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Rejuvenating or Restraining Civil War

*The Role of External Actors
in the War Economies of Sudan*

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The role of external actors in the war economies
of Sudan

by Scott Lewis

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Preface

As this report goes to print, Sudan is once more in the international headlines. In the Darfur region in western Sudan and in neighboring Chad, hundreds of thousands of destitute refugees are facing illness and starvation. They have fled their homes after militias supported by the government in Khartoum raided their villages, killing, maiming and raping the local population in response to an ill-fated rebellion by local insurgent groups. The refugees from Darfur present an all-too familiar face of Sudan – scarred by decades of civil war and misery.

And yet, there is another Sudan – rich in oil and gas – commodities much sought after as the raising prices on the international markets and the continuing instability in the Middle East are tempting oil companies to explore deposits, which previously would have been viewed as marginal due to their remote location. Within the last five years, the country has gone from being a net importer of oil to producing some 250,000 barrels per day. While US companies have been banned from investing in Sudan under a unilateral embargo, European and Asian companies have filled the void, benefiting from the sudden bonanza.

In the political arena, the revenue from oil had a direct impact on the delicate balance of military power between the Government of Sudan and its principal enemy, the Sudan People's Liberation Army (SPLA). This report analyzes how the funds from the oil boom have allowed the government side to buy modern weapons in Eastern Europe and Asia, giving it the upper hand against its lightly-armed opponents. While oil is mostly produced in the contested areas of southern Sudan, unlike other conflict commodities (such as diamonds or timber) it does not lend itself to easy exploitation by warring parties. Oil exploration and production is capital intensive and requires substantial technical skills, therefore making the presence of international companies a necessity. This report takes a critical look at corporate interactions with the government and the local population in southern Sudan.

This report does not argue that southern Sudan's armed conflict of several decades is primarily about access to natural resources (or 'greed'). As it happens, the conflict had been going on for many years before substantial deposits of crude oil were localized in the conflict area. It shows that the origins of the fighting can be traced back to colonial times and that the parties are motivated by a mix of ideologies (Arab vs. Christian-Animists) and the quest for political power. Both sides have utilized external

actors in this context, with the SPLA drawing on the resources of the international relief effort in southern Sudan and the government using the revenue from oil to fund the war effort. However, this report shows how oil has altered the dynamics of the civil war.

As a result of this and because of renewed international pressure for a settlement of the conflict, the Government of Sudan and the main factions in southern Sudan signed a peace agreement providing for substantial autonomy for the south and the sharing of oil revenue between the government in Khartoum and the SPLA-dominated administrative structures in the southern provinces. For the time being, this agreement seems to have had a calming effect on the conflict parties. Whether the current peace will last, or whether southern Sudan will experience the familiar pattern of 'after the conflict is before the conflict' only time will tell.

Meanwhile international attention has shifted to western Sudan, whose insurgent movements were not part of the peace settlement. Already, some observers are calling for a comprehensive embargo against the Government of Sudan because of its alleged support for militia groups operating in this area. While the conflict in Darfur is different in many ways from the one in southern Sudan, this report presents some important lessons for the international community on how to interact with the regime in Khartoum.

Wolf-Christian Paes

List of Acronyms

AI	Amnesty International
BPD	Barrels Per Day
BYOI	Bring Your Own Infrastructure
CNPC	China National Petroleum Company
CSIS	Center for Strategic and International Studies
DoP	Declaration of Principles
ECHO	European Community Humanitarian Organization
EU	European Union
GNPOC	Greater Nile Petroleum Operating Company
GoS	Government of Sudan
HRW	Human Rights Watch
ICISS	International Commission on the Intervention and State Sovereignty
IDP	Internally Displaced People
IGAD	Intergovernmental Authority on Development
IRIN	Integrated Regional Information Networks
MoU	Memorandum of Understanding
NC	National Congress
NGO	Non Governmental Organization
NIF	National Islamic Front
OLS	Operation Lifeline Sudan
ONGC	Oil and Natural Gas Corporation Videsh Ltd, (India)
OTF	Ontario Teacher's Federation
SPDF	Sudan People's Democratic Front
SPLA	Sudan People's Liberation Army
SPLM	Sudan People's Liberation Movement
SRRA	Sudan Relief and Rehabilitation Association
SSDF	South Sudan Defense Force
STAR	Sudan Transitional Assistance Rehabilitation
UN	United Nations
USAID	United States Agency for International Development

Introduction

We, the parties to the conflict in Sudan: Deeply committed to an immediate end to the current armed conflict through peaceful and political means. ... Aware that only a sustainable peace based on justice, equality, democracy, and freedom can lead to a meaningful development and ... fully cognizant of the fact that unity of the Sudan cannot be based on force or coercion, but on the free will of the people.

(Peace Agreement, 1997)

1997 Peace
agreement

These were the words that began the 1997 Peace Agreement between the Government of Sudan (GoS) and splinter groups of the Sudan People's Liberation Army (SPLA), the main protagonists of the civil war in Sudan which restarted in 1983. This agreement offered promise for the whole of Sudan including hope for a country that has seen too much war and destruction. But instead of peace, the signing of this document has brought some of the most intense fighting that Sudan has seen since the beginning of the civil war in the 1950s. However, the fault lies not with the document itself but with the parties that signed it and the lack of implementation of the principles that were agreed upon. It also emphasizes the importance of bringing the whole of Sudan into the peace process and any agreements signed.

This paper will examine the role of external actors involved in Sudan's war economy, and will focus primarily on events that have taken place from 1997 to 2003. Since the signing of the Khartoum Peace Agreement the war in Sudan has intensified, bringing about an increase in large-scale displacements and an unprecedented military build-up by Sudan's government. The military escalation has included the use of fighter jets from China, tanks from Poland, armored combat vehicles and attack helicopters from Russia, and the production of Russian-designed battle tanks within Sudan (Vitrade, 1999, 2001; United Nations, 2002). Foreign investment and trade have directly funded the more recent hostilities of the warring parties, including indigenous arms production. The intention of this paper is to provide a background study on the major international economic actors and the impact of such policies within Sudan's war economy. The output from this paper will focus on the impact such policies have had on prolonging or curbing the conflict in Sudan. This will be carried out within a framework of the growing body of literature on war economies, though the example of Sudan

emphasizes the difficulties of compartmentalizing intra-state conflicts and the economics surrounding them into precise theoretical categories.

The evolving conflict

Sudan is an immense country, it is the largest, by size, in Africa with 2,505,810 sq. km. Historically, the southern part of Sudan, a vast area in itself, has had very little physical infrastructure. Much of southern Sudan has been difficult to traverse at the best of times, and during the rainy season long distance travel has been next to impossible. However, since 1997, the Government of Sudan has been increasingly modernizing its armed forces to acquire territory, particularly around potential oil reserves (Prendergast, 2002; Human Rights Watch (HRW), 2003). The new military equipment has included fighter jets from China and Russia, tanks from Poland and, most devastatingly, attack helicopters from Russia (Novichkow, 2002; Vitrade, 2001). The attack helicopters allow for low flying missions during which there have been numerous accounts of government helicopters intentionally targeting civilians (Harker, 2000; HRW, 2003). The connection between oil and Sudan's military is clear and direct. Russia and China have heavily invested in Sudan's oil industry through exploration and investment in oil infrastructure (Harker, 2000; HRW, 2003). Both countries also have not only sold military hardware to Sudan, but have given technical expertise to Sudan in the area of producing military equipment within Sudan. A factory to produce battle tanks was set up 50 km northeast of Khartoum through Russian technical assistance (Vitrade, 2001). The investment in Sudan's oil infrastructure has certainly not been limited to the aforementioned countries with Canada, the United Kingdom, Sweden, Austria, Malaysia, India, among many others taking part (Christian Aid, 2001; HRW, 2003).

The more advanced weaponry has allowed the GoS to alter its war strategy in that it now has the capability to launch large-scale rainy season offensives against SPLA forces (Gagnon and Ryle, 2001). Before the military upgrades, the rainy season was a chance for SPLA forces to regroup and consolidate their efforts due to the difficulties posed by southern Sudan's difficult terrain and sparse infrastructure. The advanced technologies procured through oil sales has provided the GoS with the tools to raise the level of intensity of the fighting, displacing literally hundreds of thousands of people. "The new, intensified and more geographically focused nature of government military strategy is ...clearly linked to oil development" (Gagnon and Ryle, 2001,

Modernizing
GoS' armed
forces

p.4). This fighting has gone on unabated with the focus partially shifting to the Darfur region of western Sudan.

