When the Oil Mineral Producing Areas Development Commission (OMPADEC) was formed, it upped the amount to 3 percent. OMPADEC’s leadership
consisted solely of indigenous people from oil-producing areas. While this was certainly a recognition of past failures, the government was unable to keep its monetary promise, and “out of the N85,489.56 million due to the commission from 1992-1996, only N13,164.26 million was actually disbursed” (Alao 174). This issue continues to plague the residents of the Niger Delta, many of whom continue to fight to make their voices heard.

On top of unfair distribution of oil wealth, other sources of tension arise when those in power are unconcerned with the needs and interests of the oil-producing communities. This feeling of non-involvement and exploitation is magnified by many multi-national corporations (MNC) which have chosen not to employ local people, leaving indigenous people voiceless in the MNCs, as well. Geographic distance between the people of the Niger Delta and the oil companies’ headquarters adds to the hostility. Refineries (and therefore, employment opportunities) are located in the north of the country, “often up to one 1,000 kilometers away from oil exploration sites” (Alao 175). The government does not have a convincing reason as to why this is the case. People in oil-producing communities view the placement of refineries in the politically-powerful region as another example of the national government’s abuse of power. This practice is not limited to refineries though, as “boards and agencies managing Nigeria’s oil resources have their offices situated in the capital or in regions far away from the oil deposit” (Alao 175).

In addition to not gaining jobs from the oil companies, residents of oil-producing communities have lost traditional sources of employment, like fishing and farming, from the resulting pollution which has lead to continued socioeconomic inequality and political
unrest. Both the government and MNCs have failed to respond to indigenous people’s requests to be more respectful of their land. Even though there are environmental laws, including the Federal Environmental Protection Act (FEPA) of 1988, their enforcement has been more challenging because of “staff and equipment shortages, lack of muscle, political corruption and nepotism/clientelism, or executive decisions to play down environmental considerations in the pursuit of employment and industrial output” (Benneh, Morgan, and Uitto 89). In the end, just as the government can decide whether or not to fund FEPA, it can also decide whether or not to abide by the Act, and with state interests’ in environmentally irresponsible companies, “the state still does not want to own up to its own recklessness” (Omoweh 253).

The economic, environmental, and social inequality and poor treatment inflicted on oil-producing regions in Nigeria have led to several secessionists’ movements in the Niger Delta. In 1966, Isaac Adaka Boro, a native of the Niger Delta, led the rebel army, the Niger Delta Volunteer Force (NDVF) against the national government in the hopes of independence. While his army failed, the idea of seceding has lived on. In 2004, another secession movement gained strength in the Baylesa State (Alao 178). The Niger Delta People Volunteer Force (NDPVF) was led by Mujahid Dokubo-Asari, a former gang leader in the Niger Delta, and the government mainly viewed his involvement in the movement as a “cover for his criminal tendencies” (Alao 179). In September 2004, the NDPVF controlled most of the oil offices and machines in the Delta. Though Dokubo-Asari’s demands may be the same as the NDVF’s, the NDVPF is armed with machine guns and rocket-propelled grenades which illustrate the region’s transition into privatized violence (Kaldor, Karl, and Said 41). This situation caused Shell to close one of its major
“flow stations” (Alao 179), losing 28,000 barrels every day, which resulted in a major increase in oil prices. After verbally threatening oil workers’ safety, Dokubo-Asari met with Nigerian President Obasanjo, and the NDPVF backed off (Alao 179).

The most well-known secessionist movement, the Movement for the Survival of the Ogoni People (MOSOP), took place in 1991. An extensive letter-writing campaign to both the Nigerian government and Shell emphasized the environmental devastation that Shell’s oil pollution has caused, and pushed for recognition of the Ogoni Bill of Rights, as well as monetary compensation. Again, there was little government response to the MOSOP, and MOSOP members decided to take action. The MOSOP demanded that Shell and Chevron accept their US$10 billion stipulation within the next month, or that the oil companies leave Ogoniland. Not surprisingly, these corporations did not pay-up or vacate, which led to a 200,000-person protest in Bori, Ogoniland. Feeling threatened, the government responded by sending in Nigerian security forces who violently attacked Ogoni people, and also were suspected to have armed a neighboring ethnic group to continue fighting the Ogonis. As the violence escalated, MOSOP began to face internal division over the goals of the organization. To some, Ken Saro Wiwa was too radical and violent, while the opposition believed other leaders of MOSOP were merely “vultures” (Alao 191) or puppets of the oil companies. Bad feelings and violence between the Ogonis themselves continued, and in May 1994, an Ogoni mob killed four Ogoni chiefs who were considered traitors for not being members of the MOSOP. A tribunal set-up by the Nigerian government sentenced Ken Saro Wiwa and eight other MOSOP leaders to death, even though Saro Wiwa was not present in the mob the day of the murders. Although there was pressure from the international community to repeal the death
sentence, on November 10, 1995, President Abacha and the state executed all nine people from MOSOP (Alao 191).

