

POLITICAL ECONOMY OF THE OIL INDUSTRY IN THE SUDAN PROBLEM OR RESOURCE IN DEVELOPMENT

With 3 figures and 1 table

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Zusammenfassung: Politische Ökonomie der Erdölwirtschaft im Sudan

Der Sudan, das größte Land Afrikas, hat auf diesem Kontinent mit vierzig Jahren wiederholt auftretender Kriege die längste Bürgerkriegszeit erduldet. Dreimal haben die Sudanesen den Wechsel von parlamentarischer Demokratie zur Militärherrschaft erlebt. In den vergangenen 16 Jahren sind mehr als zwei Millionen Menschen während des Bürgerkriegs gestorben und zweimal so viele wurden vertrieben. Der Bürgerkrieg war eine der größten humanitären Katastrophen, über die aber kaum berichtet wurde. Er forderte mehr Menschenleben als die Kriege in Bosnien, Kosovo, Tschetschenien und Somalia zusammen. Dieser Beitrag befasst sich mit der Erdölwirtschaft im Sudan, deren Problemen und Entwicklungspotentialen sowie mit der Frage nach dem Einfluss der Ölindustrie auf den Bürgerkrieg. Die Studie untersucht die Eröffnung der mit 1600 km längsten Pipeline Afrikas durch die Greater Nile Petroleum Oil Corporation (GNPOC), die das Ölgeschäft wiederbelebte und bei der sudanesischen Regierung (GOS) die Erwartung auf steigende Einnahmen weckte.

Um den gegenwärtigen Bürgerkrieg einordnen zu können, werden in diesem Artikel die Hintergründe des Konflikts beschrieben. Von besonderem Interesse ist der Zusammenhang zwischen den übergeordneten Strukturen des sudanesischen Ölkonsortiums und der Regierung (GOS) sowie dessen Rolle und Beteiligung an der Industrie. Ein Hauptanliegen des Artikels besteht darin, zu überprüfen, inwieweit es der Regierung (GOS) gelungen ist, die Operationen der Ölgesellschaft durch Strategien des Teilens und Herrschens sowie durch das Schüren von Konflikten zwischen den verschiedenen ethnischen Gruppierungen zu kontrollieren und zu schützen. Die humanitären Auswirkungen derartiger Aktionen waren für die ortsansässige Bevölkerung verheerend und empfehlen allen Ölinteressenten und sich bekriegenden Parteien dringend, in Friedensgesprächen eine dauerhafte Lösung der Probleme des Sudans zu erreichen. Dann könnte der mineralische Reichtum ganz für die sozioökonomische Entwicklung des Landes verwendet werden und damit allen Sudanesen zu Gute kommen.

Summary: Sudan, the largest country in Africa, has endured the longest civil war on the continent after forty years of intermittent civil war. The Sudanese people have witnessed transitions including three parliamentary democracies and three periods of military rule. More than two million people have died in the past 16 years of civil war, and twice as many have been displaced, making it one of the greatest humanitarian disasters but one of the least reported. The civil war has claimed more lives than the wars in Bosnia, Kosovo, Chechnya and Somalia altogether. The specific focus of this paper is on the oil industry in Sudan – whether it is a problem or resource in development and the impact it has on the civil war. This study follows the inauguration of the Sudan's 1600 km Greater Nile Petroleum Oil Corporation (GNPOC) pipeline, the longest in Africa, which has rejuvenated oil operations and heightened expectations of oil revenues flowing to the Government of Sudan (GOS).

In order to put the current civil war in context, this article provides a background to the conflict. The importance of oil within the context of the Sudanese economy will be addressed, and the impact of ongoing oil exploration and production examined. The relationship between the major partners in the Sudan's oil consortium and the GOS is of particular interest, as well as their role and stake in the industry. A key part of the paper examines the extent to which the GOS has attempted to control and protect oil operations by implementing strategies of divide and rule and fomenting conflict between ethnic groups. The humanitarian impact of such actions has been devastating to the local populations and is documented in detail, including recommendations for serious engagement of all oil stakeholders and warring parties to peace talks to achieve a lasting solution to Sudan's problem. Consequently, oil as a mineral wealth will be fully tapped for the socio-economic development of all the Sudanese people.

1 Introduction and theoretical underpinnings

Land as a natural resource is frequently at the centre of struggle over its use and control. Some of the struggles involve physical aggression and war, while others more subtle means (RHIND a. HUDSON 1980). Battles over land-use are hard-fought because the most basic rights and values are in conflict. Conflict is a situation involving a struggle between two or more protagonists.

The study of land-use conflict is directed to the utilisation of the natural environment and on the class conflicts that underline the creation and recreation of spatial structure. Consequently, some of the most potent political support for local natural resources and particularly mineral wealth resides in the precincts of economic globalisation and capital from the Transnational Corporations (TNCs) (MINGIONE 1981; PERMAN et al. 1996; LADO 1999). In fact, most socio-economic chang-

es is the consequence of conflict so that the geographies of change and conflict are highly correlated in social and spatial terms (JOHNSTON 1986). Thus, economic factors such as oil exploration and extraction, show not only that considerations of the global economy dominate political decision-making, but also clearly indicate the underlying sources of resource conflict and population displacement in the Sudan. Since the 1940s the Government of Sudan (GOS) had used force to evict small-scale farmers and pastoralists from their farmland, animal movement routes, grazing and water points in favour of the expansion of large-scale mechanised agricultural schemes such as the Gedarif *dura* (sorghum) and Gezira Irrigation Cotton projects (LADO 1993; SALIH 1990).

