

The Role of Oil in South Sudan

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Abstract

Natural resource revenues have played a key role in the conflicts that have plagued resource-rich African countries over the past three decades. This is mainly due to lack of equitable and transparent use of the revenues from natural resources in almost all conflict ridden countries. Many oil producing countries in Africa have failed to bring about overall development in their societies. For example, on most measures of human welfare, particularly infant mortality and literacy rates, sub-Saharan Africa's established oil producers have generally performed no better than non-resource endowed African countries, even after receiving large oil windfalls.¹ When South Sudan gained independence in 2011 after fighting its northern neighbor Sudan for over a decade, its oil wealth held the prospects of a brighter future. However, so far South Sudan has failed to live up to its citizens' hopes and expectations. Instead, its oil resources have perpetuated conflict among the South Sudanese and with its neighbor Sudan. The central question this paper will address is: has Africa's youngest country, set itself up to join the resource-curse club? This paper will examine the extent of South Sudan's suffering from the resource curse? In doing so, it also examine the role of oil in South Sudan's conflict, and question the framing of resources as a central causal mechanism in the resource abundance–conflict relationship in South Sudan.

¹ David M. Anderson & Adrian J. Brown, "The Politics of Oil in East Africa" *Journal of Eastern African Studies*, Vol.5, No.2, 2011:369-410

Acronyms and Abbreviations

AU	African Union
CPA	Comprehensive Peace Agreement: signed in 2005 by the SPLM/A and the government of Sudan
NCP	National Congress Party: the North's ruling political party
SAF	Sudanese Armed Forces: the North's military force
SPLA	Sudan People's Liberation Army: the independent South's military force
SPLM	Sudan People's Liberation Movement: the independent South's ruling political party
SPLM/N	Sudan people's Liberation Movement North: a separatist movement and political party based in northern Sudan, primary Blue Nile and South Kordofan States
SSLM/A	South Sudan Liberation Movement/Army: an insurgent group operating in the Upper Nile region of South Sudan and opposed to SPLM rule
GoSS	Government of South Sudan
GoNU	Government of National Unity

Introduction

South Sudan is Africa's youngest country. Its independence from its northern neighbor Sudan in 2011 was accompanied by great hopes among its domestic populations and much goodwill and financial assistance from the international community. Yet, barely three years on, in December 2013, South Sudan descended into near civil war and there are few signs of significant development gains. Due to the December 2013 conflict, more than 1 million people have been displaced and over 10,000 killed, while humanitarian crisis threatens many more.² This situation has raised fears that South Sudan is not merely Africa's youngest country, but also its newest recruit to the group of countries known as resource cursed.³ Occupying an area of about 644,329 sq.km⁴, the country has a population of about 8.3 million.⁵ In other words, South Sudan is large and sparsely populated in most areas. It also has greater resources wealth per capita than neighboring countries. If its resources could be well managed, they could be leveraged for the purpose of development and nation building. However, resource rich countries are more likely to be describe as suffering "the paradox of plenty" and their reality is sobering: countries that depend on oil for their livelihood are among the most economically troubled, the most authoritarian, and the most conflict-ridden in the world.⁶ The consequences of development based on the export of oil have inclined to be negative during the past 40 years.⁷ Its negative effects include: slower-than expected economic growth, poor economic diversification, gloomy

² International Crisis Group, "South Sudan: A Civil War by Any Other Name" African Report, No.217, April 2014

³ Martha Molfetas, "Resource Curse and Peace Building-A tale of Two Sudan" Foreign Policy Center Briefing,2012

⁴ The CIA World Fact book

⁵ The World Bank: South Sudan, 2013

⁶ Terry L. Karl, Understanding the Resource Curse: Open Society Institute, in "Covering oil: A Guide to Energy and Development" 2005,Page,160

⁷ Ibid

social welfare indicators, high levels of poverty and inequality, devastating environmental impacts at the local level, rampant corruption, exceptionally poor governance, and high incidences of conflict and war.⁸ In the case of South Sudan, the real impact of resources curse needs to be examined thoroughly and directly in order to identify the problem and to examine the extent of its effect.