Most recently, in 2006, the Movement for the Emancipation of the Niger Delta (MEND), demanded Mujahid Dokubo-Asari, head of the NDFVP, be released from prison and as well as US$1.5 billion to compensate for the resource that has been taken out of their region and oil pollution’s destruction of farmlands and water sources. MEND targeted foreign oil workers because the government responded most strongly to issues involving their safety. “The MEND attack forced Shell to evacuate more than 300 workers and forced shut down of about 10 percent of Nigeria’s crude oil production” (Alao 200). Throughout 2006, violence continued to escalate in the once relatively peaceful state of Akwa Ibom, and for the first time international hostages were taken from their homes instead of their offices. In September 2008, MEND attacked a Shell flow station, and “declared war’ on the government after battling security forces guarding oil facilities” (“Oil Station ‘blown up’ in Nigeria”). The actions of the people of the Niger Delta have illustrated their increasing desperation to reap some of the benefits of oil from the land on which they live (Alao 201). MEND has certainly made a point because their campaign has “cut Nigeria’s oil output by more than 20 percent” (“Oil Station ‘blown up’ in Nigeria”). Still, though, the government has yet to meet with MEND leaders or concretely address issues of horizontal inequality. While the grassroots protest movements throughout the Niger Delta may have resulted in privatized violence that has disrupted intracommunity and intercommunity relationships, these protest movements also offer a glimmer of hope for the success of the nation’s relatively new democracy by asking for transparency (Alao 44).
Economic and environmental mismanagement of oil resources in the Niger Delta has resulted in over 40 years of tension and violence between the Nigerian government and the ethnic and regional groups in the Niger Delta. People of the Niger Delta have been fighting to defend their land from destructive oil companies and destructive governments, but little has changed. With this tragic history, it is easy to see why the international community hopes that Ghana will not become "another Nigeria" as the ethnic and regional conflicts have damaged the economic growth of the country and horizontal and vertical inequalities have grown larger.
Chapter 4: The Ghanaian Case (Overview)

The threat of a resource curse is currently on the minds of many Ghanaians who are aware of the political, economic, and social instability that Nigeria has experienced over the last three decades, much of which has been attributed to the mismanagement of oil wealth. Several Daily Graphic and Ghanaian Times' articles (the most widely-read daily Ghanaian papers) about Ghana's oil-wealth mention or at least hint at Nigeria's inability to attain economic development, equitable growth, and state harmony with the US$280 billion the government has received from oil-extraction (Hale 1). On July 18, 2007, then Ghanaian President John Kufuor announced 600 billion barrels of oil were discovered off the coast of Ghana. This estimate is much higher than the 250 billion barrels of oil that were earlier anticipated. This new number would mean by late 2010, 120,000 barrels will be extracted daily ("Ghana 'will be an African tiger'"). In two years, the number of oil barrels would more than double, which is still significantly less than the estimated 3.20 million barrels of oil a day that will be extracted from Nigeria in 2010 (Alao 169). Several offshore sites are being explored by the Ghanaian National Petroleum Corporation, as well as several multi-national corporations including Tullow Oil (based in England) and Kosmos (based in Texas, United States).

Throughout the capital city of Accra, several "Oil is a blessing, not a curse" billboards aim to briefly address citizens' hopes and fears surrounding the country's oil discovery. An article by Dr. Kwame Osei, a Ghanaian journalist, published in Public Agenda, a newspaper based in Accra, titled, "Ghana; Why Country Should Not Bank On Oil," also confronts this issue. Dr. Osei mentions the instability of oil prices, citing the US$103 difference in a barrel's price between July and December 2008. He is also
concerned about the effects that the pledge of the United States and other Western countries to support alternative energy sources will have on long-term dependency on oil. But, more realistically, with the worldwide economic crisis and current high credit rates, Ghanaians fear that oil companies will be less likely to “invest in infrastructural and technological development” (Osei) in Ghana.

Industry development is a critical issue within the country resulting from colonialism’s legacy of massive importation of manufactured goods like paper and chocolate, even if the raw materials like timber and cocoa naturally exist in Ghana. Today, 52 years after Ghanaian independence, it remains much easier to travel north-south than east-west throughout Ghana because the major roads all lead to the ocean which is directly south. This enabled the British and continues to enables MNCs to extract the natural resources, ship them back to England (or elsewhere) where they would be manufactured and packaged and then ship the finished products back to Ghana to be sold at an increased price. Factories and manufacturing plants are still rare in Ghana, causing the country to spend more than half of its Gross Domestic Product on imports (Fosu and Joseph 1). Therefore, industry development whether it is as a result of government oil wealth or oil companies’ involvement in the area would enable Ghanaians to send far less money to other countries for payment of goods and keep the money within the country. With that said, Dr. Osei urges Ghanaians to “lower their expectations particularly in the short term” (Osei), especially if the Ghanaian government is receiving only 7 to 10 percent of the total oil revenue. Currently, drilling is set to begin in 2010, though many multi-national corporations are struggling to continue to invest heavily in the Ghanaian oil fields which are located off the coast of Ghana’s Western Region.
As discussed earlier, oil-producing nations often become rentier states resulting from the focus on the extreme wealth that is to be gained from oil production. A diversified economy encourages diversified investments, "as the number of types of economic activities rise, their owners more easily escape the brunt of self-interested policy makers by apportioning their investment among several economic sectors" (Adsera, Boix, and Payne 448). In other words, when there are several industries to be invested in, those looking to invest are able to carefully examine how their money will be used, and chose to reject industries that are plagued by corruption. The continued support and increased development of other industries in the Western Region will be vital to economic and political stability there.