Among the socio-economic factors affecting the productivity of the small-scale farmers and pastoralists as they seek to eke out a living include uncertainty of food production processes, declining food production and insecurity and environmental or ecological degradation and mismanagement imposed on them by their displacement from the 'traditional' means of production, so as to create room for public projects, which may or may not be agricultural in nature as demonstrated in the case of oil industry in the Sudan. A good example of environmental degradation as a result of the oil exploitation and use of colossal proportions is that of Nigerian oil industry in the Ogoni and Ijaw land (IBEANU 1990). Indeed, displacement and forced movements of people is only one aspect of much larger constellations of political, economic and cultural processes and practices. Government practices of violence, war, ethnic or inter-group conflicts, hunger, cultural or religious tensions, and humanitarian interventions (e.g. food aid/relief and human rights restoration) are just some of the practices that negate development and generate a relevant context for human displacement (MALKKI 1995; MARCUSSEN 1996; EGEIMI 1996) as demonstrated in this study.

The purpose of this paper is to examine the major issues pertaining to the oil industry as a resource for development in the Sudan. It is significant to state that the discovery and extraction of oil is a burning economic, social and political issue, and hence the evidence from this study may be a signal to other countries (e.g. Nigeria) which have similar historical dimensions. This paper draws much of its information from the available published and unpublished sources. After the introductory and conceptual framework grounded in appropriate theory, the paper provides a background to the Sudan's problem and the role of oil industry in the Sudanese economy. The emergence of international oil companies and their role in the exploitation and invest-

ment are elucidated. The link between oil production and the violation of human rights including the drilling of oil, the construction of pipeline, conflict and security issues are examined. This is followed by a discussion of the humanitarian impact of oil-related conflicts, and land clearances and human displacement, and access to the activities of humanitarian organisations. A concluding remark is provided on the constraints and prospects of oil industry as an environmental resource in the socio-economic development including policy and decision making implications.

2 Background to the problem: oil production and the Sudanese economy

Sudan, the largest country in Africa has about 30 million inhabitants, and stretches from latitudes 4° to 22°N and longitudes 24° to 38°E. The Southern Sudan contains roughly one-third of the population of the country. Like many emergent nations in Africa and elsewhere, the Sudan has been plagued by the problem of cultural diversity. But the most pronounced and seemingly intractable of these has been the North-South dichotomy. While the Northern Sudan is predominantly Islamic and Arab culture, the South is mainly African and follows Christianity or 'traditional' African religions (Animists), and speaks a variety of Sudanic and Nilotic languages.

More than 4.5 million people are internally displaced, while 2 million are estimated to have been killed since the eruption of the civil war in 1983 (CHATTERJEE 1997; MALWAL 1999). The main victims of the full-scale war in the Sudan are civilians. Currently, the country has been ruled since 1989 by a military government. The conventional civil war is being fought between the regular army of the GOS and the largest armed opposition force, the Sudan People's Liberation Army (SPLA). The 'other' war, accounting for the majority of casualties, is being fought between various militias allied with the GOS or the SPLA. These forces frequently change sides, depending on their perceived interests, the possibility for more power or simply the supply of arms. All these issues have a negative impact on the smooth exploration and mining of oil as outlined later in this paper.

Since oil was discovered in the Sudan in the early 1980s, it was concluded that the country may be sitting on 1% of the world's oil reserves; some analysts (MALWAL 1999; VERNEY 1998) claimed that the control of this mineral wealth became the root cause of the ongoing conflict. The existence of oil reserves and a rejuvenated oil industry is certainly a significant factor

playing a major role in the civil war, but this should not be misinterpreted as the root cause of the conflict. The oil industry, however, appears to be an element perpetuating conflict, and provides less incentive for a negotiated settlement. This has consequently led to the adoption by the warring parties of “winning oil-losing peoples” equation.

2.1 Elite domination

After independence from the British administration in 1956, much of the open conflict between groups in the North and South was the result of the former striving to exert its dominance over the latter. Those in the South were fighting against political marginalisation, economic neglect and cultural domination. While efforts on the part of the North to Arabicise and Islamise the South began at independence, these strategies had more to do with ensuring control over the various groups in the country than religious zealotry. A brief respite in the fighting occurred in 1972 with the Addis Ababa Peace Agreement, which allowed the South to gain autonomy with an elected regional assembly, making it an island of democracy within the autocratic Sudanese state (ALI a. MATTHEWS 1999). This autonomy disturbed the internal stability of the central government in Khartoum and denied immediate control over, or easy access, to the South’s mineral and oil wealth. This became problematic for the North as the country’s economic crisis deepened.

2.2 From elite domination to holy war

The civil war was re-launched in 1983 when the GOS imposed Sharia law in the whole country, which was unacceptable to many people in the South. The military coup of 1989 was a turning point in Sudanese history, and introduced a dictatorial regime led by religious extremists of the National Islamic Front (NIF). The party had earlier been known as the Muslim Brothers, and these new rulers succeeded in transforming the conflict in the Sudan from one primarily based on class interests into one of religious struggle and *jihad*. The GOS was intent on establishing an Islamic state. As of 1989, the very nature of the GOS changed, with religious fanatics assuming the position of power.

2.3 Sudan’s debt burden

To understand the significance of oil and the revenues from oil production, it is necessary to examine this resource in the context of the Sudanese economy. What potential oil revenues offer to the GOS is a fresh injec-

tion of case at a time when it is bankrupt and the debt burden is 250% of the estimated Gross Domestic Product (GDP). The debt currently stands at US\$ 20 billion and the GOS can no longer secure loans from outside creditors (ADAR 1998). In 1997, Sudan was almost expelled from the International Monetary Fund (IMF) for failing to pay its debt arrears. Since then the IMF has maintained a presence in Khartoum to put pressure on the GOS to implement economic reforms, cut the deficit, lower inflation, and privatise state corporations. The current monthly interest payments on Khartoum’s loans total US\$ 4.5 million (ECONOMIST INTELLIGENCE UNIT 1999).