External
actors

A recent report on Sudan makes strong allegations about the role of the oil industry in aiding in the abuse of human rights (HRW, 2003). This 700-page report presents a damning case against the Government of Sudan with regard to the connection between oil and its production and massive human rights abuses. It is the submission of this paper that it is not simply oil that fuelled the conflict, but that it was propelled with direct collaboration from external actors. Take the following analogy: a car needs fuel to function, no fuel and the car will not start. Therefore it might be tempting to blame the fuel source, however, the car also needs tires, a motor, an electrical system, and regular tune-ups. The war machine built by the GoS is comprised of many international parts with the sticker saying “made in Sudan” with assistance from Canada, the United Kingdom, Germany, the Netherlands, Russia, India, Malaysia, and China – among many others. The Greater Nile Petroleum Operating Company (GNPOC) is the lead company in oil exploration in Sudan. It is comprised of four major investors; the largest holding comes from the China National Petroleum Company (CNPC) with a 40 percent ownership, Oil and Natural Gas Corporation Videsh Ltd, India (ONGC) a solely state-owned company from India who has a 25 percent share, Petronas of Malaysia which owns 30 percent, and Sudapet Limited a state-owned Sudanese company which owns 5 percent (HRW, 2003, p. 2). Oil exploration is not a recent phenomenon in Sudan, with Chevron starting several decades ago, however what has changed is that the potential for oil production has been operationalized (HRW, p. 4).

Among the many countries involved were Canadian companies that helped build the pipeline, the Russian military that has sold fighter jets to Sudan, the Chinese who are an active participant in the expansion of the oil industry, owning a 1,600 km pipeline, building, owning and operating a refinery in Khartoum, and assisting the Government of Sudan with the manufacture of small and medium-scale weapons. So oil may have accelerated the conflict but it has only been possible with the assistance of a multitude of external actors. Oil has been the fuel, pun intended, that has allowed the GoS to intensify the conflict in southern Sudan, and to become largely self-sufficient in small and medium-sized arms production. Domestic arms production would simply not have been possible without the proceeds from oil, which were in part gathered through the

displacement, murder and destruction of civilian life that surrounds the major oil production fields.

Introducing the main protagonists

The main actors within the civil war in Sudan are quite complex. Between the power struggles and military coups in the government in Khartoum, and factionalism within the rebel Sudan People's Liberation Army/Movement SPLA/M, it can be difficult to ascertain what interest the various parties have, who they (think) are representing, and just what they are fighting for. The following section is a brief introduction into the major warring sides within Sudan.

The **National Islamic Front (NIF)** is the internationally recognized Government of Sudan (GoS). It is a military government that seized power in a coup in 1989 following a power struggle amongst Islamic parties in Khartoum – Sudan's capital. The essence of the internal fighting was based on a disagreement on war strategies. Prior to the coup the country was led by Prime Minister Sadiq al-Mahdi of a multi-party coalition (Johnson, 2003, p.84). Sadiq was expressing more conciliatory ideas, with the support of many northerners who were weary from war. With significant movements towards peace having already been made, a meeting between Sadiq and the leader of the main rebel movement – the Sudan People's Liberation Army (SPLA) – John Garang was scheduled. The two leaders were due to discuss the terms for a constitutional conference, with the intent of coming to a permanent peace agreement. However, before this meeting could take place a pre-emptive coup was orchestrated with the aid of parts of the military and NIF as one major actor. NIF's vision for Sudan soon became quite clear – that of a country militantly defending Islamic principles and resisting a compromise with the SPLA. Before the coup, the NIF had voiced concerns over the negotiations that were going on between the government and the SPLA. From the time of assuming power in 1989 up to the round of negotiations at the end of 2003, the NIF have insisted on the enforcement of *sharia* (or Islamic law) within Sudan's capital of Khartoum, and have actively fought a military campaign to Islamize, or at least, pacify the rest of Sudan.

NIF

Following the coup in 1989, the idea of a constitutional conference was sidelined, and the new regime began negotiations all over again. However, the new negotiations broke down later in October of 1989 with the end of a cease-fire that was signed shortly before the NIF coup. The fighting that restarted in 1989

continued to the end of 2003, where peace negotiations seemed promising. The proof, however, will be in the implementation of “a just and comprehensive peace agreement” (Agence France-Presse, 8 Dec 2003). In 1998, the NIF renamed itself the National Congress (NC), which represented the legal front of the former NIF, but was consistent in policy and personnel.

Internal disagreement within the NIF came to a head in 1999 when President Omar al-Bashir ousted Parliamentary Speaker Hassan al-Turabi – founder of the NIF, dissolved parliament and declared a state of emergency (Integrated Regional Information Networks (IRIN), 20 December 1999). The rift between Bashir and al-Turabi was a struggle over power. Bashir dissolved parliament just two days before a bill was to be introduced limiting the presidential powers. The state of emergency has remained in effect as of the end of 2003, although Bashir says it will be lifted after a peace accord is signed (www.africaonline.com, 2003).

The **Sudan People’s Liberation Army/Movement (SPLA/M)** is the main rebel force fighting within southern Sudan. The SPLA was formed in 1983 through a sequence of mutinies from the Sudanese Army, particularly after a portion of Sudanese soldiers became disenchanted following the Army’s attack on the town of Bor during which many civilians were killed. The guerrilla base for the movement originated in Ethiopia in the middle of 1983. In an effort to avoid the factionalism in the south that dominated the first part of Sudan’s civil war (1956-1972), the SPLA was designed to be hierarchical with a tendency towards authoritarianism that grew throughout the 1980s. Discipline to the movement was deemed as pivotal, and any break in this discipline often led to long prison sentences or summary executions without trial (Johnson, 2003, p.92).

SPLA...

A question that has plagued the SPLA since its existence has been the definition of what they were actually fighting for. A separation of the southern parts of Sudan or unity of the whole of the country with the goal of overthrowing the government in Khartoum? While ideology has been a cornerstone of the Government of Sudan’s war efforts, the SPLA has been plagued by a distinct lack of an ideology. This is one of the reasons why it has been so prone to splits, mutinies, and instability. The organization had a serious rift in 1991 which greatly weakened its war efforts with disastrous implications for the civilian population of southern Sudan. Since then they have not only been fighting the government, but have been just as intent on fighting the different factions within the SPLA, which resulted in heavy casualties on both sides. As with much of the war, civilians were

hardest hit during the worst period of factionalist fighting amongst rival SPLA splinter groups. Two other factors contributing to the SPLA split were firstly the growing opposition by some party leaders to the dictatorial style of leader John Garang; and secondly the fall of Mengistu's regime in Ethiopia, which was not only the headquarters for SPLA activity, but also site of 200,000 Sudanese refugees who then returned to Sudan – thereby worsening the situation in southern Sudan (Prendergast, 2002, pp.16-17).

The split within the SPLA in 1991 divided this rebel force into soldiers who remained loyal to Garang, and those that joined with Riek Machar. Machar was a commander serving under Garang in the Upper Nile region. The split, though not exclusively ethnic in nature, did have ethnic elements to it with Garang's power base coming largely from the Dinka tribe, and Riek's support from the Nuer with its base in Nasir. Riek's faction would go through many name changes in the following years; SPLA-Nasir, SPLA-United, the South Sudan Defense Force (SSDF). The significance of Riek's movement's search for identity coincided with its growing allegiance to the government in Khartoum. There were allegations that the GoS was supplying Riek with weapons as early as in 1992. When Riek's forces were operating under the title of the SSDF, it was aligned with the government in Khartoum. Riek was, for a short time, the president of a coordinating council in 1997, but pulled out in 2000 after the GoS, according to Riek, did not honor the terms of the 1997 agreement (Gagnon and Ryle, 2000, p.19). Riek then went to Nairobi, and reassembled his troops as the Sudan People's Democratic Front (SPDF). It was only in January of 2002 that Riek and Garang resolved to put their differences behind them, at least for the time being, in order to fight again together against the government.

... and its
factions

The NIF took advantage of the continuing rivalry during the 1990s amongst the southern factions by applying the strategy of 'divide and rule' which the GoS successfully continued by pitting the southern factions against each other, while engaging in territorial battles seeking to control areas that were thought to have potential oil reserves.

Theoretical Debates

There has been much discussion within academic circles as to the underlying rationale for prolonged conflicts, such as that of Sudan. There is a growing body of literature that focuses on war economies. In this paper, war economies will be defined as the 'presence of a protracted conflict that has infused, at least in part,

Greed or
grievance ...

the national economy into a sustained system of violence, and specifically focuses on how these protracted internal conflicts are maintained and funded' (See Berdal and Malone, 2000). Typical to these conflicts is the tendency to avoid direct battles with armed groups, but rather to target civilians and benefit materially or otherwise through the continuation of low-grade fighting.

Theoretical debates have tended to center around whether conflicts are based on greed, grievance, need, creed or some combination of the aforementioned. One of the main streams of thought within the theoretical debates that surround the economics of civil wars states that greed is the primary indicator in trying to predict where a civil war might erupt (Collier and Hoeffler, 2001). Paul Collier, a chief economist with the World Bank, has analyzed over 40 years of collected data sets, and concluded that "the combination of large exports of primary commodities, low education, a high proportion of young men, and economic decline" are the primary indicators for civil wars (Collier, 2000, p.110). Collier's theory focuses on the distinction between the *cause* of conflict and the *motivation* for such conflicts. This line of reasoning focuses on what makes the conflict possible, for example the presence of abundant natural resources, and not on motivations for entering into such conflicts.