It is important to acknowledge that the Western Region's coastal communities will be most directly affected by oil drilling. Also, it is in the best interests of the government and the nation as a whole to understand the risks involved in oil extraction and their potential consequences. The coastal communities used to be strong supporters of one Ghanaian political party, but recently much of that support that has shifted to another political party (Gyasi 29). This shift has caused politicians to campaign more heavily within the fishing communities now that the votes of the residents are much less predictable. During the 2008 Presidential elections these swing-voter, fishing communities were able to reject the party in power and help elect the main opposition party. As oil extraction and development continues, it will be critical for the government to foster and maintain good relationships with the fishing communities in order to preserve ethnic and regional harmony through government transparency and open lines of communication.
Chapter 5: The Ghanaian Case: Oil Management

Voting alignments within fishing communities

Although there are more than 10 registered political parties in Ghana, there are two main parties, and 82 percent of the voting population consistently votes for the same political party. The core voters can be analyzed through specific factors including “primary level of education, urban-rural divide, income, and occupation” (Linderberg and Morrison 566). The New Democratic Congress (NDC) is based in Ghana’s Volta region, and is a “leftist-oriented party” (Linderberg and Morrison 583) that is supported mainly by rural dwellers, people with little education, farmers and other people in working class jobs, and people whose income is low. The National Patriotic Party (NPP), a right-wing party, is based in the Ashanti region, and supported heavily by the Asante people, as well as people who work for the government, and others who are well-educated and wealthy city dwellers. The other 18 percent, the swing-voter population, is a diverse group of people. Since civilian rule in 1992, there have been two peaceful opposing-party transitions to power— in 2000 and, recently in 2008 (Linderberg and Morrison 567-8).

Many fishing communities throughout Ghana make up part of the swing vote, including Cape Coast which used to be an NPP stronghold, but in the two most recent elections (2004 and 2008) voting has been much closer (Linderberg and Morrison 568).

Over the past year, many fishing communities have been urging the government to stop “pair trawling” by foreign fishing vessels in the territorial waters of Ghana. ‘Pair trawling’ involves the use of two fishing trawlers with a huge net hung between them that scoops every fish-big and small- into the net” (Gyasi 29) which is detrimental to local fishermen. Former President John Kufuor of the NPP first did not believe the
government had the resources to stop this practice. Conveniently during the extremely close Presidential run-off election between John Atta Mills (NDC) and Nana Akufo-Addo (NPP), President Kufuor "somehow found the resources- naval boats and helicopters (supposedly donated by the U.S government) to fight pair trawlers" (Gyasi 29). A vast majority of voters along the coast from the Togo to the Cote D'Ivoire borders had already decided to vote against the ruling party who disregarded their voices until the election season (Gyasi 29). This political power of Ghanaian fishermen also includes being influential within an important economic industry, which has a large impact on the nutrition of the nation.

The role of fishing in Ghana

Artisanal (subsistence or small-scale commercial) fishing has a long history in Ghana beginning in the 18th century. A century later, a very profitable commercial fishing industry surfaced. As the demand for fish increased along the coast in other West African nations, Ghanaian fishing companies expanded into other countries and until recently, Ghana was considered a major fishing country in the region (Atta Mills, Alder, and Sumaila 13). When Ghana gained its independence in 1957, the new government acknowledged the importance of fishing and planned to develop that sector. These development plans failed because of funding and other resource issues. The fishing industry has declined over the last 20 years as a result of globalization and other nations' (mainly Russia, China, and Western European nations) exploitation of fish populations. But the fishing industry still embodies a large part of Ghana's economy, job market, and food consumption. "Nationally, the per capita consumption of fish is approximately
22kg/year with 15 percent of protein derived from fish” (Atta Mills, Alder, and Sumaila 13). Economically, “fishing contributed US$380 million to the national economy and US$56 million worth of exports in 1996” (Atta Mills, Alder, and Sumaila 13), and in the same year “supported up to 1.5 million people, of which approximately 27 percent were directly employed in the sector” (Atta Mills, Alder, and Sumaila 13). The fishing sector accounts for 400,000 jobs in Ghana which means it employs 2.5 percent of the country’s population and “about 20 percent of the total labor force” (Atta Mills, Alder, and Sumaila 18). Although Ghana exported 32,200 tons of fish (in 1996), the nation cannot meet its internal demand, and imports at least 100,000 tons of fish each year (Atta Mills, Alder, and Sumaila 16). Fishing is responsible for 5 percent of Ghana’s agricultural Gross Domestic Product (Atta Mills, Alder, and Sumaila 17). In Ghana, the fishing industry is not only a large employer of the working population, but is also a big part of Ghana’s export market and its residents’ diet.

With this in mind, it is important to note how offshore oil drilling and subsequent pollution will affect not only fishing communities, but also the entire nation. If the domestic fish supply drops because pollution from oil rigs or oil spills is poisoning the fish, the demand for fish in Ghana will remain the same, but more will have to be imported causing the fish price to increase. If families cannot afford the inflated fish prices, their general nutrition could suffer due to a lack of protein. A decrease in live and healthy fish would also lower the amount of income the nation makes on fish exports, and reduce the amount of earned money being brought into the country. This would cause unemployment and increase economic inequality. Therefore, it is extremely important to know the risks and consequences involved in Ghana’s offshore oil drilling.
Offshore Oil Drilling and Risks: Their Polluting Effects

Most commercial fishermen worldwide are opposed to offshore drilling because "fish stocks are once again placed at risk, fishing is made even more difficult" (Grader and Spain 1) as a result of "displacement and loss of fishing grounds, trash from drilling operations, scaring of the fish stock by seismic boats, the chronic small (and mostly unreported) spills and pollution from the drill muds and other similar problems" (Grader and Spain 2). While drilling offshore, oil companies use the ocean as a dumping ground regardless of the chemical toxicity of the waste. For example, for each oil well drilled, about 180,000 gallons of drill mud (used to cool drilling equipment) are produced on an oil rig. Their release into the ocean not only suffocates species that live close to the ocean floor, but also releases mercury, arsenic, and other "toxic heavy metals" (Grader and Spain 2). Offshore drilling also results in high levels of air pollution: "each gas well releases 50 tons of nitrogen oxides, 13 tons of carbon monoxide, 6 tons of sulfur dioxide, and 5 tons of volatile organic carbons each year. The platforms themselves annually generate another 50 tons of nitrogen oxides, 11 tons of carbon monoxide, 8 tons of sulfur dioxide, and 38 tons of volatile organic carbons" (Grader and Spain 3). Not only does this pollution have serious implications for the environment, but it also has serious health risks for humans and animals living around oil extraction.