2.4 Revenue needed to fund the war

It is difficult to meet debt repayments when the GOS spends an estimated US\$ 1 million a day on the war (ASSOCIATED PRESS 1999). The economy is reliant on agriculture, with the main exports being cotton, livestock, sugar and Gum Arabic. Sudan has recently experienced the near collapse of its rural economy, with cotton production falling to one-third of the level of production in the 1980s (ASSOCIATED PRESS 1999). New oil revenues thus provides a cash windfall which allows the Government of Sudan (GOS) to fund its war and purchase new military hardware which would be likely to tip the military balance in its favour. The country’s local consumption need (both civilian and military) is approximately 50,000 barrels of oil per day (bpd). Domestic oil production allows Sudan to import less oil and rely on reserves for local consumption.

The GOS is counting on production of 150,000 bpd in 2001. The new US\$ 1 billion oil pipeline (GNPOC), which was recently completed between the Heglig oilfields and Baishir, south of Port Sudan, has an expandable capacity to carry 450,000 bpd if booster stations are added (ASSOCIATED FREE PRESS 1999). The three main oilfields at present are the Heglig oilfield which is situated in Southern Darfur and Southern Kordofan, the Unity oilfield in the Bentui area of Unity State, and the Adar Yale oilfield in Western Upper Nile (Fig. 1). The Unity oilfield is producing an average of 35,000 bpd and the Heglig field 25,000 bpd (ECONOMIST INTELLIGENCE UNIT 2000).

3 Oil exploration and production

3.1 Early oil exploration and implications

To understand the oil industry in Sudan today and how far it has progressed since oil exploration began in

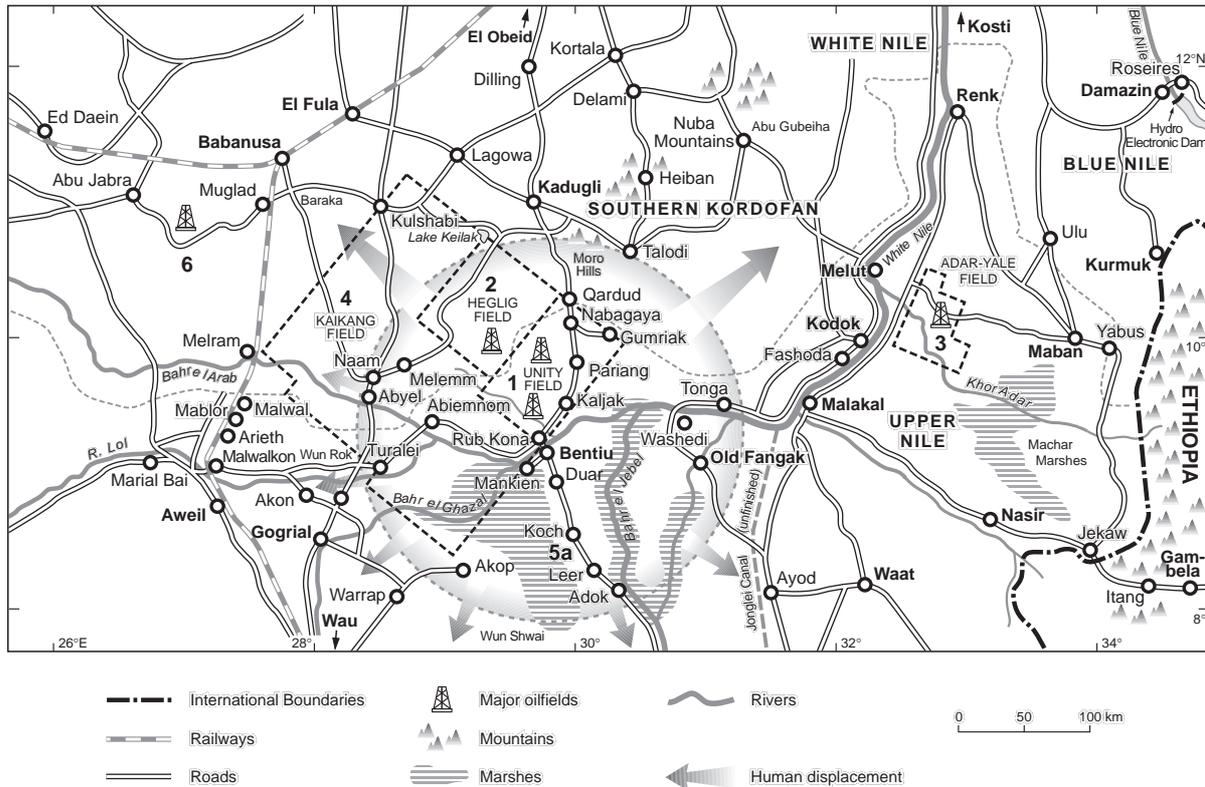


Fig. 1: South-Central Sudan active oilfields

Source: VERNEY (1998, 25)

Ölfelder im südlichen Sudan

1959, it is useful to trace the history of upstream oil activity and identify the key role players involved. Numerous international multinational companies have been tempted by the prospect of lucrative oil wealth in Sudan, but it took twenty years before the first oil was discovered in 1979. Before this time much of the oil exploration took place offshore in the Red Sea, and was undertaken by companies such as Italian Agip Mineraria, Oceanic Oil Company, Texas Eastern Company, and Union Texas. The results of this exploration were largely negative except for a gas find by Chevron 120 km southeast of Port Sudan in 1974.

The most significant oil discovery occurred in 1980 when the Unity oilfield north of Bentui was discovered. A year later, another major discovery is the Adar Yale oilfield, drilled by Qatar's Gulf Petroleum Corporation, Concorp and Sudapet. The third significant oil discovery is the Heglig field in 1982, 70 km north of Unity field. The significance of these discoveries became of interest to the Sudan People's Liberation Army (SPLA) which had re-launched armed struggle

against the North in 1984, following the imposition of Sharia law by the GOS. Oil operations became a primary target for rebels intent on weakening the GOS. In 1984, the SPLA attacked the oil operations of Chevron in the Unity field, killing three employees, and prompting it to abandon the US\$ 800 million investment and pulled out of Sudan (FINANCIAL TIMES 2000).