"The whole rationale for inviting the business sector to play a development and security role is founded on the belief that free markets promote security and development" (Duffield, 2000, p.95). Without engaging in too much theory, the 'greed' approach fits well within the overall framework of the World Bank's work. Simply put, the underlying logic is as such: people are driven by greed, wars are started/perpetuated so people become wealthier. Now if one were to replace greedy people, or at least blame the conflicts on the greedy people, this would deflect criticism from the World Bank for encouraging the reduction of public sector, thereby weakening governments and disabling them from regulating among other things, finance flows, and the penetration into all areas of the state's existence. However, if Collier's theory proves to be even somewhat unreliable, the World Bank must take some of the blame for collapsed states, due to decreased regulation, and government controls that are designed to limit the role of government within a society, and therefore leave the state vulnerable to coercion – both from within and from outside the state. For if there is some measure of grievance to the rise and perpetuation of conflicts, then Bank policy is quite sorely unprepared to deal with issues of inequality or genuine political discontent due to the underlying thesis that conflict is driven primarily by greed.

In the case of Sudan, the civil war can hardly be reduced to a matter of greed. While oil has changed much of the focus of fighting to oil producing regions, the revenues appear to have largely been re-invested in the war effort rather than used for personal gain. As a matter of fact, the Government of Sudan has been quite open about the revenues they have received from oil sales (see www.bankofsudan.org). They are less willing to discuss how it is spent, but this has to be expected when a country is in the middle of a civil war.

Another approach within this discussion views ‘internal wars’ as the logical outcome of the process of economic globalization (Duffield, 2000). This form of globalization has brought a myriad of unintended consequences. With the increase of economic deregulation comes the decreasing ability of states to monitor and control financial flows. This helps the rise of informal economic sectors, in which national boundaries are often disregarded. From what may seem like a series of disorganized and segregated markets on the outside, reveals on closer examination a well-structured system of informal, ‘gray’ markets, and criminal trading systems. This process has been aided by deregulation that has placed limits on national governments’ abilities to involve themselves in all areas of the state. Specifically, this has resulted in smaller governments and administrations, looser restrictions of capital flows, and other forms of financial deregulation.

... or
economic
globalization

“The problem of global governance is that to the extent that deregulation and market liberalization have promoted wealth creation ...they have, in equal measure, fostered the informalisation of the economy, the spread of shadow trade, the criminalisation of many international transactions and the spread of network war” (Duffield, 2000, p.95).

The conflict in Sudan skews the notion of neatly compartmentalized theories with regard to the causes and motivations of civil wars. For the conflict in Sudan has had many stages, has been fought for various reasons and has evolved since fighting began in 1956. Sudan’s conflict highlights the limitations of any theory in attempting to explain the complexities of the civil war in terms of a tightly knit theory. For even within the conflict, different theories can be used for different parties and even factions. For instance, elements of the GoS’ war efforts appear more as a classical warfare position, with the fighting focused over the control of territory. A war economy as described by theorists such as William Reno (2000) has centered on low-grade

War
economy: a
definition

fighting, with few direct exchanges between opposing forces and civilians taking the brunt from the fighting. The GoS has also shown phases of modern war economies by manipulating foreign aid, and by direct investment of oil-based revenues into military spending. The GoS widely utilized militias in attempting to divide and conquer the SPLA. These militias have demonstrated characteristics of a typical war economy whereby they have often been dependent on the raiding of civilians to maintain their livelihood and have a vested interest in the continuation of the conflict to maintain their positions of power and access to scarce resources.

The SPLA's actions are more typical for a war economy as they extracted 'taxes' from civilian populations and manipulated and stole aid through the redirection of aid from civilian populations to soldiers in various factions. The leaders of the rebel movements would seem to have the most to lose from a cessation of violence. For the war has afforded the rebel leaders a certain level of legitimacy, including from the international community. This is in spite of the fact that they are not necessarily representatives of the population they exert control over, the violence that has been exerted in the civilian population, and the financial toll that the various rebel movements have extracted from it. Within this particular grouping one should include the local and regional militia leaders, who have aligned with either the government or the SPLA.

Though parts of Sudan's political economy may not fit into a more typical pattern of a 'war economy', given the length of the conflict in Sudan, and the immersion of the country into an organized system of violence, any discussion of economics within Sudan should be considered within the context of a war economy. "... the war interrupted production, transport, services and claimed the meager infrastructure which existed in the South before the war...the Sudan economy cannot be treated in any other manner than as a war economy" (Lako, 1993, p.62).

It can be said without fear of contradiction that oil has changed the war economy in Sudan. Oil exploration and revenues have intensified the conflict, with the GoS going to great lengths to protect vital oil infrastructure. Though it would be irresponsible to characterize the conflict in Sudan as having taken place over greed, securing and protecting oil revenues has been a major focus of the Sudanese State. Oil has been the means to an end, through the entrenchment of an Islamic state within Sudan, and an end in itself, i.e. the collection of oil revenues. These revenues have funded the GoS' military activities, who in turn has used the new military hardware in securing oilfields, so they can

produce more oil and generate bigger revenues. Thus oil and war have become mutually reinforcing. If one had to isolate a single element as a cause for the conflict, it would be power. While power includes elements of greed, greed gives too superficial an explanation to a conflict that has roots dating back several hundred years. The National Congress, (formerly the National Islamic Front (NIF)), the current ruling regime, wishes to maintain a role for Islamic law within Sudan, and to incorporate all of Sudan into an Islamic legal framework.

In the words of an astute journalist speaking on Sudan “ the war, like the country, [is] not one but many: a violent ecosystem capable of generating endless things to fight about without ever shedding any of the old ones” (Scroggins, 2002, p.81). This is certainly not a conflict fought purely out of greed. The following section will attempt to shed light on some historical roots of war within Sudan in order to set the modern conflict into a proper context. This will draw on the role of colonialism, and specifically the different colonial experiences between northern and southern Sudan. It will also examine whether both parts have anything in common, as they have not naturally co-existed within one governing body, and that the state we now know as Sudan is a political construct of Britain and Egypt.

Historical Overview

It must be stated at the outset of any historical review of Sudan that the ties between the north and the south have been tenuous at best. The rivalry and tension between the two regions can be traced back to pre-colonial times. The political economy of what is now northern Sudan has been heavily dependent on migrant labor, and southern Sudan was often viewed as a source of cheap (slave) labor for the north. This has perpetuated the idea that southern Sudan is unable to operate as a separate economic entity. Egyptian occupation of Sudan began in 1821, but due to limited forces and the sheer distances of travel, penetration into southern Sudan was quite limited during this time. The aforementioned attitude was carried forward by the Anglo-Egyptian colonizers, perpetuated by northern Sudan, and has greatly influenced modern attitudes towards Sudan’s political economy. This point lies at the heart of the modern day conflict, and while oil may have changed the feasibility of an independent southern Sudan, the attitudes within Sudan, and externally have not changed widely. Generally, successive Sudanese governments have employed a policy that was based on the concept that southern Sudan was unable to function on its own, or was not

The north
against...

... the south
of Sudan

Independence
and beginning
of the civil war

able to make any sort of major policy decisions without interference from the government in Khartoum.

The aforementioned attitudes were infused into northern Sudanese society when independence was granted to Sudan in 1956, though a permanent constitution had yet to be decided at independence. The developmental imbalances between the north and the south were not resolved before 1956, nor were there sufficient mechanisms for resolving disputes constitutionally. The government in Khartoum, quite logically, particularly from a classical realist position, did what any state would do, tried to consolidate their power, and attempted to assimilate the south. However, the grievances, whether well founded or not, were left unanswered. The absence of a strong political backing would serve as a destabilizing effect and would act as a foreshadowing of things to come. The first phase of the civil war soon began after independence. The failure to adopt a federalist constitution meant that the south was to be assimilated with the north. With growing support for a federalist system from western and eastern parts of Sudan, the parliament was dissolved in 1958, and a military government assumed power. The new regime in Khartoum, led by General Abbud, proceeded with a process of 'Arabization' and 'Islamification'. This process attempted to convert, or at least pacify, the predominantly Animist and Christian population in the southern parts of Sudan and was less than popular with the non-extremist majority in Sudan.

Addis Ababa
agreement

In 1972, the Addis Ababa Agreement was signed, which provided for the establishment of semi-autonomy for southern Sudan. The ultimate downfall of this agreement was two fold; first, it was never fully implemented, and secondly it never addressed the underlying causes that started the war in the first place (Johnson, 2000, p.48) which were the unequal distribution of resources, development assistance, and access to power that were heavily in favor of the northern portions of Sudan, where the seat of government is located. Through the interim period, 1972-83, the government in Khartoum regularly interfered with the Southern Regional Government, negating some of the advantages of being semi-autonomous. Uneven development continued unabated during this period. For example, during the period from 1977-83 US \$225 million had been set aside for development in southern Sudan. By 1982 a mere US \$45 million had actually been dispersed (Johnson, 2000, p.49).

By 1983, desertions from the Sudanese military were becoming commonplace. At one point, John Garang was sent from Khartoum to Bor, which lay at the heart of the insurgency. Unbeknownst to the military officials who sent him, Garang was

already planning for a return to war. Instead of convincing the soldiers to back down, Garang would work to unite the various southern-based militias and took up the post of its leader. The stated aim of the SPLA in 1983, when the current round of fighting resumed, was not the right to self-determination, but actually to topple the Islamic government led by Jaafar Mohammed Nimeiri. Although Nimeiri's government was overthrown by the NIF, the then following military junta would prove to be more extremist and exercise a much greater propensity to brutality.

