

FPC Briefing: Resource Curse and Peace Building- A Tale of Two Sudans

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Introduction: Resource Curse Reality

Just shy of a year and a half ago, a conflict stretching across decades finally ended with the historic Comprehensive Peace Agreement¹ in 2005. Resource curse has proved to be the driving force for stalled peace, trans-border disputes, and potential displacement. Both countries are dependent on oil reserve exports as a sizable chunk of their GDP. Both are underdeveloped and lacking in government accountability. While peace has been attained through the Comprehensive Peace Agreement there are still disputes over oil reserves and borders. The city of Abyei is still a site of discord where both Sudan and South Sudan claim ownership. Conveniently, Abyei falling to Sudan or South Sudan would increase oil well ownership for either country. After independence, Sudan lost 75% of their oil reserves to South Sudan.

The Comprehensive Peace Agreement is supposed to allow for a 50-50% ownership of resource profits between the two Sudans, even though an overwhelming majority of resources lie in South Sudan. Coming to an agreement between resource sharing and border disputes continued to be a major point of contestation in the months leading up to January 2012. As of January this year oil production from South Sudan came to a halt when the two countries were still in dispute over borders and resources, and South Sudan suspected that Sudan had illegally taken crude oil worth US\$1 billion. To add insult to injury, during the few months South Sudan was exporting crude oil, Sudan charged an exorbitant US\$32 – 36 per barrel for pipeline transit²— typically this fee is between US\$0.50 – 1.00. Sudan is also attempting to get South Sudan to pay a US\$38 billion portion of their international debt. To date, South Sudan has stated that they would consider restarting oil production if a border security deal was reached and they gained full control over the Abyei region. Sudan has indefinitely postponed a referendum on the Abyei dispute. Meanwhile oil production remains inactive. In October³ both countries released a statement on reaching an agreement and a willingness to restart oil development. In November⁴ this was again stalled. It is apparent that both countries are highly dependent on oil reserves as a strategic part of their GDP and development potential. However, due to the desire to control more resources, areas that were understood to be a part of South Sudan are still in control of Sudan. Unfortunately, these borderlands in South Kordofan are subject to intercommunal violence between nomads and settled communities due to water scarcity in addition to interstate disputes and displacement.⁵ In November an estimated 2,100 people were displaced⁶ and fled to South Sudan's largest refugee camp in Yida. Those fleeing stated that they left due to violence in South Kordofan.

¹ New York Times, South Sudan, September 2012,

<http://topics.nytimes.com/top/news/international/countriesandterritories/south-sudan/index.html>

² US Energy Information Administration, Sudan and South Sudan, March 2012, <http://www.eia.gov/countries/cab.cfm?fips=SU>

³ BBC, South Sudan orders resumption of oil production, October 2012, <http://www.bbc.co.uk/news/world-africa-19997777>

⁴ Reuters, South Sudan, Sudan trade accusations in setback to peace deal, November 2012, <http://www.reuters.com/article/2012/11/21/us-southsudan-sudan-idUSBRE8AK10X20121121>

⁵ Bronkhorst, Salome. 2011. Climate Conflict: Lessons for Conflict Resolution. ACCORD, SIDA.

⁶ The Africa Report, Over 2000 Sudanese Refugees flee to South Sudan, November 2012, <http://www.theafricareport.com/20121120501821558/east-horn-africa/over-2000-sudanese-refugees-flee-to-south-sudan-501821558.html>

It is in both countries rational choice to gain control over disputed areas and make the other Sudan pick up the tab on debt relief or oil transit fees. By cutting off the oil and facilitating periodic violence, no one wins. South Sudan essentially just shut off 98% of their entire revenue, while Sudan just lost 70% of their export revenues. China has been forced to shop elsewhere for 6% of their oil consumption⁷ and close up shop on various oil extraction sites. No one wins if peace is not achieved and resources continue to be disputed.

The resource curse isn't just about development, dependency, and potential authoritarianism. When groups have been systematically excluded for long periods of time and then resources are discovered, it can perpetuate conflict due to local land disputes and national ownership of resources.⁸ In the case of Sudan and South Sudan, resources in the south were divided up with little regard for existing communities. Resource revenues were then utilized for development in the north and the purchase of arms, perpetuating social exclusion policies from the colonial era. At the time the SPLM disputed oil extraction facility's legal status due to forced displacement and the like. Further instituting 'us' and 'them' mentality towards resource profits only helped the SPLM gain support.