In 1992, the Sudanese company Concorp bought Chevron's concession and subsequently sold it to the GOS, which then sold it in 1994 to a Canadian-based company (State Petroleum Company), which was shortly thereafter bought by Canada's Arakis Energy. Arakis was taken over by Talisman Energy in 1998, Canada's largest independent oil and gas producer. With the exit of Chevron, American influence in the oil industry in Sudan has been minimal. Many American companies were dissuaded from pursuing any oil interests in the Sudan as it was one of the seven countries blacklisted under the 1966 Anti-terrorism Act, along with Iraq, Iran, Syria, Cuba, North Korea and Libya.

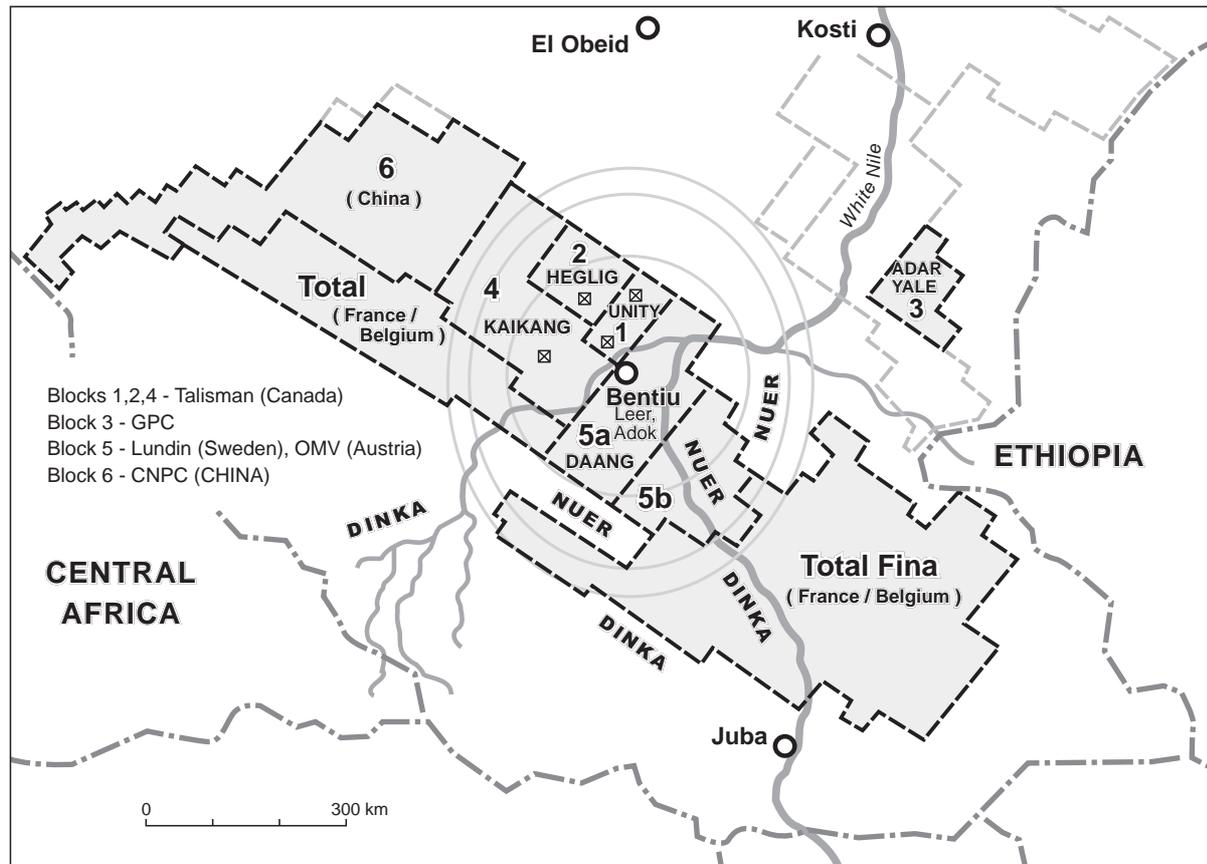


Fig. 2: Oil concession areas in South-Central Sudan

Source: VERNEY (1998, 26)

Ölkonzessionen im südlichen Sudan

3.2 The formation of the Greater Nile Petroleum Oil Corporation (GNPOC) pipeline

The main oil consortium responsible for oil production and exploration in Sudan is the Greater Nile Petroleum Oil Corporation (GNPOC) pipeline comprising four companies controlling 12.2 million acres of concession land. The China National Petroleum Company (CNPC) has the largest stake with 40%, followed by Malaysia's Petronas Carigali with 30%, Canadian-based Talisman Energy with 25%, and Sudan's National Oil Company, Sudapet with 5%. Sudapet's small stake in the consortium can be attributed to the fact that the Sudanese do not have the skills or resources to warrant them assuming a significant role, but Sudapet maintains a presence in the consortium in order to increase its knowledge on oil production activities. The consortium is committed to drill new development wells and 21 exploration wells. These companies have had to borrow huge sums of money from international

commercial banks in order to finance the project. Approximately US\$ 1 billion was invested in building the GNPOC pipeline, and another US\$ 600 million in building an oil refinery 70 km north of Khartoum at al-Jayli. Other foreign companies have also been responsible for covering start-up costs with the promise of a share in future oil revenues. The Chinese have been heavily involved in supplying and laying the GNPOC pipeline, while the Argentines have also been responsible for telecommunications, the Germans provided equipment, and the British supplied power generators (ABUSHARAF 1999).

Other companies such as the International Petroleum Company (IPC) of Canada have been operating in areas congruent to those of the GNPOC pipeline, primarily undertaking oil exploration activities. IPC is a subsidiary of the Swedish-based Lundin Oil, and has a 40% stake in Block 5A which lies near the Heglig field where Talisman operates. The other partners in Block 5A are Petronas of Malaysia with 28%, OMV of

Austria with 27%, and Sudapet with 5% (Fig. 2). One of the most recent accomplishments of the Block 5A consortium was the completion in May 1999 of the drilling and logging of Thar Jath oil well, which is a large and well-defined prospect.