The NIF came to power by way of a military coup in 1989. The new regime aggressively backtracked on a number of commitments that the previous government had made, including revoking a promise for a constitutional conference. The NIF government emphasized strongly the Arab-African differences, and made use of fundamentalist language in trying to promote support from the Arab-speaking world (Prendergast, 2002, p.15). The NIF had a growing tendency towards the use of violence, coercion and forced displacements in an effort to put forth the agenda of an Islamic, and militant, state.

Conversely, what the southerners were looking for was control over their own destiny, to be able to construct and implement policies that would be beneficial to the development of the south, and the whole of Sudan. This is not a question of being greedy, but of recognizing the cultural and historical differences between the north and the south, and seeking amends to near subjugation at the hands the British-Egyptian condominium or at the hands of a series of increasingly repressive and fundamentalist governments. It is not only southerners that have suffered under the NIF, but also northerners, people from western Sudan and many around the capital in Khartoum.

In 1994, the NIF – the military regime in Sudan – rejected a proposal presented by the Intergovernmental Authority on Development (IGAD), an East African regional organization. The proposal was based on an agreement called the Declaration of Principles (DoP), which were a set of commitments that were designed to address the inequalities between northern and southern Sudan and work towards a lasting peace within Sudan. The principles recognized the right of the people of southern Sudan to self-determination. After having rejected the principles in 1994, the GoS reluctantly signed the DoP in 1997 due to its weakened position within the international community, growing support from Sudan's neighbors (specifically Ethiopia and Kenya), and a more tenuous financial position the government found itself in. The DoP stated that "The history and nature of

Coup by NIF

Civil war and
external actors

the Sudan conflict demonstrate that a military solution can not bring lasting peace and stability [to] the country” (IRIN, 2003).

As history will prove, despite having signed the DoP which expressly stated the need for non-violent solutions to the conflict, the years that followed the 1997 agreement saw the GoS press further for a military solution to the conflict. The government demonstrated a greater tendency towards violence, and actively shopped within the international marketplace for new sources of arms. Coinciding with the signing of the DoP in 1997, came the imposition of unilateral economic sanctions by the United States (U.S.). It is this date, 1997, that will be the launching point to examine the role of external actors in Sudan.

The activities and politics of Sudan have not occurred in a vacuum, but with many external and competing interests. There is a strong and direct connection between Sudan’s ‘internal’ civil war and the larger international economic marketplace. On the surface, there appears to be a dichotomy between the Muslims in the north and the Animist & Christians in the south. However, the problems and intricacies of Sudan are much more complex. In fact Sudan can, to a large extent, be seen as a microcosm, and – to some extent – the result of global insecurity and inequity. There is a fundamental difference between the living standards of government officials in Khartoum and the vast majority of Sudan’s population. This may not be a rare phenomenon within the developing world, but the blatant use of violence to maintain such a system with the complicity of foreign actors needs to be highlighted. Amongst the actors with interests in Sudan one can find most major European Union (EU) countries, the United States (U.S.), Canada, China, India, Malaysia, nearly all of Sudan’s neighbouring countries (nine African states share a border with Sudan), and many private corporations with direct ties with these governments.¹ There is also the United Nations, and the role they have played in remaining largely silent in the midst of one of the world’s most atrocious wars. To begin, let’s look at the role of the European Union, its member states, and some of the companies with bases in the EU.

1 In no way is it being suggested that there is one single corporate response to the conflict in Sudan. The point is not to assume a common position, but rather to illustrate the significant role that corporations have played in Sudan, but also to possibly differentiate between national policy and corporate policy, particularly in the case of the EU companies and countries.

External Actors

The European Union

The EU's official policy has been that of a 'constructive engagement' with the GoS. This has entailed bringing issues of human rights and governance to the warring parties in Sudan.

“The EU policy response in Sudan has ranged from the suspension of development aid, its replacement by flows of humanitarian assistance, the recent resumption of political dialogue with the Sudanese government ... the EU has decided that development cooperation cannot be resumed before the Sudanese government shows some progress in its respect for human rights, the process of democratization and in its efforts to find a peaceful solution to the civil war” (Lehtinen, 2001, p.60).

The European Union policy within Sudan is indicative of the widely held belief within much of Europe about blurring lines of black and white, especially in terms of its socio-political thought. The EU approach has attempted not to put the conflict in terms of stark contrasts, but has expressed itself through open dialogue and discussion with the Sudanese government.

This is not to say that there was unanimity amongst EU states, EU official policy has been marked by division amongst member countries. This division has been most predominant surrounding the issue of relations with the SPLA, and its splinter groups.

The European Community Humanitarian Organization (ECHO) pulled out of SPLA-controlled areas in 2000 after a disagreement over protocol and working conditions under which NGOs were operating in southern Sudan. The SPLA issued a declaration in 2000 that all NGOs working in rebel-controlled areas would be required to sign a Memorandum of Understanding (MoU) (Heinrich, 2000, p.22). The MoU was meant to clarify arrangements between the Sudan Relief and Rehabilitation Association (SRRA) – the humanitarian wing of the SPLA and international NGOs working in rebel controlled areas in southern Sudan. However, through a series of misunderstandings, counter-proposals and poor communications, the end result of the MoU meant that several large European-based NGOs withdrew from SPLA-controlled areas including Save the Children UK, World Vision, and Agro Action Germany, along with ECHO-based

EU
approach...

relief funds (Heinrich, p.23). ECHO withdrew support from southern Sudan because of governmental regulations (from countries like Germany) that prohibited the use of state funds from going directly to any liberation movement, in this case the SPLA. Furthermore ECHO and the German government decided to halt funding to any organizations that did sign the MoU. It was also made clear by the SPLA that the security of the NGOs not signing the MoU could not be guaranteed, forcing non-signatories to make difficult choices.

EU and U.S. policy: A contrasting approach to aid

... and US
policy ...

The difference of opinions within the European and U.S. approach to Sudan is evident through their perspective in regard to relief in Sudan. The European Community Humanitarian Office (ECHO) withdrew from rebel-controlled areas of southern Sudan in 2000, rather than sign the MoU with the SPLA, as described previously. This has left an absence in the official European presence within southern Sudan. Though the official EU policy has been that of constructive engagement, this policy has largely been limited to engagement with the Sudanese government. In comparison with this the approach of the United States has been marked by clear engagement, if not favoritism towards the SPLA. This approach by the U.S. is highlighted by the Sudan Transitional Assistance Rehabilitation (STAR), the Sudan-focused relief and development plan sponsored by the United States Agency for International Development (USAID). The STAR program has followed the lines of U.S. foreign policy and has heavily favored 'areas not controlled by the government'. The U.S. approach, which will be covered in more detailed shortly, has been less than completely objective, but one could argue much more successful in shifting the balance of power within Sudan, and ultimately of bringing the warring parties back to the bargaining table (USAID, 2000).

The EU attempt at being neutral has undermined their credibility to several warring factions. On the government side, the GoS could easily view ECHO's withdrawal from rebel-controlled areas as at least a partial endorsement of the government. On the SPLA side, the absence of ECHO could likely hurt any hopes of a smooth re-entry into rebel-controlled territory even after a cease-fire. The EU has promised a large injection of development assistance when the final peace agreement is signed. Until then, its policy is to engage in a political dialogue and to provide humanitarian assistance. As noble as this process has been in theory, it has been undermined

– at least to some extent – by the actions of some European companies who have continued to operate within Sudan. The following companies have been operating within Sudan and illustrate the role of EU-based companies operating there: Siemens (Germany) provided the world’s largest diesel power station worth US \$75 million; Slavneft (Russia) has a contract worth US \$200 million for oil concessions; Asea Brown Boveri (ABB) (Sweden/Switzerland) has provided 68 km of power lines; OMV and Lundin were both active in oil exploration; the Russian government has sold attack helicopters and jet fighters to the Sudanese government; Weir Pumps and Rolls Royce have provided equipment for pumping stations (ViTrade, 1999; Christian Aid, 2000; Prendergast, 2002).

According to the Bank of Sudan, imports from Western European countries comprised roughly 20 percent of Sudan’s imports (www.bankofsudan.org, 2003). There is some discrepancy between the EU official policy of ‘constructive engagement’ and the number of EU-based multinationals involved in business activities in Sudan. So what moral influence Europe might actually carry might be contravened by European business interests. There is a conundrum that faces the EU, in 2003 Lundin Oil of Sweden and OMV of Austria both withdrew from operations in Sudan (European Coalition on Oil in Sudan, 2 September 2003). The exit of such companies gives credence to the official EU policy of objecting to the human rights record in Sudan. However, there has been a steady supply of non-Western business interests to fill any exits by North American or European-based companies leaving Sudan. What effect has the withdrawal of such companies had on the Government of Sudan? This question may not be answered for some years to come. However, it needs to be mentioned that the vital oil infrastructure has been laid with the assistance of Canada and European countries which will allow the Sudanese government more flexibility in choosing who it partners with since much of the major capital investment needed for large-scale oil operations has already been provided.