Health implications

Again, Ghana should look to its neighbor, Nigeria, to learn an important lesson. In Oloma, Nigeria, oil pollution has negatively affected many aspects of residents' health
from skin ailments to respiratory diseases, and scientists are still uncertain about the long-
term effects of eating oil-polluted fish. Recently Oloma women have started to “rub their
bodies with palm oil before they fish in order to prevent rashes and other skin ailments”
(Fentiman 6). These skin ailments include “acne, warts, boils, skin cancer, and
photosensitization dermatitis” (Fentiman 6). Gas flaring from oil rigs in Nigeria
threatens the population by increasing levels of respiratory illness and sterility (Fentiman
6).

Pollution, in general, throughout Ghana is already a huge problem and health risk. Some coastal communities in Ghana are already feeling the widespread effects of oil pollution. The women of Ada-Foah, a coastal, fishing community in the Greater Accra Region in Ghana, have been most directly affected by the “levels of pollutants, both sea
and land based, as well as the rate at which biodiversity is being lost, have risen
remarkably in the past 20 years” (Twenboah 1). Oil tankers residual oil accounts for
much of the sea-based pollution, while poor sanitation of human waste is heavily
responsible for land-based pollution (Twenboah 1).

Women in the Ada-Foah community are responsible for supervising natural
resource use and providing food, two tasks that bring them in direct contact with their
physical environment and its pollutants. As a result, women’s health is
disproportionately affected in Ada-Foah. Chemical and fecal pollutants have tampered
with natural drinking water sources forcing women to walk long distances in search of
water. “It is estimated that on the average women use at least three hours a day searching
for water and transporting it with their heads, causing neck, back, and leg injuries”
(Twenboah 2). Pollution has also had an effect on other natural resources including
fisheries and mangroves, leading to the same problems the people of Oloma encounter with shellfish harvesting. The diminishing mangrove forests also force women to travel between three and five hours a day causing similar strain injuries that result from limited clean water availability. Tweneboah notes that few women in Ada-Foah are aware of the connection between these pollutants and deteriorating health, and she calls for women "to play a more active role in environmental issues. This means formal and informal education, training and awareness programs" (2). Their awareness can lead to action pushing for higher Ghanaian environmental standards for boats entering their waters and alternative, more sanitary ways to dispose of waste.

Risks involved: Oil Spills

The possibility of an oil spill off the coast of Ghana will increase dramatically as more oil rigs are built and the area becomes more heavily trafficked with oil tankers. Oil spills from rigs have become more common because the equipments' technology no longer requires 24 hour human supervision, and frequently oil spills go unnoticed (Grader and Spain 3). Because of the rapid nature at which fish "ingest large amounts of oil through their gills" ("Oil spills- effects on the environment"), those who do not die immediately often have organ damage which limits their ability to reproduce at all or, at the very least, limits their ability to reproduce healthy fish ("Oil spills- effects on the environment"). Researchers and scientists are unable to accurately estimate the amount of fish that are killed in offshore oil spills around the world (Mignucci-Giannoni 332). However, the negative and often times deadly impact of oil spills on fish species deeply affects fishing industries. For example, in the January 7, 1994 oil spill off the coast of
Puerto Rico, 3.6 million liters of oil discharged into the Atlantic Ocean, and greatly impacted the “coastal and offshore communities of fish (some of commercial importance for artisan and recreational fishing and the aquarium trade)” (Mignucci-Giannoni 324). The fishing industry is not the only industry in Ghana that would be affected by an offshore oil industry, though.

In addition to ecologically contaminating fish and therefore devastating fishing communities, oil spills also damage and pollute beaches affecting tourism industries. This type of destruction has occurred in India. The coastline along the Arabian Sea has also suffered ecologically and economically as a result of oil pollution originating from oil transporting tankers and off-shore oil exploration. As the beaches become more polluted and the Sea reaches higher levels of toxicity, tourists are less likely to vacation there and the local economy suffers (Ramamurthy 2). Mrs. Azumah-Mensah, Ghana’s Tourism Minister, recently announced that “tourism is Ghana’s fourth largest exchange earner” (Ghana News Agency). While the tourism industry in Ghana is not solely dependent on beach-goers, the coastline is a huge draw. Because oil spills can impact beaches hundreds of miles away, it is possible for one oil spill to damage the entire 540 kilometer coastline of Ghana (“Facts About Ghana”). However, while Ghana is certainly at risk for oil spills, one is by no means inevitable. Therefore, the Western Region’s proximity to the oil rigs and their daily pollutants makes it the one region that will definitely be affected by oil extraction.