This research paper argues that the usual symptoms associated with the resource curse are prevalent in South Sudan. The argument centers three main areas: the country's armed conflicts, the absence of efforts to strengthen non-resources sectors of the economy, and South Sudan's weak government institutions and rampant corruption. The paper will also argue that the inequitable and undemocratic use of resources has largely determined the expansion of conflict in South Sudan, but not at the same scale as in countries where war economies have emerged, such as the Democratic Republic of Congo (DRC). This paper examines the role resources, and more specifically oil, has played in determining peace and security in South Sudan, before and after the signing of the Comprehensive Peace Agreement (CPA) in 2005. It also examines the relationship between oil and conflict in South Sudan. The paper is structured around two broad questions: First, to what extent did the resource curse affect South Sudan? Second, is oil endowment a 'curse' to South Sudan? Furthermore, this paper is divided into four sections. Section one presents a literature review on the resource curse. Section two provides background on South Sudan by locating the present situation within the context of the two civil wars between Sudan and South Sudan. Section three explores the conflict after the CPA and the role of oil in this conflict. Section four analyses the current conflict between Sava Kiir and Rech Machar in the light of the resource curse and importance of oil. The paper concludes that South Sudan is

⁸ Terry L. Karl, Understanding the Resource Curse: Open Society Institute, in "*Covering oil: A Guide to Energy and Development*" 2005, Page, 160

highly vulnerable to the resource curse and that its symptoms are already on display. Finally, this paper provides conclusion and the paper will offer recommendations to combat the resource curse in South Sudan.

Section One

1.1: Literature Review: The Resource Curse

It has been witnessed for some decades that the possession of oil and other natural resources deposits does not necessarily confer economic success. Many African countries such as Angola, Nigeria, Sudan, and the Congo are rich in oil, diamonds, or other minerals, and yet their peoples continue to experience low per capita income and a low quality of life.⁹ The impact of natural resources on economic growth has been a subject of strong debate over the past two decades. At the heart of this debate is a controversial finding: some empirical studies have shown that instead of stimulating the economy by increasing physical and human capital, natural resources have a negative impact on economic growth.¹⁰ This effect is termed the ‘curse’ of natural resources, or sometimes the ‘paradox of plenty’.¹¹ Today, violence declining in most parts of the world, resource rich states make up a growing fraction of the world's conflict-ridden countries.¹² They now host about a third of the world's civil wars, both large and small, up from one-fifth in 1992.¹³ This reality is sobering: countries that depend on oil are among the most

⁹David M. Anderson & Adrian J. Browne, “*The Politics of Oil in Eastern Africa*” *Journal of Eastern African Studies*, Vol.5, No.2, 2011:369-410

¹⁰ Amela Karabegovic, “*Institutions, Economic Growth, and the “Curse” of Natural Resources*” Series Editor: Fred McMahon, 2009

¹¹ Pelin Ekmen, “*From Riches to Rags-the Paradox of Plenty and its Linkage to Violent Conflict*” *Goettingen Journal of International Law*, Vol.3, No.1, 2011:473-493

¹² Michael L. Ross, “*Blood Barrels, Why Oil Wealth Fuels Conflict*”, 2008

¹³ *Ibid*, 2008

economically troubled, the most authoritarian, and the most conflict-ridden in the world.¹⁴ Observers of recent successes and failure have noted that while some of the fastest growing economies have been found in countries with very few natural resources (such as Hong Kong, Singapore, South Korea, and Taiwan),¹⁵ some of the poorest economic performers (Like Angola, Serra Leone , and Zaire) are countries with massive resource deposits.¹⁶ A number of recent studies have concluded that this negative association between resource abundance and economic growth holds for large samples of countries, even when controlling for other relevant variables.

The perceived utility of natural resources as a driver for economic development has experienced a dramatic change in the past decade. Although economists generally viewed an abundance of resources as beneficial until the 1980s, a significant body of empirical and theoretical literature emerged in the 1990s that reached rather opposite conclusion. The phrase “natural resource curse” caught on in both academic and policy circles in part because of its absurd and contradictory connotations. Natural resources have been linked to a series of negative outcomes like economic decline, corruption and autocratic rule.¹⁷ For new oil and gas producing countries, the gravest danger is the possibility of armed conflict. The literature shows that among developing countries, an oil-producing country is twice as likely to suffer internal rebellion compare to non-oil producing one. Over the past decade, a large body of literature has been developed to analyze the link between a country’s natural resource endowment, particularly oil, and economic growth. Sachs and Warner demonstrated “a statistically significant, inverse, and robust association between natural resources intensity and growth over the past twenty

¹⁴ Michael L.Ross, “*Blood Barrels, Why Oil Wealth Fuels Conflict*” ,2008

¹⁵ Jeffrey Frankel, “*The Natural Resource Curse: A survey*” Research Working Paper series, John F.Kennedy School of Government,2010