The formation of the GNPOC pipeline has been briefly described, but a comprehensive overview of the oil industry in the Sudan would not be complete without analysing the relationship between the three main consortium partners and the GOS. Each company has its own agenda, as does the GOS, and the partners not only have specific roles to play in the development of oilfields but each brings different expertise essential to the oil industry. International oil competition for stakes in the consortium has been fierce, with many multinationals vying for a part in the project. The choice of the GOS as to which companies would be responsible for oil production was strategic in many ways and, in addition to criteria such as experience, expertise and resources, the GOS selected partners it trusted. The Canadians, Chinese and Malaysians met these criteria as outlined below.

4 *The emergence of international companies and their role in the oil industry*

The list of foreign oil companies operating in the Sudan is relatively long and a multinational one (Tab. 1). However, this section provides an outline of the activities of three major oil companies namely the Canadian Talisman Energy, China National Petroleum Company (CNPC) and Petronas of Malaysia.

4.1 *Talisman Energy of Canada*

The major advantage of having Arakis/Talisman holding 25% stake in the GNPOC pipeline was Canadian oil exploration and production technology, which was desperately needed to find the oil. Canadian oil companies have an excellent reputation for discovering oil with advanced technology, which is the type of expertise the CNPC could not offer. The Sudanese also needed the Canadians to overcome the processing difficulties posed by Sudanese oil, and the logistical demands in getting the oil to port. In addition, the Canadian company provided technical and managerial skills invaluable to the Sudanese. Talisman has provided the much needed financial backing to the oil project which Arakis has not been able to muster. At the time of the takeover, Talisman invested US\$ 500 million in the project (REEVES 1999; CHATTERJEE 1997; DOW JONES BUSINESS NEWS 1999).

Table 1: *Companies operating in Sudan's oil concessions, 1980–1998*
Im Sudan operierende Erdölgesellschaften 1980–1998

Unity Concession

| | |
|------|---|
| 1980 | Chevron discovers oil and operates in the area |
| 1984 | Chevron abandons concession due to insecurity |
| 1992 | Concorp buys Chevron's concession |
| 1994 | Concorp sells concession to State Petroleum Company |
| 1995 | Arakis assumes concession from State Petroleum Company |
| 1996 | CNPC joins oil consortium as part of GNPOC pipeline |
| 1996 | Petronas joins oil consortium as part of GNPOC pipeline |
| 1998 | Talisman takes over Arakis and concession rights |

Adar Yale Concession

| | |
|------|---|
| 1981 | Total operating in concession |
| 1984 | Total abandons concession due to insecurity |
| 1984 | Concorp and Sudapet operating in Adar-Yale |
| 1995 | Qatar's Gulf Petroleum Company joins concession |

Heglig Concession

| | |
|------|--|
| 1982 | Chevron (US-based company) discovers oil |
| 1984 | Chevron leaves Sudan and concession dormant, following rebel attacks |
| 1992 | State Petroleum Company (Canadian-based company) buys Chevron's concession |
| 1996 | Arakis takes over State Petroleum Company's concession |
| 1996 | Petronas joins consortium as part of GNPOC |
| 1996 | CNPC joins oil consortium as part of GNPOC |
| 1998 | Talisman (Canadian-based company) takes over Arakis's concession |

Source: Compiled by author 2000.

While Talisman involvement provides obvious advantages to the oil project, the venture is also considered a highly lucrative one. The investment community has appeared supportive of Talisman's operations in the Sudan, with the general view that it is a solid company. There are Talisman shareholders who, however, have been less enthusiastic about its involvement in the Sudan, such as church groups which hold in excess of 100,000 shares. Eleven churches and religious orders from Canada and the USA, which hold Talisman shares, have expressed concern that the company may be materially aiding the GOS in its civil war and violation of human rights. This is a controversial issue which has been fanned by media coverage across Canada and demonstrations against Talisman by local lobby groups. Talisman has responded to these allegations by arguing that development in general is better than continued

stagnation, and is welcomed in the area of Sudan in which the company operates. The President and CEO of Talisman, Energy¹⁾ has also noted that oilfield development in central Sudan was underway before the Canadians arrived, and would proceed as planned.

The case has been made that the oil project is better off with Talisman's participation, in that there are stronger Western influences and the introduction of Canadian standards in the areas of health, safety and the environment. Despite some negative publicity, Talisman continues to plan the expansion of its operations in the Sudan and is enthusiastic about its role in the oil consortium in the future. The production-sharing agreement Talisman has with the GOS has a term of 25 years for the exploration blocks and a 20-year term for the development block, all of which commenced in November 1996. Both have 5-year renewal options (OLLENBERGER a. SANDERSON 1999).

4.2 China National Petroleum Company (CNPC)

The relationship between China and the GOS is probably one of the most significant factors to consider when analysing the oil industry. The economic collaboration between the two countries in terms of trade, development of the oil industry, infrastructure projects, and financial assistance have escalated to such an extent that China appears to have become one of the GOS's greatest allies. It is very much a symbiotic relationship, where China is in desperate need of a secure source of oil over the long term, while Sudan needs the external credit, investment and market for its oil. This relationship should be somewhat of a concern to forces attempting to push forward the peace process in Sudan, as China has a vested economic interest in making sure that the GOS leadership remains in power. The GOS is currently very much indebted to the Chinese government, and has also brokered 'forward oil deals' with the Chinese whereby they are repaid for their substantial investment in the oil industry in the form of future oil deliveries. The SPLA, however, has made it clear that it would not honour these forward oil deals or repay back debts incurred by the GOS if it were to gain political control over the Southern Sudan where the civil war has intensified.