... contrasting
companies’
actions

Lundin Oil

In May of 2001, Lundin Sudan, a division of Lundin Oil AB made a significant oil discovery in Block 5A. In the words of Ian Lundin, Chief Executive Officer, “[t]his is a significant and exciting event for Lundin Oil” (www.gasandoil.com, 2001). Lundin was among several Western-based oil companies that had invested in Sudan, and have since sold their operations to either

Lundin Oil

Indian or Malaysian business interests. Although Lundin has often been grouped together with other foreign interests in Sudan, it was at a very different stage in its business cycle than Talisman – a Canadian oil and gas firm that actively operated and produced oil in southern Sudan. Lundin's operations with Sudan were still at the stage of exploration, where no profits were being made and much investment taking place. Lundin was most active in Block 5A, though the company still has rights to concessions in Block 5B which they did not divest when divesting in Block 5A.. A recent paper on Lundin's activities within Sudan, produced by Lundin Vice-President Christine Batruch, states that the company did not identify any legal or political risks of doing business in Sudan when they entered into Sudan in 1997 (Batruch, 2003, p.3).

Lundin did involve itself with the local community, investing over 1.7 Million Euro into its company development program Community Development and Humanitarian Assistance Programme (CDHAP) (Batruch, 2003, p.5). This program invested in three main areas within the local community, health, social and economic development, and building relationships between the company and the communities surrounding its operations. Despite what appears on the surface to be a genuine effort to reach out to the surrounding areas, a fundamental flaw existed in Lundin's strategy. Simply put, they were operating in a war zone. Increased oil revenues, which emboldened the government in Khartoum in its war effort, resulted in the specific targeting of oil infrastructure by the SPLA, and its splinter groups (in spite of the fact that Lundin had not, and actually never did, export oil from Sudan).

In such a protracted civil war, anything that gives one side such an overwhelming edge as oil revenues have done in Sudan, can be seen as a legitimate target from a protagonist's point of view. An attack did take place at Lundin's facilities in May of 1999. HRW claims that it was attacked by forces of Riek Machar's South Sudan's Defense Force (SSDF) rebel group – a faction that broke off from the SPLA and Garang in 1991 (HRW, 2003). However, Lundin claims that it was an inter-militia conflict and had little to do with their operations.² During this attack, three government workers were executed onsite.

Whatever stage in the product cycle Lundin found itself in, it was still operating within an area, or at least a region, known for violent conflict. Simply by the amount and type of infrastructure needed for oil development such as all-weather roads, Lundin

² Interview with Christine Batruch, VP of Corporate Responsibility, 2004.

would have an impact on the local environment. The most striking examples come from the physical infrastructure that was deemed essential for oil exploration. This type of business activity has been described as “BYOI” or bring your own infrastructure (Reno, 2000, p.224). In this case, part of the infrastructure created as a result of Lundin’ activity was a bridge over the Bahr El Ghazal (Nam) River (HRW, 2003, p.446). It was designed to ease access for Lundin in exploring for oil. However, the presence of the bridge also altered the local balance of power and dynamics of the Bahr region. Before the bridge, villages on the other side of the Bahr El Ghazal River had been spared from large-scale government onslaughts because of the physical boundary the river presented. This bridge allowed for government troops on horseback and armored vehicles to cross the river with ease, and changing the internal dynamics in the region (HRW, 2003, p.454).

Though Lundin’s presence in Sudan did bring about change to the internal dynamics of its sphere of influence, it does appear as though they were more conscious of their impact than other oil companies. Evidence of this can be seen through Lundin’s community development programs, and through the establishment of a Code of Conduct (Batruch, 2003, p.7). The example of Lundin’s operations in Sudan, though not without its difficulties, could be seen as a pseudo-model for extractive companies, particularly in their responsiveness to external criticisms. Lundin’s involvement in Sudan forced the company to evolve and view corporate responsibility as an essential component of their operations.

There have been attempts to slow the European involvement in Sudan’ oil industry. One organization working towards that goal is the European Coalition on Oil in Sudan (ECOS), which is a coalition of European NGOs (co-founded by Pax Christi Netherlands) dedicated to promoting peace in Sudan. Specifically, their focus is on lobbying European policy makers in regard to European oil companies’ activities in Sudan. Their work is predicated on the idea that oil has fueled war in Sudan. Oil has the potential to bring peace and prosperity to Sudan, but has caused massive human suffering. In contrast to some advocacy groups, ECOS promotes the suspension of oil activities in Sudan rather than the complete withdrawal of oil activities (see www.ecosonline.com). One of the primary reasons for its formation was to act as a conduit between Sudan-based NGOs (like the New Sudan Council of Churches) and northern-based organizations like ECOS in order to use more established NGOs such as ECOS and Pax Christi in advocating to various European

Corporate
responsibility

governments. However, the attempt to slow investment in Sudan has been a difficult struggle.

Talisman

In August of 1998, Talisman Energy Incorporated, Canada's largest independent fossil fuel producer purchased the assets of Arakis, another Canadian oil firm, that was operating within Sudan (HRW, 2003). Before the completed sale of its assets in Sudan in March 2003, Talisman was an active partner in vastly expanding oil production within Sudan. The purchase price of Arakis was approximately US \$180 million compared to the sale of Talisman's assets in Sudan to ONGC Videsh Ltd, a subsidiary of India's national oil company, for US \$758 million (IRIN, 30 October 2002). There was much controversy that surrounded Talisman's operations within Sudan during this short period of time. An infusion of capital on the part of Talisman and technical knowledge helped expedite the completion of the 1,600 km pipeline from Unity and Heglig oilfields deep in Sudan to Port Sudan on the Red Sea. Along with the infusion of Canadian capital it has been reported that some 10,000 Chinese workers were flown in to assist in the provision of labor. Why the use of Chinese workers? In the words of the vice president of a Chinese petroleum engineering company³ "Our workers are used to eating bitterness, they can work 13 or 14 hours a day for very little money. The quality isn't as high, but we charge less" (Amnesty International, 2000).

Talisman

During the time of Talisman's involvement in Sudan, oil production went from nil to 250,000 BPD, a sum bringing the Government of Sudan to over US \$1 billion in oil sales annually (www.bankofsudan.org, 2003). If one excludes the debates momentarily on how the actual oil revenue is being used to fuel conflict, the procurement of oil has still had a tremendously destabilizing influence on the people of Sudan. There have been reports of oil-related displacements of a massive scale, in which the GoS has actively de-populated major oil-producing regions. It also has been documented that oil-related facilities have been used to launch aerial bombings and attacks from helicopter gunships on civilians (Harker, 2000; Gagnon and Ryle, 2001). Specifically, facilities built and operated by Talisman in Heglig, namely their airstrips, were used to launch attacks on civilians. Oil development has resulted in widespread displacement, massive human rights violations along with accusations of torture, murder

3 China Petroleum Engineering and Construction Group Corporation.

and rape by soldiers guarding oil facilities (Gagnon and Ryle, 2001). But none of this was able to convince Talisman to leave Sudan. However, at its annual shareholders' meeting in May 2002, Talisman Chief Executive Officer Jim Buckee announced that the company was looking to divest its assets in Sudan. The process that surrounded the civil society campaigns against Talisman's role in Sudan came about quickly and requires a look in greater detail.

Civil Society and Oil

Talisman's operations began in 1998, at which time there had already been reports by Human Rights Watch (HRW) and Amnesty International (AI), among others, giving detailed accounts of war atrocities by the main warring parties in Sudan (See HRW, 1993, 1994, 1996; Amnesty International, 1996, 1997). Although Talisman did not have a commercial face within Canada, no petrol stations that one could picket, civil society groups were able to apply significant pressure to Talisman. At Talisman's year 2000 annual shareholders meeting, a failed attempt was made to hold Talisman accountable for its perceived corporate responsibility. The motion called for an independent audit of Talisman's operations in Sudan. Though it was defeated, it gained 27 percent support from shareholders, including religious organizations and two large U.S.-held pension funds. A subsequent company proposal to study its role in Sudan was passed, though with less stringent standards and a more generous time allowance (www.socialinvestment.ca, 2003). Despite the defeat, this did set a process in motion that would culminate two years later with a very ruckus shareholders' meeting.

Civil society's
reactions ...

After the 2000 shareholders' meeting, the issue of Talisman's role within Sudan began to be more in the public eye. The Ontario Teacher's Federation (OTF), which at the time held Canadian CDN \$190 million in Talisman stock, began thinking about divesting its investment in the company. This was in spite of the fact that only a few months before, the OTF had supported the weaker auditing format taken by Talisman (www.socialinvestment.ca, 2003). The OTF was concerned that the company had not adequately addressed concerns about Talisman's role in the civil war in Sudan.

In 2002, a Christian-based organization, Kairos, launched a campaign directed at Canada's Pension Plan, which owned CDN \$57 million worth of Talisman stock (www.socialinvestment.ca, 2003). This approach sought to expose the company's apparent camouflage, as it has no public face within Canada, and was very

... and its
results

effective. As no consumer boycott was possible for Talisman, the majority of the pressure fell on the shoulders of those owning significant quantities of Talisman shares. In the end, Talisman announced its intention to leave Sudan in May 2002. The sale came after serious pressure from civil society groups in Canada and from major pension funds based in the United States that started divesting of Talisman shares, and threats of being de-listed from the New York Stock Exchange because of their dealings in Sudan (www.forbes.com, 2003).