Historical Inequalities

In order to understand our present it is important to recognize the past. From colonial times, the areas now known as Darfur and South Sudan faced policies of socio-economic exclusion from the rest of modern day Sudan due to the use of Hamitic dialog⁹ and similar frameworks for indirect rule utilized in Rwanda and elsewhere.¹⁰ These areas were considered less important to develop due to ethnic differences between Arab and Muslim groups in the north and Dinka, Nuer, and Christian to the south. Through creating politicized doctrines of ruler and ruled between groups, communities became fragmented further. Post-British independence in 1956, Sudan faced nearly continuous conflict with then southern Sudan via the Sudan People's Liberation Army/Movement (SPLA/M). At that time, it was understood that southern Sudan would take part equally in governance in Khartoum. When the government reneged conflict in the south ensued in two periods, from 1955 – 1972 and again from 1983 – 2005. From 2005 to 2011 a peace agreement was brokered but in 2011 an overwhelming 98% of South Sudanese voted for independence from the north. In the last twenty-two years of conflict an estimated 1.5 million people perished, and another 4 million were displaced. Due to the violence many fled to neighboring Uganda, the DRC, present-day Sudan, and the Central African Republic.

Still today, there are territorial disputes over borders, particularly the city of Abyei that is claimed by both sides and would represent an extension of oil well ownership. The South claims the North has used gunned helicopters to forcibly displace thousands on border areas, while the North claims the South is aiding rebel groups in Darfur and along border regions, which fought alongside the SPLA in the later period of conflict.

⁷ CNBC, John. C.K. Daly, Another Snag for Oil From South Sudan, November 2012, <http://www.cnbc.com/id/49920413>

⁸ Le Billon, Philippe. 2001. "The Political Ecology of War: Natural Resources and Armed Conflicts." *Political Geography* 20 (June): 561–584. doi:10.1016/S0962-6298(01)00015-4. <http://linkinghub.elsevier.com/retrieve/pii/S0962629801000154>.

⁹ <http://en.wikipedia.org/wiki/Hamitic>

¹⁰ Reinton, Per Olav. 1971. "Imperialism and South Sudan." *Journal of Peace Research* 8 (3/4): 239–247.

Country Development Comparison

To understand the importance of oil reserves in regard to country development and functionality, it is vital to compare where Sudan and South Sudan stand on development.

Pre-South Sudanese independence, Sudan was the largest country in Africa. Today Sudan has a population just over 34 million¹¹. The average life expectancy is about 62 years, with the 80% of people working in agriculture. Sudan is not particularly well developed, however in comparison to its new neighbor to the south it's miles ahead. Major cities have paved roads and infrastructure, like water and sanitation. Roughly 50% of children finish Primary School while only 10-20% of families face food insecurity. Fifty out of every thousand Sudanese children will die before their first birthday.

South Sudan is roughly the size of France and has a population just fewer than 11 million people.¹² While both Sudan and South Sudan suffer from underdevelopment, the North relies far less on oil exports as a proportion of GDP. South Sudan relies on oil for 98% of its GDP. Few roads exist in South Sudan, and those that do exist are unpaved and largely in disrepair. Less than 1% of children finish primary school. 30-40% of families face food insecurity. Less than 5% of South Sudan has access to improved water and sanitation—boreholes and unprotected wells are the norm, helping diseases to spread. One in ten children die before reaching their first birthday. Female literacy is at a shocking 16%. With massive displacement due to prolonged conflict, many South Sudanese have been displaced to the DRC, Sudan, and the Central African Republic. South Sudan is lacking the infrastructure to cope with mass population movement.

One thing is certain; South Sudan represents not only a startling development hurdle, but also a post-conflict transition debacle. The marriage of these factors makes South Sudan the most interesting case for post-conflict development¹³. South Sudan is home to tens of ethnic groups with sharp divides. The Dinka accounts for a mere 11% yet represent an ethnic plurality. In governance¹⁴ the current regime has given top positions to individuals from various groups in order to try to create a sense of cohesion.