The significance of CNPC's operations in Sudan is that it is the largest oilfield construction project undertaken overseas. Just as Canada brings to the consortium its expertise and oil technology, China brings extensive

knowledge and experience in pipeline and oil refinery construction. China also provides labour for the construction of the GNPOC pipeline. Approximately 7,000 Chinese labourers have been engaged in the Sudan oil project, many laying pipeline in what has been described as the most hostile conditions known to human kind (ALDEN 1998). Reports have surfaced that at least 2,000 of the Chinese labourers are prisoners who have been promised a reduction of their sentences in exchange for their labour (RONE 1998).

4.3 Petronas of Malaysia

Like the CNPC, Petronas of Malaysia is a state-owned company, and its operations are very much an extension of the Malaysian government's foreign and economic policy. The relationship between the GOS and the Malaysian government is very similar to that with China in a number of ways. Trust has been developed between the two governments over the years, there has been notable economic transactions, and Malaysia has displayed a willingness to invest in Sudan. One of Malaysia's greatest ventures in Sudan, apart from the oil project, has been plans to manage the country's transportation system. This has become an increasingly important sector with the development of the petroleum industry, as tankers are needed to transport huge volumes of oil from storage facilities for export. The Malaysian company, Metrobus, has also agreed to supply 1500 buses and a number of oil power generation plants to Sudan. Following the bilateral commercial accords signed between Sudan and Malaysia in 1998, other projects have been initiated, such as the Malaysian oil palm plantation project and the setting up of power generation plants (MALWAL 1999). The GNPOC pipeline is the second largest stakeholder. It also owns a substantial proportion in the IPC oilfield adjacent to the Talisman operations in the Southern Sudan. Petronas has extensive experience in oil exploration and the development and production of oil and gas overseas.

5 Relationship between oil production, security issues, conflict and human rights violation

In many ways the partners of the GNPOC pipeline with their expertise and resources, have revived Sudan's oil industry and, in the process, heightened the profile and significance of oil operations. This has had a direct impact on the level of conflict surrounding the oilfields as the GOS strives to protect and control oil areas, while the opposition forces have identified the industry as

¹⁾ Mr Jim Buckee was the President and Chief Executive Officer of Talisman Energy.

a strategic target. This is not a recent phenomenon, however, as oil operations have been a target of the SPLA since oil was first discovered in the early 1980s. Consequently, the GOS has implemented divide and rule strategies in an attempt to ensure its control over oil resources, with the effect of exacerbating armed conflict in the areas surrounding the oilfields. The strategies of the GOS in terms of forging alliances and dividing its enemies have created many of the dynamics of armed factions that continually lead to conflict and human rights violations. It is useful to trace the development of conflict around the oilfields in order to determine the extent to which the oil industry has perpetuated conflict in the Sudan.

5.1 *Protection of the oilfields: Government of Sudan (GOS) priority and forging of alliances and oil security*

Ever since the SPLA successfully managed to attack Chevron's oil operations in the Unity field in 1984, which led to the withdrawal of Chevron from the oil industrial site, the key priority of the GOS has been to prevent similar disruptions and maintain firm control over oilfields. The strategies which the GOS has used even from this early stage have not only exacerbated conflict but also led to devastating consequences in terms of human rights security. One such suspected strategy which appears to be employed today, is to clear oil-rich lands of local inhabitants (human displacement) in order to enhance security around the oilfields. In 1984, the Nuer ethnic group of Bentui, surrounding the Unity oilfield, were overrun by militias armed by the GOS, which had supposedly instructed them using tactics such as massive air bombardments, raids and famine (RONE 1998). This land clearance strategy will be revisited later in this paper.

In the early 1980s the GOS also recognised that it needed to develop alliances with Southern factions in order to defend oil areas and fight against the SPLA. The regime found their proxy in the leader of the Southern Separatist Movement (SSM or Anyanya) which fought the GOS between 1955 and 1972²⁾. Later on, he split from the mainstream to join forces with Anyanya II to fight the SPLA. Capitalising on the opportunity further to divide Southern Sudanese (Southerners) and gain an ally, the GOS brokered a ceasefire with Anyanya II and began arming the Nuer forces in return for their military support. This strategy became one of the most serious obstacles to the SPLA

in the Upper Nile between 1984 and 1987, as they would attack SPLA recruits on their way to training camps in Ethiopia. Anyanya II also actively collaborated with the GOS forces in attacking SPLA regiments which threatened the oil operations.

In addition to maintaining the alliance with the SSM/Anyanya, the GOS encouraged further divisions within Southern rebel ranks, and sought to co-opt other rebel leaders to fight alongside SSM in defending the oil areas. The second golden opportunity came when the former SPLA rebel zonal commander³⁾ defected from the mainstream of the SPLA in 1991, and expressed interest in joining forces with SSM. This alliance was formalised in 1992, and brought additional Nuer forces into an anti-SPLA alliance. The GOS supported these developments and sought to enhance a division between the Dinka and Nuer ethnic groups in Southern Sudan. The SPLA, under a Dinka leader⁴⁾ was now in confrontation with rival Southerners under Nuer commanders. The former SPLA leader made his alliance with the GOS official by signing the Khartoum Peace Agreement in 1997, thus forming the South Sudan Defence Force (SSDF), comprising the six former rebel factions which also chose to side with the GOS. As a reward, the leader became the head of the Southern Sudan Co-ordinating Council (SSCC) to rule the South.

By placing loyal forces around the oilfields, the GOS has made it increasingly difficult for the SPLA to launch successful attacks which require an open offensive. The advantage to the GOS is not only that it has gained two Southern allies to protect the oilfields, but also that inter-ethnic group (Dinka *versus* Nuer) (see Fig. 2) in the South preoccupy SPLA forces and deter them from attacking oil operations. The inter-ethnic group division exacerbated by the GOS policies has also been highly successful in weakening forces in the South, as any SPLA attack on Nuer forces in Unity State has been seen as a Dinka attack on Nuer, thus provoking retaliation. The grassroots peace agreement signed in May 1999 between civilian representatives of the Dinka and Nuer is a cause of concern, since civilian peace threatens the web of conflicting alliances sustained by the GOS.