Oil extraction directly affects the lives of the Western Region residents, and pollution is very likely to affect their main industry. Many coastal chiefs are speaking out about the added burden. Some of the chiefs within the Western Region “are pushing
for 20 percent of the government’s share [of the oil revenue] to be spent on communities across the coast” (Ross, Will 1). The Chief of Lower Axim, Awulæ Attïbrusku III, referenced the Niger Delta when talking of his community’s needs, “‘We don’t want what happened in the Niger Delta to happen in Ghana’” (Ross, Will 1). As mentioned earlier, daily pollution and larger oil spills would lead to a decline in the fishing industry leaving many residents unemployed. In order to preemptively address this crisis, Chief Attïbrusku III demands that, “60 percent of the jobs are from our region and it is our right, not a privilege. Our people need to be trained in the petro-chemical industry” (Ross, Will 1). But as mentioned earlier, the oil industry will not directly provide the number of jobs needed to meet the needs of these primarily fishing communities. In order for Ghana to remain politically stable and therefore economically productive during the oil extraction process, the government must regularly engage in dialogue with Western Region chiefs who already are building-up resentment, “The land is being given out irregularly and if care is not taken we will be slaves on our own land... Those who are buying the land, be they government officials, politicians, other citizens of Ghana or foreign investors, they should be very, very careful. Nanaom (the chiefs) will not spare them” (Ross, Will 2). If this region is taken for granted and exploited, Ghana may quickly lose the political stability that has helped the nation receive the categorization of “success story.”
Chapter 6: The Ghanaian Case: Oil Revenue Management

A Brief History of Political Stability in Ghana and Nigeria

Jones Luong and Weinthal and Humphreys, Sachs, and Stiglitz dismiss the concept of the “resource curse,” and blame the resource-rich countries' troubles on mismanagement. Resource mismanagement usually results from corruption. It is therefore vital to not only examine the government structures of both Ghana and Nigeria, but also each country’s freedom of the press. A free press can push for transparency and help fight corruption resulting from oil wealth. Finally, it is important to compare the political stability of each nation at the time of oil discovery. These observations will enable us to see the effects that oil has had on political stability in Nigeria and theorize about the effects that oil will have on Ghana’s political stability.

Over the last two decades, political stability has proven to be quite different in each country, and that can be seen in the outcomes of each country’s last Presidential election. Ghana just completed its second successful transition from ruling party to opposition party, after an early December 2008 election and a January 2009 runoff, while Nigeria’s 2007 election has been considered fraudulent by many of its citizens and the international community.

In Ghana, oil was discovered in 2007 at the time it was being called an “African success story.” The international community often refers to it as such not only for “becoming Sub-Saharan Africa’s first European colony to achieve independence” (Country Report- Ghana), but also because, since 1992, citizens have voted in relatively free and relatively fair elections every four years. Twice the nation has engaged in a peaceful Presidential power transition as the opposition party unseated the ruling party in

In contrast, Nigeria’s poor score (with a downward trend arrow) reflects the country’s long-time struggle with democracy. After several unsuccessful attempts in the mid-1990’s, the country transitioned from military to civilian rule in 1999, but has yet to hold free and fair elections. The 2003 Legislative (for the Nigerian House and Senate), and Presidential elections were widely fraudulent as former President Olusegun Obasanjo and current President Umuaru Yar’Adua’s party, the People’s Democratic Party, won a vast majority of competitive House and Senate seats. In 2007, “presidential, state, and legislative elections were marred by massive fraud, vote rigging, and violence” (Country Report- Nigeria), while four years prior the nation transitioned for the first time from elected government to elected government. The Niger Delta, the site of Nigeria’s oil, was heavily involved in the turmoil in response to the elections, “chaos in voting centers, deadly violence in the Niger Delta, and an attempted truck bombing aimed at the electoral commission headquarters” (Country Report- Nigeria) protesting their lack of involvement in the government’s decisions involving oil extraction and the resulting monetary distribution.

Nigeria gained independence from Britain in 1960, three years after Ghana. Until the 1990’s, Ghana and Nigeria were plagued by a continual cycle of military rule and military coups, which repressed civil liberties and controlled their falling economies. In Nigeria, military dictatorships were presented by those in power as the only system of
governance that could bring peace to a nation with ethnic, religious, and regional
differences and tensions (Country Report- Nigeria). Lack of government transparency
and corruption continue to be obstacles to overcome in order to achieve political stability
and ease tensions among ethnic, regional, and religious groups. As seen above, a
democratic government structure has not repaired the Nigerian government’s corruption
or its citizens’ satisfaction with their participation levels. As a result of the
aforementioned Nigerian protest movements, most especially the Ogoni Movement,
fundamental questions of governance have been sparked revolving around the “theory
and practice of the Nigerian state” (Osaghe 339) both domestically and internationally.
The mismanagement of oil in the Niger Delta for the last 40 years has not allowed
Nigeria to build a strong sense of nationalism, but rather has resulted in (especially for
ethnic minorities) increased connections with ethnic and regional identities.

Ken Saro Wiwa, the MOSOP leader, dreamed of a “sovereign national
conference” (Osaghe 342) that would “bring together representatives of the different
ethnic groups to negotiate the terms of their continued membership of the federation”
(Osaghe 342). These talks would cover a range of topics, many which relate to oil
management including, “‘northern domination’... majority domination and oppression of
minorities... resource allocation, power sharing, and distributive justice” (Osaghe 342).
The two previous repressive administrations never allowed a national conference to
occur. President Abacha finally gave in, although with a stipulation that it would be a
national constitution conference which does not permit secession. As a result, the
conversations were not able to address the nationalism question (Osaghe 343). Oil
mismanagement has increased divisiveness within Nigeria, and if a repressive
government limits discussion topics, little progress can be made in easing these conflicts. Repressive governments often also limit press freedom which helps foster other modes of corruption.

**National Government Structure and Freedom of the Press**

Structurally, the Ghanaian and Nigerian national and local governments are very similar: each has an Executive, Judicial, and Legislative branch of government. In Nigeria, the Legislative branch of government consists of 109 Senate and 360 House of Representative seats. A 230-seat Parliament and a regional minister for each of the nation’s 10 regions comprise the Ghanaian legislative branch (Country Report- Ghana). Because of the two governments’ structural similarities, freedom of the press and transparency, corruption, and national identity become most important when examining how oil production increased Nigeria’s instability and led to its inequitable growth. The Ogoni Movement, for example, illustrates the consequences of not having a government that strives to be transparent and equitable. This inability has resulted in a nation whose citizens cannot unite together under one flag because of their ethnic, religious, and regional differences.