Oil and Resource Mismanagement and Conflict

The undertone of conflict after the oil discovery in 1978 was resource management, in addition to other institutional inequalities discussed above. Revenues from oil profits went primarily to areas historically developed and occupied by the Arab majority. Previous to 1978 reserves were known to exist only in areas to the north. After the oil discovery to the south, SPLA militants reacted in 1984 by attacking a Chevron oil installation, killing three Chevron workers and eventually forcing the company to abandon operations there.¹⁵ To date, 75% of oil reserves exist in South Sudan, while pipelines and refinery centers are focused in the north. South Sudan has created pipeline projects that would reach the sea by going through Uganda and Kenya, however for now they are dependent on the Sudanese route.

¹¹ CIA World Factbook, Sudan, <https://www.cia.gov/library/publications/the-world-factbook/geos/su.html>

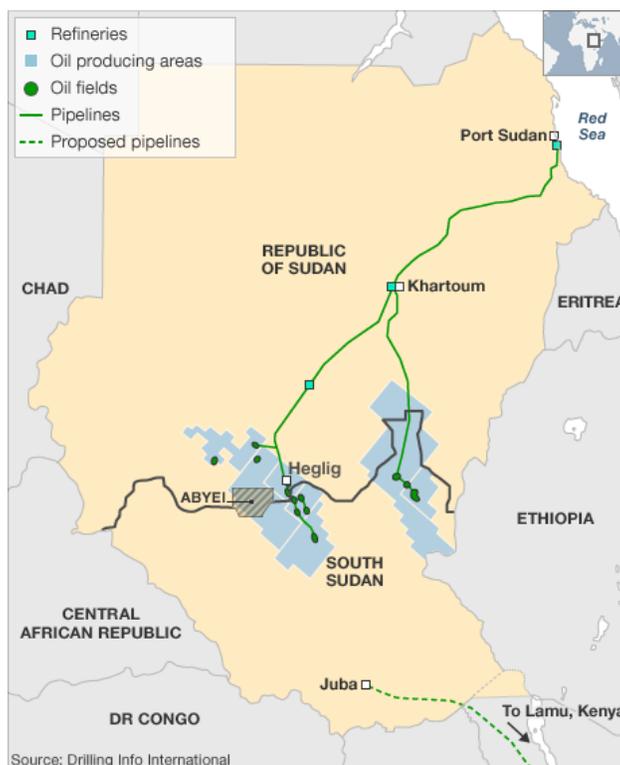
¹² CIA World Factbook, South Sudan, <https://www.cia.gov/library/publications/the-world-factbook/geos/od.html>

¹³ Global Policy, Post-Conflict Transformation: Oil and International Development in the World's Newest Country, Martha Molfetas, February 2012, <http://www.globalpolicyjournal.com/blog/25/02/2012/post-conflict-transformation-oil-and-international-development-worlds-newest-country>

¹⁴ CNBC, Special Report: In South Sudan, plunder preserves a fragile peace, November 2012, <http://www.cnbc.com/id/49896084>

¹⁵ Alao, A. 2007. Natural Resources and Conflict in Africa: The Tragedy of Endowment. University of Rochester Press, Suffolk, UK.

After the civil war, the SPLM insisted for a time that all oil contracts in the South were made in contradiction to the will of communities who collectively owned communal lands and were displaced for the purpose of oil extraction, ergo oil contracts in these areas were deemed illegal.¹⁶ Property and resource rights¹⁷ continue to be a point of contestation between the two Sudans whether it is for redistributive land and resource rights as a form of reconciliation, or if it's over the city of Abyei in Southern Kordofan.



Prior to turning off the oil, South Sudan and Sudan exported 66% of their combined oil reserves to China. China is an unlikely actor in the Sudans and has played a pivotal role in resource management and conflict financing. In 2007 the Chinese National Petroleum Company controlled 40% of Sudan's oil reserves¹⁸. China in the 2000's became a major arms supplier for Sudan. Chinese companies built three small arms factories in Khartoum and sold weapons to the Sudanese regime that at the time was fighting both Darfur and South Sudan with new Chinese weapons. Unlike Western nations who focus on development, humanitarian aid, and creating government accountability in developing countries – China views Africa and countries like Sudan as a strategic economic area for them to operate in, gain access to resources, and employ their citizens through various Chinese Companies operating overseas.¹⁹ The relationship was mutual, China provided the arms, the resource development, and helped keep the international

¹⁶ Shanmugaratnam, N. 2008. "Post-War Development and the Land Question in South Sudan." In *International Symposium on Resources Under Stress*, 23–24. Ryukoku University, Kyoto Japan.