A question remains in spite of many civil society groups claiming victory on this matter. What has happened to the people on the ground in Sudan since Talisman left? By all accounts, conditions on the ground have not improved, but may even have worsened since the exit of Talisman from Sudan, which roughly coincided with fellow oil company Lundin's exit from Sudan in the later part of 2002 and early 2003 (Batruch, 2003). With the exit of these companies, western-based countries have lost a critical voice with the Sudanese government. This is not to say that having a voice with the government justifies the presence of Talisman in Sudan. It could be argued that the voice of Talisman was quite ineffective in applying pressure to the Khartoum government. Nevertheless, despite the companies' exit, massive displacements have continued, with allegations of continued Chinese collaboration. However, due to the lack of foreign observers in some major oil producing areas, the fate of many local people is simply not known. The use of Chinese assistance in forced displacements and massive human rights violations most likely predated Talisman's exit from Sudan, but still underlines a question that is asked too infrequently (Gagnon and Ryle, 2000).

The United States

The current U.S. policy and response to the conflict in Sudan has been shaped largely through a report produced by the Center for Strategic and International Studies (CSIS, 2003). The major findings of the report were as follows: "Although the policy debate on Sudan encompasses a myriad of issues, the CSIS task force concluded that the central problem on which virtually everything else hinges is the devastating war that has raged in Sudan since 1983" (CSIS, 2001, p.1). If the war is the number one issue then the primary goal must be to stop the war, then deal with the 'myriad of issues' later.

While it sounds great that "Sudan matters to U. S. interests – on human rights, humanitarian, and security grounds" (ibid., p.1),

it is not necessarily going to bring a resolution to the underlying issues of wealth sharing, the role of *sharia* law in Khartoum, and addressing the residual effects of years of massive human rights violations.

Another influence on U.S. policy in Sudan comes from U.S. special envoy to Sudan, John Danforth. Among the many activities that the U.S. has been involved in, one of the most beneficial has been in mediating between the mediators. Kenya has been actively involved in the peace process, leading the IGAD initiative while Egypt and Libya had created their proposal for peace, leaving the major warring parties favoring one approach or the other. Through U.S. moderation, Kenya has once again taken the lead role, while accepting a place for Egypt within the peace talks. The U.S. should be congratulated for its efforts in achieving a streamlining of the peace talks, in which peace is closer now than in the past 15 years. In his recommendations, Danforth states that “the United States could be a catalyst, it could not impose a solution on Sudan. Peace in Sudan will depend on the degree to which the combatants want it, and that, in turn, will be determined by actions not promises” (Danforth, 2002). Within the mediation process the U.S. has played quite an effective role. On the economic front, the U.S. is far from neutral. Evidence of Washington’s monetary involvement can be seen through the promise of large aid monies for both the GoS and the SPLA. The U.S. government has been involved in ‘carrot and stick’ diplomacy, whereby funds have been promised when a final peace agreement is signed, while simultaneously continuing unilateral economic sanctions against the Government of Sudan. The United States has been giving US \$100 million per year to the SPLA through the Sudan Peace Act, over and above other aid money (U.S. Dept. of State, 2003). This peculiar set of measures has been designed to get the warring sides back to the peace table, and finalize an end to the war. In October of 2003, U.S. Secretary of State Colin Powell paid a visit to the peace talks in Kenya to encourage the parties to continue in their efforts. Secretly, it is believed that Powell was hoping to oversee the signing of an agreement, but this was not to be the case. He subsequently stated that the two sides had promised to complete the deal before the end of 2003, a statement which each side later denied.

One of the reasons for the more active engagement of the U.S. has come from internal pressure from special interest groups, namely that of Christian organizations. Some of these groups that are involved in advocacy and letter writing campaigns include South Sudanese Friends International, Inc., the National Campaign of Conscience for Sudan, and the Center for Religious

U.S. policy

U.S. civil
society

Freedom. These groups, and others like them, have harnessed the energies of thousands of average Americans in lobbying the U.S. government to more closely intervene in Sudan. A lawsuit, filed in a U.S. court was organized surrounding Talisman's activities in Sudan, alleging Talisman's complicity in "the Sudanese Government's ethnic cleansing of black and non-minorities ... where Talisman is exploring for oil" (www.iabolish.com, 2001). The Center for Religious Freedom claims to have had major impacts on Sudanese related causes and events within the United States (Freedom House, 2001). While this might be a bold statement, evidence of the success of such programs is not hard to find. For instance, in the year 2000, PetroChina, a subsidiary of China National Petroleum Company (CNPC) which is very active in Sudan, launched an initial public offering on the New York Stock Exchange. Of the expected US \$10 billion that it hoped to raise, only US \$2.9 billion were actually acquired through the offering (Freedom House, 2001). Further evidence of the negative attention, which has been largely aimed at Talisman, its "stock has been divested by major holders such as the California Public Employees Retirement Systems and TIAA-CREF, the pension fund for most college/university professors, which also happens to be the world's largest pension fund" (*ibid*, 2001).

In a more cynical light, one reason for the expedited response on the part of the U.S. is that some sectors of the business community may be anxious to have the economic sanctions lifted on the Sudan. This would open up the oil market, currently dominated by China, Malaysia, and India, to U.S. firms. Support for this claim can be seen through visits of U.S. oil executives meeting with the Sudanese government, like that of Chevron (European Coalition on Oil in Sudan, 2003).

The U.S.-based company Chevron spent time during the late 1970s and early 1980s exploring the possibility of major oil extraction in Sudan. Southern forces feared what would happen if the GoS was able to begin major oil production and infuse capital into the regime's war effort. In that light SPLA forces in 1984 attacked Chevron's base camp, killing three foreign workers (HRW, 2003, p.109). Chevron's activities were suspended, and Chevron eventually withdrew from oil exploration in Sudan. It now appears that the fears of SPLA were well-founded, as oil revenues have been used to boost the capacity and strength of the GoS's military.

One of the unintended outcomes of the U.S. economic sanctions on Sudan has been to force the GoS to expand its economic horizons. This has encouraged new markets for Sudanese products and brought a new source of foreign investors

to Sudan. The GoS looked to Asia, led by China, and Russia as potential new marketplaces. There can be little doubt that the role of new investors, which paid for and built the vast majority of Sudan's oil infrastructure, has given the NIF regime a new lease on life, and an abundant source of foreign capital and investment.

China and Russia

The GoS based in Khartoum has utilized the revenues from oil to re-equip and modernize its armed forces. The day of the first shipment of oil from Port Sudan on 30 August 1999 saw a shipment of tanks from Poland arrive through the same port. This is representative of how the GoS has envisaged oil production. Since this time, Sudan has received 34 F-7 fighters from China, tanks from Poland and Belarus, and 12 MiG 29 from Russia (UN, 2002). While this military build-up is significant on its own, this pales in comparison to Sudan's recently acquired capability of producing small and medium-scale arms within Sudan. In return for oil concessions, and a 40 percent stake in Sudan's national oil company, China has heavily invested in both arms manufacturing and Sudan's oil infrastructure (Gagnon and Ryle, 2001, p.4). "[T]he Government of Sudan has itself acknowledged that oil revenues financed the recent building of an ammunition factory near Khartoum" (ibid, p.6).

GoS' arms
build-up

There have been allegations of Chinese missiles being deployed on Sudanese soil, as well as allegations of large-scale Chinese troop deployment. While the previous has yet to be proven, Chinese officials did confirm that at least 10,000 Chinese workers were flown into Sudan in order to complete the 1,600 km pipeline from deep inside Sudan's interior to Port Sudan (HRW, 2003, p.459). A similar deal has taken place between Russia and Sudan, where in return for oil concessions, Russia has given Sudan the right to produce Russian battle tanks. China's motivation within Sudan appears to be largely economic. With a shortfall on domestic crude oil, China has been actively seeking foreign sources of oil (HRW, 2003, p.457). According to the Bank of Sudan, China imported US \$771 million worth of oil from Sudan in the first half of 2003. This comprises approximately 60 percent of Sudan's total exports for this period (www.bankofsudan.org, 2003).

Other countries with large investment in direct oil production in Sudan include Malaysia and India while Canada, the United Kingdom, the Netherlands, and the United States are all involved in downstream investments (for example supplying oil

pumps, or marketing aviation fuel). Oil now comprises approximately 40 percent of Sudan's export earnings, and this figure continues to grow with passing time (Bank of Sudan, 2003). With the increase of revenues have come large increases in defense spending. This military build-up on the part of the government of Sudan has tilted the war in favor of the government. This has meant not only an escalation of wide-scale violence in Sudan but has also dramatically accelerated larger scale territorial battles and the forced displacement within Sudan, with estimates putting 500,000 more internally displaced persons (IDP) in oil producing regions during 2002 alone (Global IDP, 2003, p.10).

The role of Sudan's neighbors

Ethiopia ...