A free press allows for citizens to be informed of government action and inaction, or management and mismanagement of oil resources, and helps curb corruption. In both Ghana and Nigeria, “freedom of expression is constitutionally guaranteed” (Country Report- Ghana and Country Report- Nigeria), but members of the media in each country certainly deal with harassment. Each country has privately-owned newspapers and radio stations, but in Nigeria “criminal prosecution continues to be used against journalists covering sensitive issues such as official corruption, separatist movements, and
Abels 39

communal violence, and local authorities occasionally target journalists who criticize
them” (Country Report- Nigeria). Reporters who investigate oil extraction in the Niger
Delta are at risk for detainment and prosecution which has limited the amount of
information available for public consumption on topics like pollution and regional unrest.
“While Nigeria has a significantly freer press than most African nations, gathering
information in the Niger Delta is particularly difficult” (Connors 1) because journalists
have been silenced and abused by the President’s State Security Service (SSS). Most
recently, American filmmaker Andrew Berends and Samuel George, his interpreter, were
arrested and detained on spying charges while filming a movie about the destructive
impact of oil on the Niger Delta. Several international organizations denounced the SSS’
actions, and a member of the Niger Delta Peace and Security Secretariat commented:

The government probably knows the fellow’s real mission and that it has nothing
to do with espionage, but they want to do it to discourage others from coming to
report on the situation on the ground. Hounding journalists and filmmakers who
want to inform the public is in bad taste (Connors, 1).

The lack of information available surrounding oil wealth and the mistreatment of the
Niger Delta’s people and land has helped to allow severe corruption to occur within the
Nigerian government. As press coverage has increased in the Niger Delta over the past
few years, national and international organizations have pressured the government to hold
politicians responsible for their corruptive actions (Country Report- Nigeria). Therefore,
a national and international community that is aware of issues surrounding oil production
and possible resource exploitation makes it more difficult for corruption to occur. It is
important that Ghanaians continue to value transparency and strive for a free press throughout every stage of oil development.

As demonstrated through each country's Freedom House “Civil Liberties Score,” the press in Ghana is generally respected and not at risk of being detained or punished. With that said, there are still vast improvements the country could make in order to increase government transparency and keep the residents of Ghana informed. The legislature still has not passed a freedom of information act, and though the press is usually treated fairly, there have been exceptions. “In 2007, a number of journalists suffered violent harassment or abuse during the year” (Country Report- Ghana). On a positive note, after announcing the discovery of oil almost two years ago, Ghanaian journalists have successfully published stories offering advice and occasionally critiquing the government’s actions in negotiations with oil companies and other aspects of oil management without any reported consequences. If this freedom continues throughout the oil extraction and production, it will allow for transparency and enable Ghanaian citizens to make their elected officials accountable for their actions, thereby reducing corruption.

An uninhibited media is one important variable in aiding a country’s knowledge sharing and government communication. Further transparency is also crucial in order to prevent or fight against corruption in all sectors, including oil wealth and management. “The degree of information citizens have, either through news media, personal networks, or their own direct experiences curbs the opportunities politicians may have to engage in political corruption and mismanagement” (Adsera, Boix, and Payne 448). In order to understand corruption, it is helpful to consider how good governance occurs. Adsera,
Boix, and Payne argue, “Pre-existing economic conditions, broad cultural patterns, the existence of a particular cooperative milieu among social agents, and certain constitutional frameworks as the causes that lie behind good governance” (446). These factors that mold good governance allow citizens to “hold political officials accountable for their actions” (Adsera, Boix, and Payne 447). In addition to an uncensored media, free and fair elections empower citizens to choose whether or not their representative is adequately addressing the voters’ needs.

Of 180 countries examined in Transparency International’s 2008 Corruption Perceptions Index, Nigeria was ranked 147th and Ghana was ranked 69th (“2008 Corruption Perceptions Index”). Transparency International’s Corruption Perceptions Index asks "business people and country analysts" for their view of the existence of corruption among elected officials (“2008 Corruption Perceptions Index”). Corruption is a result of greed and a lack of transparency, and the Nigerian case has proven that the combination of ethnic division and corruption can result in political instability and violence. While Ghana has been considered an African success story, its Transparency International ranking proves the nation has not been devoid of corruption. Additionally, in a recent national survey “75 percent of all households regarded corruption as a national problem” (Ghana- Country Brief). While former President Kufuor and his government “made efforts to improve transparency and reduce corruption” (Country Report- Ghana), little success has resulted. Since 2007, three Parliament members have been convicted of corruption charges (Country Report- Ghana).

These charges though, pale in comparison to the plague of corruption that has resulted from the Nigerian oil industry. As of September 2006, “a top official announced
that authorities had convicted more than 1,000 people of economic crimes and recovered around $5 billion over the past two years” (Country Report- Nigeria) in Nigeria. These numbers clearly portray the severe amount of corruption in the Nigerian oil industry. They help solidify why vertical and horizontal inequalities continue to grow and the people of the Niger Delta remain dissatisfied with the land and resource exploitation that continues to occur often resulting in violence toward government officials and oil workers. It is important to examine the effects of corruption in order to hypothesize not only how an oil-producing Ghana can combat corruption and resulting instability, but also how the nation would react to such inequality.