One of the greatest recent surprises in the GOS strategy to protect and control the oilfields has been its moves to exacerbate conflict between its own allies. The

²⁾ The Anyanya II leader was Paulino Matip from the ethnic group of Nuer.

³⁾ Dr Riek Machar was the leader of SSDF who also comes from the Nuer ethnic group.

⁴⁾ The leader is Dr John Garang who belongs to the Dinka ethnic group.



Fig. 3: Greater Nile Petroleum Oil Corporation (GNPOC) pipeline

Source: VERNEY (1998, 2)

Rohölpipeline der GNPOC

objective in this regard is to prevent any Southerner from becoming too strong within oil territory (RONE 1998). By allowing its allies to battle each other, the GOS is able to maintain overarching control. There is always the fear that one of the Nuer leaders may again redefect to the SPLA and hence the GOS intends to prevent anyone from becoming too militarily powerful. The conflict between the Nuer and Dinka leaders commenced at the end of 1997, when disagreement arose as to who should govern the Unity State oilfield. This incident was merely a precursor to the more fundamental problems emerging between the faction leaders over the responsibility of protecting the oilfield in Unity State. The GOS allowed this ambiguity and armed conflict to continue with defending the oilfield from SPLA attack from the time of the 1997 Peace Agreement. Given the GOS suspicion of the SSDF leader, it prefers him to protect the areas outside Bentui, while the SSM leader positions his forces in the vicinity of the oilfield. The GOS is then able to ensure that fiercely loyal Muslim warriors (*mujahedin*) and Sudan Defence Forces (SDF) cordon the oilfields. This layered system of protection is a rational strategy of the GOS. The conflict continues to engulf northern oil Unity State, and while it may appear as intra-ethnic fighting, it is a strategy to safeguard the war in the wider theatre, potentially making the very presence of oil operations a deterrent to a peaceful settlement of the civil war.

5.2 *The Greater Nile Petroleum Oil Corporation (GNPOC) pipeline and prospect of associated conflict*

While the oilfields themselves have been a source of conflict, the GNPOC pipeline transversing much of the Northern Sudan presents an additional corridor for armed clashes. Opposition forces in the Sudan have expressed their displeasure at the total insensitivity of the multinational oil companies to the dynamics of the war situation and the willingness to provide the GOS with oil profits used to finance the war. The objective of opposition forces is to delay the flow of oil through the GNPOC pipeline (Fig. 3) (ECONOMIST INTELLIGENCE UNIT 2000). In May 1999, the SPLA warned Talisman and its Asian partners that it considers oil operations and particularly the GNPOC pipeline to be legitimate targets in its war against the GOS. The SPLA has followed through, *albeit* on a small-scale, with those threats by attacking oil installations in Unity State and targeting the GNPOC pipeline. Other opposition groups such as the National Democratic Alliance (NDA) have carried out similar attacks on the GNPOC. The NDA has also claimed responsibility for the September 1999 bombing of the GNPOC pipeline in the town of

Atbara, 300 km northeast of Khartoum, which temporarily interrupted the flow of oil (MANBY 1999; ECONOMIST INTELLIGENCE UNIT 2000).

The GOS has attempted to put as much manpower as possible along the Greater Nile Petroleum Oil Corporation (GNPOC), using largely the *mujahedin*. In effect, oil companies cannot ignore the link between oil and the conflict, not least because of the direct impact it has on the security of their staff. The drive for oil and territorial spatial control over the oilfields is central to the war between the GOS and armed opposition forces, as well as ongoing conflict between the various intergroup factions. Amnesty International calls for oil companies to use their influence to protect the local population (VERNEY 1998).

6 *The humanitarian impact of oil-related conflict*

6.1 *Land clearances and human displacement*

The widespread conflict resulting from the GOS's determination to control oilfields has had serious consequences for the civilian populations located in the vicinity of the oilfields. Death, famine and destruction have been part of the humanitarian impact of the GOS or its sponsored operations. It has been argued that local devastation and the killing of civilian population is not merely the result of fighting between the GOS and its allies against opposition forces, but a systematic strategy on the part of the former to weaken and clear off local populations from the oilfields.

It is significant to note the social and environmental dangers resulting from the construction of the GNPOC pipeline and land clearances and human displacement which have been inadequately studied and hence impossible to discuss at present. The GNPOC pipeline not only poses longer-term risks and disasters for the local people and their environment, but threatens to sustain the GOS in its prolongation of the civil war and its rejection of democratic values and human rights. Aspects of risk of fires, explosions and water pollution from oil spills, both deliberate and accidental, even into the River Nile and Red Sea, have not been realistically addressed. Oil extraction areas also face a similar fate as the Niger Delta characterised by chronic poverty amidst chronic pollution and contamination of soil and water. In effect, the displaced local people are already suffering more direct military oppression than the Ijaw or Ogoni people of Nigeria, who may have an ecological disaster added to famine and ongoing civil unrest.

6.2 Limited access to humanitarian organisations

Whether one sees the invisible hand of the GOS behind the devastation in the oilfields or not, one cannot deny the extent of the continued human suffering. The humanitarian impact of oil-related conflict has been all the more dire given that humanitarian agencies have had limited access to the oilfields. Due to intense fighting between the opposition military forces and the GOS around the Unity State oilfield in June 1999, NGOs such as Oxfam Great Britain, the International Red Cross, and the World Food Programme (WFP) were forced to evacuate (ECONOMIST INTELLIGENCE UNIT 2000). Much of the area north of Bentui has been inaccessible and a 'no-go' area of due to violent clashes between rival military forces. The limited access to the WFP is particularly disastrous for the local population (REEVES 1999).

The United Nations (UN) recently announced that 150,000 people were trapped by the war in the Sudan oilfields and unable to get relief food due to the fighting. On 14 July 1999, the GOS imposed a ban on relief flights to the relief centres. In effect this made most of the region inaccessible to relief agencies. While the GOS has an obligation to prevent relief flights if the situation on the ground is too precarious, there have been accusations made that it intends to weaken the population in the oilfield areas. International observers, journalists and humanitarian relief agencies are denied access to sites in the war zones where oil is produced (REEVES 1999).