At the time of the signing of the Declaration of Principles in 1997 the GoS was quite isolated from its neighbors. Ethiopia had been providing material and logistical support for the SPLA for many years, but this shifted when its focus shifted with the escalating border conflict with Eritrea. Ethiopia's support had already started to diminish with the fall of the Mengistu Haile Mariam regime in 1991, which had actively supported the SPLA. However the balance of power was shifting back to the GoS, as SPLA sources of funding were shifting and dwindling with changing regional alliances.

... Libya and
Egypt ...

Tracing the roots of SPLA funding proves to be a lot more haphazard than with the GoS. In the past, the SPLA had received funding from Libya, Egypt, Israel, Ethiopia, Uganda, and the United States. However, these did not occur all at the same time nor for the same reasons. In particular, Libya and Egypt's alliances have often shifted due to personal and nationalist interests of these two countries. With Libya, in recent years Qadhafi has been trying to play up his role as African statesman concerned about the continent. The assistance to the SPLA and opposition forces in the north of Sudan has been intended to weaken, but not topple, the NIF government. Along with Egypt, Qadhafi wants to see a weak Sudanese government that can be more easily manipulated and controlled externally. As for Egypt's part, besides wanting a weak Sudanese government, there is Egypt's strong desire to keep Sudan together so that it can more easily influence and control water resources of the Nile which flows through the southern portion of Sudan. Since the latest outbreak of fighting in 1983, Egypt's population has doubled, making scarce water resources all the more important. An independent southern Sudan could threaten these water resources

since the bulk of Egypt's water source flows through southern Sudan (Johnson, p.48). Further evidence of Egypt's and Libya's interest in Sudan can be seen through the launching of a peace initiative by these two countries in 1999. This had the effect of destabilizing the already existing IGAD peace process. Instead of negotiating with the warring parties in Sudan, the negotiators were discussing amongst themselves who was going to play what role.

Uganda has played an important role in providing funds to the SPLA, having given significant military and logistical support to the rebel group much to the displeasure of the Sudanese government. For its part, the GoS has in turn funded the efforts of the Lord's Resistance Army that has actively been fighting against the government in Uganda. This 'tit-for-tat' relationship between Sudan and Uganda is quite representative of relations in the Horn of Africa, but also highlights the vulnerability of the SPLA to external actors. In response to this, the SPLA has sought 'funding' from other sources. This has included the imposing of taxes on civilians in rebel controlled areas as well as on local and international Non-governmental Organizations, as well as requiring landing fees for the United Nations (UN)-based relief missions (Loane and Schumer, 2000, p.89).

The role of Kenya is a curious mixture of trying to assist in the cessation of war in Sudan, and yet directly benefiting from the civil war. Nairobi is the main base for all southern-based relief operations, with millions of dollars of aid flowing through Kenya (HRW, 1998). This has quite literally become an industry within Kenya. Although Kenya has benefited materially from the devastation in southern Sudan, Kenya played a vital role in the peace negotiations that occurred in 2002-04. Besides encouraging the talk to continue and acting as a moderator, it has physically hosted the latest round of negotiations led by Kenyan Gen. Lazarus Sumbeiywo.

OLS, Politics and Relief

In 1989, an agreement was reached between the GoS, the SPLA and the United Nations on the coordination of relief programs within Sudan. The program was called Operation Lifeline Sudan (OLS) and was meant as a coordinating agency for more than 40 both local and international Non-governmental Organizations (NGOs). The impetus for the creation of the OLS was the discontinuity and organizational chaos of the 1988 famine in Sudan (African Rights, 1997). OLS was designed to streamline the activities of NGOs operating in Sudan in order to avoid the

... Uganda and
Kenya

NGOs in
Sudan ...

... and the role
of their aid

duplication of services and relieve the bottleneck of the bureaucracy of dozens of NGOs working within Sudan. Despite the attempt to coordinate efforts and implement the tripartite agreement, relief has continued to have many political dimensions to it and aid has been a major target of the war efforts of both the Sudanese Government and the SPLA. The manipulation and extortion of aid agencies has come at a very high price for Sudan's population. It seems ironic that both the government and the SPLA have accused the OLS of assisting the opposing sides (Loane and Schumer, 2000).

In terms of the role of aid in conflict, five identifiable areas have been sighted as to how aid can affect conflict; first is through the theft of aid, and the potential sale of aid to fund war efforts; secondly by affecting local markets thus further engraining a war economy. Thirdly, by how aid is distributed and its potential impact in fostering tensions; by substituting for local resources and therefore releasing resources for conflict purposes; and finally aid can legitimize people and their actions and/or agendas within a time of war that would not be acceptable during peace time (Robinson, 1999, p.39). All of these characteristics of aid in conflict zones have materialized at one time or another during the conflict in Sudan. To begin with, we will look at the role of the GoS, aid, and the OLS.

The GoS has actively sought to control the flow of aid within Sudan as a weapon in its war with the SPLA, and against the people of southern Sudan (Prendergast, 2002). Specifically, patterns of flight approval and the subsequent aid dispersal have been based on 'security' concerns of the GoS. However, the security concerns are a thinly veiled form of control over where aid is dispersed within rebel-controlled areas. This effectively undermines much of the value of OLS as a tripartite agreement between the Government of Sudan, the SPLA and the UN. Government forces have bombed United Nations food distribution centers on several occasions (Dow Jones International News, August 8 2000). "[T]he government used diplomatic means to restrict aid flows to Upper Nile through Operation Lifeline Sudan (OLS), the United Nations-led emergency relief operation by denial of airstrips in affected areas, and latterly by bombing of airstrips" (Gagnon and Ryle, 2000, p.17). Unfortunately the trend of the manipulation and destruction of aid centers is not an anomaly in Sudan.

“Government aerial attacks on locations in South Sudan where there are aid centres have become routine. Specific protests to the government on behalf of aid agencies are, surprisingly, no longer

routinely made in the aftermath of attacks (though an unusually heavy bombardment of a relief centre in Bahr-el-Ghazal in October 2001...provoked condemnation from the UN Under-Secretary-General for Humanitarian Affairs" (ibid, p.21).

In addition to the intentional bombing of relief centers there has been the manipulation of relief access and distribution. The GoS has insisted that the UN obtain flight clearance before granting permission to make food drops (Medley, 2000, p.169). "Civilians are denied access to relief supplies in other places than Pariang Province or Ruweng County. Hunger as a weapon of war is more potent in Sudan than the Antonov 'bomber'⁴" (Harker, 2000, p.55). The areas OLS has been able to serve have changed with the political desires of the GoS. For instance, food drops were allowed into areas controlled by Riek Marchar after he aligned his faction with the government in 1997 (Prendergast, 2002). The GoS claims that OLS is biased towards the southern rebels, and has provided assistance to the warring rebel parties. The government has also disputed the pseudo-recognition that the SPLA receives as the UN deals directly with the rebel group, a first for this type of UN operation (Prendergast, 2002, p.147). However, this pseudo-recognition forced the withdrawal of support from some European development agencies, most notably the European Community Humanitarian Office (ECHO) from southern Sudan because of their direct connection with European governments whose policy was not to work directly with national insurgency groups.

Manipulation
of aid

The SPLA has also had a strained relationship with the OLS, albeit for very different reasons. The SPLA is quite cynical as to the role of the UN in aiding the government. In the early years of the war, during the Reagan administration (1981-1988) "the U.S. cooperated in obstructing the expansion of relief to non-government held areas...accepting Khartoum's incredible claim that only 3% of Southern civilians lived outside government control" (Johnson, p.146). In 1986, the UN would follow suit, and even go so far as banning relief efforts outside of government-controlled areas. Thus any skepticism on the part of the SPLA was well-founded in historical precedence. In retaliation for this, the SPLA shot down a UN relief flight in 1986 (African Rights, 1987, p.84). Since this period there has been a tenuous relationship between the SPLA and the UN. After a decade of

4 Sudan's military has had major upgrades since this quote was taken, however hunger as a weapon of war has continued to play role in the Government of Sudan's war strategy.

Aid as subsidy
to GoS?

distrust and accusations of impropriety by each side, the SPLA required NGOs working in rebel controlled areas to sign a Memorandum of Understanding (MoU) in 2000. The agreement stated that the NGOs would administer aid without prejudice irrespective of race, religion, or other such factors (Johnson, 2002, p.161). There is, however, significant evidence that food aid has been diverted from civilians for military purposes (Prendergast, 2002, p.149).

The influence of relief agencies and the level of funding within Sudan are quite significant. At the height of the Bahr El Ghazal famine in 1998, international relief efforts amounted to US \$1 million a day roughly equivalent to the cost of the war to the Government of Sudan (HRW, 1998, p.2). From the vantage point of examining external economic actors in the civil war, the relief aid to Sudan can be viewed as an indirect subsidy to the Sudan war effort. This not to say that many needy people would not have otherwise gone hungry, but this influx of revenue allowed the Government of Sudan to skirt their responsibility to its citizens, and gave a certain air of legitimacy to the Sudanese government. There can be many humanitarian/moral reasons why the international community should have been pumping that many resources into the conflict, however the case still remains that this was an indirect war subsidy.