¹⁶ Ibid,2010

¹⁷ Gilles Carbonnier, Natascha Wagner and Fritz Brugger, “ *The Impact of Resource-Dependence and Governance on Sustainable Development*” The Graduate Institute, Geneva, CCDP Working Paper,2011

years.”¹⁸ A number of other scholarly researched papers have confirmed this relation, allowing Sachs and Warner to conclude that “empirical support for the curse of natural resources is not bulletproof, but it is quite strong” and that “the finding in repeated regressions using growth data from the post –war period is that high resource intensity tends to correlate with slow growth.”¹⁹

In addition, resource curse literature suggests that natural resource abundance is associated with the onset of civil war and influences both the duration and intensity of civil war.²⁰ Some researchers have also suggested that natural resource abundance may elongate the duration of civil wars. Extremely influential research by Paul Collier and Anke Hoeffler at the World Bank suggests that countries whose wealth is largely dependent on the exportation of primary commodities—a category that includes both agricultural produce and natural resources—are highly prone to civil violence.²¹ In explaining the correlation between primary commodities and conflict, Collier and Hoeffler argue that conflict can be defined either by greed or by grievances, such as feelings of ethnic or political marginalization. The authors conclude that to understand the causes of contemporary civil war, people should forget about political and cultural arguments and focus instead on the greed of rebels and their trade in natural resources.²² The authors argue that countries dependent on the export of agricultural commodities, mineral, and oil suffer from unusually high poverty, poor health care and widespread malnutrition, high rates of child mortality, or life expectancy, and poor educational performance. These are rather astonishing findings given the revenue streams made available to resource rich countries.

¹⁸ Jeffrey D. Sachs & Andrew M. Warner, “*Natural resource Abundance and Economic Growth*” National Bureau of Economic Research, Working Paper 5398,1995

¹⁹ Ibid, 2001

²⁰ Michael L. Ross, “*How Do Natural Resources Influence Civil War? Evidence From Thirteen Cases*” International Organization, Vol.58, No.1, 2004:35-67

²¹ Paul Collier & Anke Hoeffler, “*Resource Rents, Governance, and Conflict*” Journal of Conflict Resolution, Vol.49, No.4, 2005:265-633

²² Paul Collier, Anke Hoeffler, & Dominic Rohner, “*Beyond Greed and Grievance: Feasibility and Civil War*” CSAE WPS/2006-10

Furthermore, many studies of the natural resource-civil war relationship, based on cross-country comparisons, argue that there is a strong statistical association between oil abundance and civil war onset. Collier and Hoeffler find that natural resource dependence has a positive effect on the onset and duration of civil war at low levels of natural resource dependence and a negative effect at high levels of natural resource dependence.²³ Lujala et al., find that weak states producing primary diamonds are at higher risk of civil war onset and that the production of secondary diamonds increases the chances of ethnic civil war in ethnically diverse countries.²⁴ Morrison also illustrates that oil rents enhances the risk of civil conflict only in low state capacity countries.²⁵

On the other hand, political scientist argue that countries rich in natural resources may also develop substandard governance and institutions. These weak institutions become less accountable and slower to reform, thereby leading to poor economic performance. According to Ross, nations that obtain significant revenue from natural resources are able to tax their population less heavily and their population will in turn be less likely to demand greater accountability and representation.²⁶ Likewise, resource-rich countries may use resource revenue to increase funding for security services and military in order to impede a civil sector that would otherwise demand political rights. Generally, overdependence on resource revenue works to delay urbanization, impede higher levels of education, and frustrate long-term political and economic change.²⁷ Moreover, Isham et al argue that natural resources can also affect the country's social structure by creating a wealthy elite that is likely to resist economic and political

²³ Paul Collier & Anke Hoeffler, *"On economic causes of civil war"* Oxford University Press, 1998:563-573. Ibid,2006

²⁴ Paivi Lujala, Nils Petter Gleditsch & Elisabeth Gilmore, *"A Diamond Curse? Civil War and A Lootable Resource"* Journal of Conflict Resolution, Vol.49, No.4, 2005:538-562.

²⁵ Kevin M. Morrison, *"Oil, Conflict, and Stability"* Cornell University, March 2010

²⁶ Michael L. Ross, *"Does Oil Hinder Democracy?"* World Politics, Vol.53, No.3, 2001:325-361

²⁷ Ibid

reforms.²⁸ In extreme cases, struggles over resource revenue can spark civil wars that destroy physical and institutional infrastructure.