Oil companies are being accused by many international observers and journalists of direct involvement in the ongoing conflict by siding with one of the parties (GOS) to establish security and law and order (MALWAL 1999). By turning a blind eye, in the name of security, to the atrocities committed by the GOS forces and its allies, they indirectly contribute to gross human rights violations. In this context, the President and Chief Executive Officer of Talisman Energy³⁾, noted that "... a company that is doing business in a country under a repressive regime must not provide financing or other resources for the perpetuation of atrocities; and that as a long-term investor, a company that is cavalier about its moral and social responsibility presents an unacceptable investment risk".

With the conflict escalating around oilfields, the prospect of humanitarian disasters increases daily. The oil partners clearly have a substantial investment in their operations and seek to reap the rewards despite

the escalation of the conflict and associated humanitarian crisis. Given the attitude of these stakeholders and the determination of the GOS to tip the military balance in its favour, oil operations can clearly be seen as exacerbating the conflict in Africa's largest war-torn state. Mass human suffering looks set to continue unabated, as communities struggle for survival with even less hope than before. The Amnesty International believes that the respect for human rights should be the central issue for any oil company involved in a war-torn environment in the Sudan. That the GOS and company's profit-making interests in exploiting oil resource to increase income, can both be best assured by a secure physical and human environments (REEVES 1999).

7 Concluding remarks and policy implications

Sudan joined the ranks of oil exporters in August 1999, when the first oil was shipped along the GNPOC pipeline constructed 1,600 km from the south-central oilfields to the Red Sea oil tankers at Baishir. Meanwhile, the civil war has intensified and created massive human displacement and suffering. It has been demonstrated in this paper that the causes of displacement in the conflict are typical of the increasing international trend to violence directed less between armed groups, and more and more by armed groups against those not taking part in the hostilities. The primary cause of the internal displacement is the direct threat of armed attack on the civilian population. In an environment where civilians are the target of armed attacks, displacement could significantly be minimised if combatants respect the essential elements of the international human rights and humanitarian law.

The foreign companies involved in the lucrative oil production largely expect the GOS to provide them with a secure environment, including the use of armed security forces to protect their staff and assets. However, these companies have inevitably become involved in the civil war on the side of the GOS armed forces and their allies. Thus, the oil companies tolerate violations by turning a blind eye to the protection of human rights. In this context, Sudan has been transformed, in the eyes of business interests, from a "basket-case" on the verge of expulsion from the IMF and World Bank, to one whose future is bright with the promise of mineral wealth. The GOS has been making allies in countries whose corporations are lining up for oil contracts. Consequently, these allies lobby their governments against any condemnation of the GOS for its extreme violation of human rights, and attempt to block any measures undertaken to interfere with their short-term

³⁾ Dr Riek Machar was the leader of SSDF who also comes from the Nuer ethnic group.

oil profits. But the pertinent questions raised in this paper are: Why do the foreign companies squander oil in haste? Is oil a problem or resource in development?

This paper attempts to provide the following significant issues to consider for policy implications. First, the discovery of crude oil on a scale capable of commercial exploitation is not always a blessing to a country; it may even be a curse. The examples of Biafra (Nigeria) and Angola, and Copper in Shaba Province (Democratic Republic of Congo) readily come to mind. On the positive side, the economic, commercial and social benefits are enormous. Refined oil, oil products, and petrochemicals are essential inputs to any industrial growth, generating jobs and providing opportunities for training in industrial skills. Indeed, oil is a very important earner of foreign exchange, increasing the capacity of a country to service its foreign debt and easing the deficit in the balance of payments. Bills for oil alone constitute an enormous burden on a developing country's economy and finance.

Second, the impact of oil is also felt in the international political and diplomatic arenas. It allows the country increased freedom of action, thus enlarging its national sovereignty in absolute terms. On the negative side, however, oil discovery can lead to a host of other social and political problems. As we have seen, even before the crude oil actually starts to flow, conflict begins and is encouraged especially when it occurs in peripheral economy of a country. People living on the peripheral/fringe economy will suddenly develop a sense of self-importance or guard jealously the newly-found oil wealth regarded as their own. At the very least, when such feelings and loyalty do not generate a separatist movement, they will re-awaken regional consciousness and loyalty in a milder form. The impact of oil upon regional sensitivity and loyalty is a widespread process. Even in Great Britain, a highly industrialised and technologically advanced polity, the discovery and subsequent mining of the North Sea oil has led to further impetus to Scottish nationalism. It has furnished an additional secessionist sentiment through the renewed hope of economic viability.

Third, the oil industry in the Sudan represents a moderate reaction. However, the Southern Sudanese have not claimed (and do not intend to have) absolute control of oil. They do recognise that mineral wealth is a natural resource to be tapped for the benefit of all the Sudanese people. Although oil has not had a demonstrably positive impact on the country's spatial economy yet, it helped, to some extent, to re-ignite the civil war in 1983 after a decade of relative peace since 1972. Finally, the oil is a finite resource and needs to be tapped with maximum efficiency with environmental

considerations. In the stampede to ship out oil and discover more, its legacy is more likely to be devastation rather than a solution to the Sudan's socio-economic and political problems. There should be a co-ordination between the foreign oil companies to consider the social and economic impacts of the industry on the environment, which must be thoroughly studied, assessed and monitored for possible damage. What is required is a genuinely lasting peace involving serious commitment to peaceful discussions among all the oil stakeholders and warring parties in the Sudan. In effect, the Nairobi-based New Sudan Council of Churches (NSCC) has also written, on several occasions, to the Canadian and British governments to call for action on the oil project stakeholders. That the oil revenue accruing to the Sudan be put instead into escrow accounts, to be held by an international fund until a peace settlement to the ongoing civil war is achieved (ECONOMIST INTELLIGENCE UNIT 2000).

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