Not surprisingly, throughout the world, corruption hurts the relationship between a government and its citizens, “Citizens in countries with higher levels of corruption express more negative evaluations of the performance of the political system and exhibit lower levels of trust in civil servants” (Anderson and Tverdova 91). In addition, Anderson and Tverdova write, “Corruption also has been found to fundamentally undermine the principles of democratic accountability, equality, openness” (92). There are other factors that impact public perceptions of the ruling party, including their own political alliance, “Corruption has less of a corroding effect on people’s evaluations of the political system’s performance among supporters of the government than among those who oppose it” (Anderson and Tverdova 91). Therefore, a government that mismanages and steals oil wealth is more likely to be scrutinized by members of opposing political parties.

Using Anderson and Tverdova’s framework, it is important to look at political alliances in order to understand perceptions of corruption and possible unrest throughout
Ghana. This analysis is significant because of President Atta Mills' small margin of victory in the run-off election last January. Atta Mills received 50.2 percent of the total vote, compared to the NPP candidate, Akufo-Addo's 49.77 percent ("Opposition candidate wins Ghana presidential election"). "Those who elected the current government are likely to view corruption less negatively than those in the minority" (Anderson and Tverdova 94), therefore, an Atta Mills government corrupted by oil wealth could divide the nation across party lines, and possibly heighten ethnic tensions that flared up during the 2008 Presidential election.

**Ethnic Ties Among Political Parties and Their Effects**

The 2000 Ghanaian Census illustrates that 49.1 percent of the population identifies as Akan (which consists of two main sub-ethnic groups, the Asante and the Fante), while 12.7 percent identify as Ewe ("Population"). The ruling party, the New Democratic Congress, hails from the Volta Region (a multi-ethnic area in the east of the country, where the Ewe people are in the majority) and enjoys support from a diverse variety of ethnic groups throughout Ghana, especially those in non-urban areas. In contrast, the New Patriotic Party is headquartered in the Ashanti Region (located in the southern-central part of the country). The Ashanti Region is the most populated with 17.3 percent of the country's population, and ethnically consists of mainly Asantes ("Population"). The Asantes are the primary supporters of the NPP. In other regions, the NPP is commonly referred to as the Asante Party. Unlike other countries with tensions between the north and the south, political tensions in Ghana exist between "Ewe and Ashanti political elites whose constituencies are not noticeably different in terms of
access to education and amenities, which have stirred up the issue of ethnicity” (Lentz
and Nugent 13). Many Ghanaians in the business community are Asante, and perhaps
with a NDC President, the division of power and wealth between the government and the
business world would encourage ethnic harmony in an oil-producing Ghana, but some
journalists, like Cameron Duodu, are not convinced.

After the extreme tension and uncertainty of the Presidential election in which the
Ashanti and Volta regions were considered unsafe for NDC and NPP representatives,
respectively, some journalists remain concerned that hostilities are “deeply rooted”
(Duodu 1) and will continue to affect the country, “It is like a boil on Ghana’s foot,
which has swelled into an ulcer during each election, since way back in 1969. Unless an
ingenious way is found to lance the boil, it will one day grow big enough to cripple
Ghana altogether” (Duodu 1).

Will oil extraction and its aforementioned risks be the factors that lacerate the
boil? During the tenure of President John Rawlings (1992-2000), the last NDC President,
there were many claims that Ewes “yielded a disproportionate level of influence within
the government” (Lentz and Nugent 22). But 15 years ago, the nation was much less
politically stable and about to experience a war within its Northern Region. While many
journalists are pointing to the “what could have been” during the most recent election,
perhaps what did happen is more telling for the future oil-extracting nation. Yes, there
were tense moments of uncertainty. When it began to look like the NPP was going to
lose, party members said they would “boycott the election” (Duodu 1) by “filing a court
case against the chairman of the Electoral Commission to stop him from announcing a
winner” (Duodu 1). But then President Kufuor called for his party’s cooperation and
they listened. For a few days before the run-off results were made known, people feared Ghana would become another Kenya, Zimbabwe, or Nigeria, but President Atta Mills was sworn-in without any resulting violence. In his acceptance speech, Atta Mills said, “The election is over and there is only one Ghana; there is no NDC Ghana and NPP Ghana. I renew my pledge that I will be president of all Ghanaians” (Atta Mills). Like the election, mismanagement of oil resources has the ability to build tensions among different ethnic groups. The same fundamental differences that resulted in two very different outcomes in the most recent Presidential elections in Ghana and Nigeria also make oil mismanagement in Ghana possible, but less likely to lead to ethnic and regional violent conflicts.

Oil was initially discovered in Nigeria in the late 1960’s in the recent aftermath of a civil war. The nation itself was only a decade old, and struggling to transition to a post-colonial government and economy while trying to formulate a Nigerian national identity. Nigeria has yet to reach political stability because of ethnic tensions and cycles of secessionist movements. Oil mismanagement has played a big role in Nigeria’s corruption, inequitable growth, and ethnic and regional instability. The fact that Ghana has discovered oil 40 years after Nigeria is a huge advantage. Not only is the country (arguably) politically stable, but a Ghanaian national identity has existed long enough to mean something. For many Ghanaians that identity also means pride in their peaceful nation.
Chapter 7: A Blessing or a Curse?