Furthermore, resource curse literature also comprises a number of studies suggest that natural resource wealth is associated with low levels of democracy. Wantchekon, for instance, examined data related to 141 countries between 1950 and 1990 and found that a 1% increase in natural resource dependence, as measured by the ratio of primary exports to GDP, increased the probability of authoritarian government by nearly 8%.²⁹ He also found that countries that were rich in natural resources were more likely to experience failed or slow transitions to democracy.³⁰ Jensen and Wantchekon presented similar findings in relation to Africa, concluding that resource abundance countries in this region were more likely to be authoritarian and experience breakdowns in democracy after a democratic transition.³¹ Moreover, Ross investigated whether there was any variation in regime outcomes across different types of resource economy and different regions. After examining data from 113 states between 1971 and 1997, he conclude that ‘a state’s reliance on oil or mineral exports; that it is not limited to the Arabian peninsula, to Middle East, or to sub-Saharan Africa; and that it is not limited to small states’.³²

In general, resource control and revenue distribution were centered to the conflicts in Africa that were previously perceived as ethnically based. This led to many instance of social

²⁸ Jonathan Isham, Michael Woolcock, Lant Pritchett, & Gwen Busby, “*The Varieties of resource Experience: Natural Resource Export Structures and the Political Economy of Economic Growth*” *The World Bank Economic Review*, Vol.19, No.2, 2005:141-174

²⁹ Leonard Wantchekon, “*Why do Resource Dependent Countries Have Authoritarian Governments?*” Yale University, 1999

³⁰ Ibid

³¹ Nathan Jensen & Leonard Wantchekon, “*Resource Wealth and Political Regimes in Africa*” *Comparative Political Studies*, Vol.37, 2004:816-841

³² Michael Lewin Ross, “*Does oil Hinder Democracy*” *World Politics*, Vol.53, No.3, 2001:325-362

injustice, deprivation, human right violations, intimidation, and domination. These become the marks of the South Sudan-Sudan conflict. Contestation over the allocation and distribution of resources is an ideal nursery for social movements that can culminate in regional insurgencies. This has certain implications for the socio-economic and political development of a given country. Natural resources dispute were present in about 40% of all intra-state conflicts in the past six decades.³³ Conflicts may arise in the struggle for livelihoods or may be a consequence of mass migration. Much of the previous research on the causal links between competition over natural resources and violent conflict has focused largely on high value extractive resources such as oil, gems, diamond and other minerals and timbers.

The purpose of this literature review is to summarize and discuss the major documents published on resource curse over a stated period of time. Thus, the literature review enables this paper to analyze the extent of resource curse in South Sudan and its effects, based on the knowledge gained from previous research documents. Additionally, the paper proposes this perspective because of the resource curse problems that South Sudan has been suffering since the discovery of oil. These problems that have been faced by other resource cursed countries have more similarities with South Sudan. Thus, this literature review focused on the three main resource curse areas, such as armed conflict between rival groups to control natural resource, weak economic performance, and rampant corruption. Most importantly, doing this literature review is to provide the reader with an update account and discussion of the key research findings on resource curse.

³³ Blake D. Ratner, "*Resource Conflict, Collective action, and Resilience: An Analytical Framework*" International Journal of the Commons, Vol.7, No.1, 2013:183-208

Section Two

Historical Background

2.1: The First Civil War from 1956 Until 1972

As the world's newest country, South Sudan's national sovereignty is just three years old. The relative peace between South Sudan and its northern neighbor Sudan is eight years old. Before that, the two were involved in bloody civil war for half a century.³⁴ The conflict claimed an estimated two million lives from 1983 to 2005 alone, and resulted in the displacement of over four million people.³⁵ Although it is rich in natural resources, South Sudan is a historically marginalized and neglected region that has seen little or no development throughout its history. The region has little access to roads, electricity, functional schools, health facilities, and essentially had no form of self-governance until 2005.³⁶ During the colonial period, the British allocated most resources for development to northern Sudan. Thus, the areas known as South Sudan faced socio-economic exclusion from the rest of colonial Sudan due to the use of deliberate marginalization policies. Once Sudan became independent in 1956 and the border between the two areas was lifted, the South found itself in an extremely disadvantaged position. Thus, independence was heavily overshadowed by unresolved tensions with the South, which flared up into a full scale conflict with the rise of Anyanya, a rebel militia based in the south.³⁷