¹⁷ Reuters, South Sudan, Sudan trade accusations in setback to peace deal, November 2012, <http://www.reuters.com/article/2012/11/21/us-southsudan-sudan-idUSBRE8AK10X20121121>

¹⁸ The Diplomat, China's Deft Sudan Diplomacy
Ambassador David H. Shinn, September 2012, <http://thediplomat.com/china-power/chinas-deft-sudan-diplomacy/?print=yes>

¹⁹ Carmody, P. 2010. *Globalization in Africa: Recolonization or Renaissance?* Lynne Rienner Publishers, Boulder Colorado.

community in their favor. Meanwhile Sudan provided the resources China needed and gave China an opportunity to employ citizens in the oil industry abroad. A win-win combination for everyone involved except disputed areas in Sudan and border counties coping with displaced Sudanese.

Conclusion

After South Sudan cast a vote for independence the party stopped. Resource extraction, profit sharing, and borders all became major points of reconciliation and all were major reasons for the cessation of oil extraction in South Sudan. Until these objectives can be achieved, it is questionable whether or not the violence on borderlands will cease and pipelines will start running again.

Resources like oil and minerals are a blessing and a curse. They can provide an opportunity for countries to develop, or they can feed into existing or renewing conflicts. Resource curse is and has been the reality for Sudan and South Sudan. The question is--how can peace be fulfilled when greed is driving an alternative? The Comprehensive Peace Agreement was seen as a hallmark of reconciliation and peace building, particularly in resource rich states. It allowed equitable distribution of resources and instituted a mutual governing structure for the disputed city of Abyei. However, resource profits have enabled the continuation of conflict through both the financing of arms sales, and the creation of arms manufacturing in the heart of Khartoum.

Recommendations

For Researchers

We should strive to take the opportunity to analyse resource dynamics in conflicts now. Climate change, resource scarcity, and militarization are not new themes. They are however opportunities to learn from present day phenomena and apply potential remedies for future conflicts over resources, whether they are water, arable land, or oil.

For Governments

Reconciliation: Three governments are key players in this ongoing conflict: Sudan, South Sudan, and China. China can play a big role however their past willingness to provide arms to Sudan makes them a hard sell to South Sudan and border areas in dispute. It would be best to allow a third uninvolved party to be involved. In the past Chad has offered to help negotiate a peace settlement between Sudan and Darfur. Perhaps allowing a seasoned negotiator like Norway could provide a positive peace.

Development: As outlined above, development hurdles are great for both Sudan and South Sudan. South Sudan has made various plans to utilize resource wealth to reinvest in infrastructural and human development²⁰ projects that would help move the country forward. However, in order to achieve development through resource wealth, peace must exist between the two Sudans. Otherwise both countries run the risk of renewed conflict.

²⁰ All Africa, South Sudan: Oil Wealth to Be Utilised in Developing Human Resources, Alnour Onyongo, Justin Jada and Simon Owaka, November 2012 <http://allafrica.com/stories/201211220047.html>

Border Disputes: Through relying on past precedent—Sudan, South Sudan, and border areas could call for frameworks in the Comprehensive Peace Agreement to establish a non-militarized zone. This zone can then be maintained for a period of time and be administered by both Sudan and South Sudan equally. After a period of time established thereof, a vote can be cast for which Sudan various border areas wish to be a part of.

Resource Disputes: Resource disputes have centered on disputes over resource transit, potential theft of resources, and potential extension of territory to include new resource wells. While some of these disputes could be reconciled through negotiations, disputes surrounding borders requires border disputes to be solved in the long term. In order to help facilitate positive relations, in the interim, both Sudan and South Sudan could split evenly resources from this area.

Another major problem are pipeline fees from Sudan, which far exceed international norms for transit fees that are typically less than US\$1.00/billion barrels. These fees must be reduced. If they are not, South Sudan may follow through with the proposed pipeline to Kenya's coast and this would cost Sudan in transit fees.

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