With the faltering economy, many of the international corporations which have invested in Ghana’s offshore oil fields including Kosmos, Tullow, and Anadarko are experiencing financial difficulty. For this and other reasons, the new start date for the extraction process is December 2010 (Simons and Cudjoe 3). If all remains on schedule, oil will be extracted from Ghana’s ocean bottom in the next 20 months. What happens then? At the moment there are so many unknowns, but I have tried to present the factors and identify the similarities and differences between the Nigerian and Ghanaian oil cases. I started with dispelling the resource curse, and instead argued that mismanagement is the more accurate explanation for the corruption, horizontal and vertical inequality, and ethnic and regional tensions that often exist in oil-rich nations. This mismanagement can be broken into two categories: mismanagement of oil and mismanagement of oil revenue.

Despite the difference in locations of oil - Nigeria’s is inland in the Niger Delta and Ghana’s is offshore - there is unexpected similarity between these two nations’ oil situations. Thus, Ghana can learn a lot from the mismanagement of the product of oil in Nigeria. One region in each country has lost the most or has the most to lose from oil extraction. The Nigerian government did not intervene as multi-national oil companies throughout the Niger Delta polluted rivers and streams, negatively affected residents’ health, and caused several secessionist and civil rights movements. Even though Ghana’s oil is offshore, oil pollution in the ocean would be devastating to the Western Region’s economy, nutrition, health, and political unity and stability. To protect the Western Region’s environment and its prosperous fishing industry, the Ghanaian government should strictly enforce the international law that prohibits the popular tanker cleaning
technique of “pump[ing] in sea water and then pump[ing] out the residual oil along with the sea water” (Ramamurthy 2), in order to limit the amount of oil and oil residue that enters the ocean and is able to poison fish. The Western Region’s economy will also feel the effects of migration to the area. Even though the number of jobs created by the oil industry is estimated to be rather small, the assumption by foreigners and Ghanaians that employment opportunities abound could lead to a Dutch Disease-esque situation. In order to accommodate migrants and residents, the Ghanaian government must implement job training and greater industry development within the Western Region to not only create jobs, but also encourage public works projects. Investing oil money within Ghana will also help industry development, and lead to fewer imports, ultimately allowing the country to save millions of dollars. Both suggestions would begin to address issues of vertical inequality, and acknowledge the enormous risks that oil extraction will bring to the daily lives of Western Region residents. This is something that the Nigerian government, 40 years after the discovery of oil there, has still failed to do in the Niger Delta.

Turning to the mismanagement of oil wealth, corruption and methods to curb corruption highlight key differences between the two nations. While corruption is perceived to be increasing in Ghana, the degree of perceived corruption is much lower than in Nigeria (2008 Corruption Perceptions Index). This difference is not a result of government structure. Instead, it reflects Ghana’s ability to hold free and fair elections for the last 16 years and its freedom of the press. When Ghanaians go to the polls, they, for the most part, know their vote matters. The shift in political alliances of fishing communities recently helped elect the opposition party candidate, President John Atta
Mills (Gyasi 28). Peaceful, political action sees results. In contrast, Nigeria has yet to hold a free and fair election, and residents of the Niger Delta have to resort to violence to get the government’s attention. Government transparency and a free press enable citizens to be informed and engaged citizens which curtails corruption. As of yet, there have been no reports of Ghanaian government censorship of any media outlet wishing to question or give suggestions about the government’s involvement in the oil issues. However, in Nigeria, reporters are often detained and arrested for prying in the Niger Delta. As oil begins to be extracted and produced off Ghana’s coast, it is vital that the national and international press is able to report and challenge government actions or inactions and empower an informed citizenry, an informed citizenry that may not always agree, but that recognizes a common, nationalistic identity.

Another major difference between these two nations - and one that may prove most helpful to Ghana - is the time at which oil was discovered. Ghana had existed as an independent nation for 50 years when oil was found. Fifty years led to political stability and a national identity. Fifty years of independence and almost two decades of democracy led to part of the Ghanaian identity that cherishes peace. Nigeria had existed for less than a decade when its oil resources were discovered. Less than a decade did not allow for political stability or for citizens’ identities to include Nigerian in addition to their ethnic and regional identities. The lack of stability hampered the formation of a concrete national identity in Nigeria, and disaffected citizens continue to try to secede.

Ghana is by no means immune to oil mismanagement and is still at risk for corruption, increased horizontal and vertical inequality, and ethnic and regional unrest. If a corrupt Atta Mills government favors elite members of the NDC, horizontal and vertical
economic inequalities will increase, as will perceptions of corruption. If the Atta Mills government does not protect the ocean and the coast line, it may not be reelected, and Chief Attibruska III could be the next Ken Saro Wiwa, leader of the Movement for the Survival of the Ogoni People, organizing an embittered Western Region.

Ghana has all the tools to prevent or at least severely limit oil mismanagement - its citizens. While the Ghanaian government bears the most responsibility for oil management, every Ghanaian can play a role in ensuring the political, economic, and ethnic stability of his or her nation throughout the oil production process. Journalists must continue to expose corrupt government officials. Fishermen must continue to use their political power and vote for political candidates who will protect the ocean. Village woman in places like Ada-Foah must educate others on oil’s health implications, and fight for the protection of their land and their bodies. And the President must to listen to his constituents and act with their best interests in mind. The billboards in central Accra have the potential to be truthful, oil in Ghana could be a blessing, but it could also be a curse. How much Ghanaians have learned from Nigeria’s mismanagement of its oil resources and their own ability to curb corruption, combat horizontal and vertical inequality, and remain a stable, united country throughout extraction of this important natural resource will determine this promising nation’s future.
Works Cited


Humphreys, Macartan, Jeffrey D. Sachs, and Joseph E. Stiglitz. Escaping the Resource Curse. New York: Columbia UP, 2007..


United Nations Development Programmes. 29 Mar. 2009

Tweneboah, Elaine. "Coastal Pollution and Women's Health in Ada-Foah, Ghana."