³⁴ Blake D. Ratner, "Resource Conflict, Collective action, and Resilience: An Analytical Framework" International Journal of the Commons, Vol.7, No.1, 2013:183-208

³⁵ Luke Patey, "State Rules: Oil Companies and armed Conflict in Sudan" Third World Quarterly, Vol.28, No.5, 2007:997-1016

³⁶ Greg Larson, Peter Biar Ajak & Lant Pritchett, "South Sudan's Capability Trap: Building a State with Disruptive Innovation" Center for International Development at Harvard University, Working Paper No.268, October, 2013

³⁷ Douglas H. Johnson, "The Root Causes of Sudan's Civil Wars" African Issues, Indiana University Press, 2003, page, 31

The root causes of the first civil war date back to the colonial period and the transition to independence. The south demanded more political power and a greater share of the country's wealth. However, the factors that started the war may not be the same as those which sustained it. The beginning of the first civil war is commonly cited as 1955, when a mutiny broke out in the southern military garrisons.³⁸ The first civil war was a conflict from 1955 to 1972 between the north and the South. Thus, after independence in 1956, Sudan faced nearly constant conflict with then Sudan and Sudan People's Liberation Army/Movement (SPLA/M).³⁹ To the independent government in Khartoum, South Sudan's development was considered less important due to ethnic differences between Arab and Muslim groups in the north and Dinka, Nuer, and Christian to the south.⁴⁰ Historically, during both the colonial and independence periods, the southern part of Sudan was consistently marginalized from any economic development.

According to Collier and Hoeffler conflict can be defined either by greed or by grievances, such as feelings of ethnic or political marginalization.⁴¹ The political, social, and economic marginalization of the South can thus be seen as the primary causes of the prolonged civil war in Sudan. However, at the time oil was discovered, Sudan had been enjoying the most peaceful period in its troubled post-independence history. An agreement signed in Addis Ababa in 1972 had put an end to the southern uprising, transforming Sudan into an asymmetrical federation where southerners held positions in the central government and also enjoyed a degree

³⁸ Scopas S. Poggo, *"The First Sudanese Civil War: Africans, Arabs, and Israelis in The Southern Sudan, 1955-1972"* Palgrave Macmillan, 2009, Page 42

³⁹ Jeffrey Frankel, *"The Natural Resource Curse: A Survey"* Faculty Research Working Paper series, John F. Kennedy School of Government, 2010

⁴⁰ Scopas S. Poggo, *"The First Sudanese Civil War: Africans, Arabs, and Israelis in The Southern Sudan, 1955-1972"* Palgrave Macmillan, 2009, Page 42

⁴¹ Paul Collier & Anke Hoeffler, *"Resource Rents, Governance, and Conflict"* Journal of Conflict Resolution, Vol. 49, No. 4, 2005: 265-633

of autonomy.⁴² However, the prospect of becoming an oil exporter changed the policies of the Government of Sudan (GoS) not only with regard to oil related legislation, but also with regard to the administrative set up of the country. In order to control the oil rich southern regions, President Nimeiri divided the Southern Region into three parts; one of which was the Upper Nile Region and included the oil fields of the former western Upper Nile Province.⁴³ He redrew the borders between southern and northern Sudan to create a “Unity Province”, which stretched from the oil fields in southern Kordofan to the Southern Region.⁴⁴ Furthermore, the oil discovery near Bentiu in the north of this region led the Government of Sudan (GoS) to tighten its control over the oil producing area, which in turn sparked massive dissatisfaction among the southern Sudanese population. Thus, the GoS deployed northern Sudanese soldiers in the Southern region, where they increasingly harassed local inhabitants during the early 1980s. In 1983, the local grievances created by these decisions helped promote consolidation and support for the Anyanya II guerilla movement.⁴⁵ When, in 1983, part of Anyanya II moved into Bentiu district to protect southern Sudan’s oil fields to get the wealth redistributed towards the south, this started the second civil war and oil became the driver of war for the following twenty years.