The argument can be made that relief has also allowed the Government of Sudan, and to a lesser extent rebel factions, to more easily manipulate Sudanese civilians. This is particularly true in regard to the forced movement, displacement and resettlement of civilians. The Government of Sudan could not have survived the sheer volume of internally displaced people without external aid. With roughly one in nine Sudanese being an IDP, the destabilizing effect of this could have been enough to undermine the GoS. Though OLS has the potential to be a model for NGO-UN cooperation, particularly in the area of a coordination of efforts, the relief efforts in Sudan should also serve as a warning to the potential manipulation of relief efforts by warring parties.

The example of aid within Sudan gives a glimpse at a larger debate surrounding on what grounds to intervene in intra-state conflicts. Through history and precedent, the priority has rested largely in protecting a state's sovereignty. However, the idea that sovereignty is the overriding factor when interacting between states is being challenged by the concept of protecting people, if governments are not willing to do so. The following is an excerpt from *The Responsibility to Protect*, a report looking at the policy challenges facing states within the context of a globalizing economy and decreased human security (International

Commission on the Intervention and State Sovereignty (ICISS), 2001).

“Basic Principles

A. State sovereignty implies responsibility, and the primary responsibility for the protection of its people lies with the state itself.

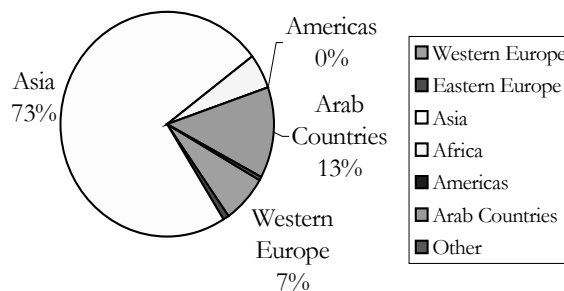
B. Where a population is suffering serious harm, as a result of internal war, insurgency, repression or state failure, and the state in question is unwilling or unable to halt or avert it, the principle of non-intervention yields to the international responsibility to protect” (ICISS, 2001), p.XI).

The Sudanese government has shown a continual unwillingness to even acknowledge the tremendous suffering that has taken place within the country, let alone take any responsibility. “The pattern of war indicates that resource depletion and economic subjugation are the objectives of the war, not just its incidental consequences” (Johnson, 2003, p.145). If truth were told, the international community has intervened in Sudan, however this intervention has propped up the military junta in Khartoum, rather than seeking to limit its power and support. The economy of the Sudan has been forced to adjust to seemingly perpetual conflict. This has been accomplished with the assistance of the international marketplace. The challenge for the international community, and more specifically for external economic actors, is to strive for a more positive impact on conflict-prone areas, such as Sudan. Hitherto, there has been a significant imbalance to in terms of international economic activities in Sudan.

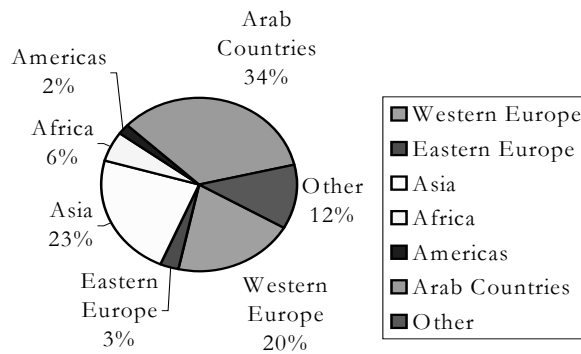
To demonstrate this, a look at the composition of Sudan’s imports and exports would be informative.

International economic activities: exports...

Sudan’s Exports



Sudan's Imports



Source: Bank of Sudan, 2003

... imports

As can be seen through the previous graph there is an overall balance of regions willing to trade with Sudan. The most notable exception would be that of the United States, which has imposed unilateral economic sanctions on Sudan since 1997. Though there is distinct limits to the analytical value of such a macro-approach into Sudan's economics, a look at the direction of Sudan's exports may better inform of the current situation.

In recent years it has become an international taboo, at least within the 'West', to purchase products from the Sudan. However, when one delves a little deeper it is quite clear that countries are willing to sell their products to Sudan. Although only 8 percent of Sudan's exports for 2002 are destined for Europe and the Americas the same regions account for 25 percent of Sudan's imports. There is quite a lot of imbalance in which countries are willing to sell goods, services, and even major arms to Sudan and their attitude towards trading with Sudan. This lends support to the thesis that international economic actors have lent much support to Sudan and ultimately its economic viability has been widely dispersed. Sudan's oil sales may come from a few sources, namely China, Japan and South Korea (consisting of two-thirds of the countries' total exports in 2002) (Bank of Sudan, 2003). Sudan's imports are spread across many countries, with Saudi Arabia topping the list at 12 percent of its imports. This includes oil services from Europe, Canada, and others, and MiG-29 fighter jets from Russia (Vitrade, 2001; UN, 2002). Now one must assume that these companies know where the money comes from to pay for these services, and yet there is

not the loud outcry from social activists, the same ones who were ready to string up companies like Canada's Talisman for operating within Sudan's oil industry.

Peace in Sudan and beyond

Peace in Sudan may finally be within reach. After too many decades of fighting, lasting peace may be just around the corner. But as a final peace agreement is being signed, this is not the time to relax and become complacent. More than any other time in the last 45 years, now is the time for the international community, economic and otherwise, to ensure that all warring parties live up to the agreements that have been made at the peace talks in Kenya. There will be the need for literally decades of building, reconstruction, and development to reverse the effects of years of neglect, de-development and organized violence. Again, this point cannot be overemphasized that accountability must be applied by the international community and is a cornerstone to lasting peace in Sudan.

Peace for
Sudan?

Ultimately, the development of all people in Sudan will rely on the signatories themselves, and specifically in their honoring the agreements made on security, wealth and power sharing. Accountability was lacking at the time of independence, when the British left Sudan in quite a hurry. The absence of accountability was one of the major downfalls of the 1972 Addis Ababa agreement. This must not be allowed to happen once again. Coinciding with this, the main protagonists need to widen the scope of reconciliation to all parties and actors in Sudan. There is a necessity of being inclusive, and bringing all of Sudan into this new governing structure, and reaching out to all marginalized groups within Sudan. Specifically, this must involve resolving the conflict in Western Darfur, where escalating violence and the targeting of civilians have left the region devastated.

Finally, return to the contrasting views of EU and U.S. policy over Sudan, for this divide illustrates diverging views in terms of state sovereignty and different ways of engaging within war economies. One could clearly argue that EU policy has been more moderate and balanced. However, if one looks closer, it appears as though the 'carrot and stick' approach of the U.S., in terms of a peculiar combination of promises, rewards and threats, has been much more effective in bringing the sides together. Clearly the withdrawal of EU-based oil companies was noticed by the Sudanese government, this should not be underestimated, but U.S. policy has been more effective in pushing for peace in Sudan. The SPLA was given a new lease on life due to the U.S.

assistance, both in terms of financial support, as well as some badly needed ‘moral’ support. The political theorist I. William Zartman (2000) has presented a concept called a ‘mutually-hurting stalemate’ (Zartman, 2001). Put succinctly, the idea behind this is that when two parties within a conflict are sustaining enough losses –though maybe not equivalent ones – that it is better to make peace than continue fighting. While one could hardly call the conflict in Sudan a stalemate, the lifeline the SPLA has received from external support just may have been enough to tip the balance of power in order to force both sides back to the bargaining table.

Justified
interventions?

Even if this were true, which is highly debatable, it is still quite controversial that an external power, namely the U.S., has directly intervened in another sovereign country. This can be seen through its unilateral economic sanctions against the GoS, through USAID’s focus on southern Sudan, and most recently through the Sudan Peace Act. There are many questions that can be raised about such an approach; will the pressure (and interest) of the U.S. remain in Sudan? Would this stance work in another context? Was there enough justification for such a one-sided intervention? Obviously, questions of this magnitude cannot be answered in a paper of this size and scope. They are nonetheless questions that need to be raised, and continued to be pondered when addressing the role of external actors in war economies. How far is a country, company, or civil society willing to go in order to get its message across?

Sudan is a case whereby one could argue that too much has been done in terms of providing a material base for the many warring sides, and too little has been accomplished through humanitarian external interventions. Much of the intervention has been in investing in a war-torn country, boosting its economic viability without really questioning the state apparatus behind the civil war. This has occurred to the great detriment of the people of Sudan. This leads back to the discussion on sovereignty and also to the evolving international economic marketplace. Economic interventions are, by and large, a reality within the world today. In the case of Sudan, at this time, direct and biased intervention on the part of a few external actors did manage to shift the tide of the war. The war did not shift entirely towards the SPLA, but enough to breathe a little life into the organization. International politics have also shifted since 1997, namely with the U.S. war on terrorism. The government in Khartoum was forced to revisit its political strategy and tone down its rhetoric in terms of its Islamic project in Sudan. However, this might have put a ‘friendlier’ face on the foreign policy of Sudan but did not

appear to significantly alter its campaign against the SPLA.. Sudan's example should be a warning to the dangers of political inertia in a conflict with major economic interventions. It should also serve notice to companies of the difficulty of remaining 'neutral' in major conflict zones and the potentially tenuous position of investing in highly conflict-prone areas.

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