2.2: Oil and Its Role in North-South conflict-1983-2005

Oil resources have been viewed as a major catalyst for the outbreak and prolongation of the north-south war in Sudan. A high percentage of the country’s oil resources are located in southern Sudan, for which the Sudan People’s Liberation Movement/Army began demanding

⁴²Douglas H. Johnson, “*The Root Causes of Sudan’s Civil Wars*” African Issues, Indiana University Press, 2003, page,39

⁴³ Elke Grawert & Christine Andra, “*Oil Investment and Conflict in Upper Nile States, South Sudan*” Bonn International Center for Conversion, Brief, 48,

⁴⁴ Ibid

⁴⁵ Christopher Zambakari, “*South Sudan and the Nation-Building Project: Lessons and Challenges*” International Journal of African Renaissance Studies, Vol8, No.1, 2013:5-29

self-determination in the early 1980s. According to Collier and Hoeffler, natural resource dependence has a positive effect on the onset and duration of war.⁴⁶ Thus, Sudan's history of oil production has been a history of violent conflict. Soon after the discovery of oil in the southern region in the late 1970s, the second Sudan's civil war (1983-2004) broke out.⁴⁷ At the time the Sudan People's Liberation Army (SPLA) would fight for resource control and independence from the north. By 1983, the country was slipping back into war and old patterns and north-south conflict were bubbling to the surface. As a result, the war raged in the center of the country, with the northern government provoking divisions and tribal clashes in the south. New factors further complicated this situation: the growing competition to control oil resources in the country's center was accompanied by a change in Sudan's foreign oil partners and a brewing conflict in the western Darfur region after 2003. As a result, Western oil companies rejected Sudanese policies and withdrew from the country, leaving Chinese, Malaysian, and Indian companies to fill the void.⁴⁸ Half a century of war, displacement, and loss of human life devastated whatever negligible infrastructure did exist prior to the British departure in 1956. Today, South Sudan is one of the most underdeveloped regions in the world, with roughly 51% of South Sudanese living in extreme poverty and an estimated 80% depending on subsistence agriculture or animal husbandry as their main source of livelihood.⁴⁹

The discovery of oil has not been a blessing for the South Sudanese because they have not benefited from oil revenues. Consequently, this gave a chance to the SPLA to recruit more south Sudanese youth to fight against north because the vast majority of Sudan's substantial oil

⁴⁶ Paul Collier, & Anke Hoeffler, "*Greed and Grievances in Civil War*" Oxford Economic Papers, Vol.56,,2004:563-595

⁴⁷ Leben Nelson Moro, "*Still Waiting for the Bonanza: The Oil Business in South Sudan After 2005*" South African Institute of International Affairs, Occasional Paper No.156, 2013

⁴⁸ Luke Anthony Patey, "*State rule: Oil Companies and Armed Conflict in Sudan*" Third World Quarterly, Vol.28,No.5, 2007:997-1016

⁴⁹ Greg Larson, "*The Road from Paris to Declaration to the reality of Juba,2001-11*" United Nations University, WIDER Working Paper No.141,2013

reserves are located in the south. Oil became a primary reason for the ongoing conflict and “fueled” the civil war by financing the purchasing of arms and military equipment. On top of the devastating human toll, this conflict also greatly hampered the development of Sudan’s promising oil sector and discouraged foreign investment, particularly after the 1984 kidnapping and murder of three Chevron employees by southern rebels.⁵⁰ However, the signing of an initial peace agreement in 1997 brought temporary stability to the oil-rich blocks of southern Sudan and made oil exploration possible again, with commercial quantities of oil beginning to flow in 1998. In addition to other institutional inequalities, the undertone of conflict after the oil discovery in 1978 was resource management. After this point, oil played a role in fueling violence during the second civil war. That means the oil conflict began when the south was still a part of Sudan, rather than after independence.

2.2.1: The effect of resource curse on local population

During the second civil war, the Sudan Armed Forces (SAF) and pro-government militias orchestrated the killing and displacement of thousands of civilians to make room for the oil sector’s undisturbed development.⁵¹ At the same time, the expansion of the oil sector by the north continued to intensify grievances in oil-bearing regions. The discovery of oil in southern Sudan greatly intensified northern efforts, both politically and military, to appropriate and control the region and stabilize it for resource extraction, while marginalizing the area’s traditional inhabitants. Efforts to appropriate land from groups without giving them a voice in the decision making process or equitable compensation led to rising social tension and outbreaks of rebellion. The Sudanese government produced no development plan for the south, but used oil

⁵⁰ Luke Anthony Patey, “State rule: Oil Companies and Armed Conflict in Sudan” *Third World Quarterly*, Vol.28, No.5, 2007:997-1016

⁵¹ Report of an investigation into oil Development, Conflict and Displacement in Western Upper Nile, Suda, 2001

revenues to finance military actions and to purchase advanced weaponry in order to intensify the military campaign against the inhabitants of the oil-bearing regions occupied by rebels.⁵² On the other hand, the rebels focused their campaigns on oil production and transport facilities, which were strategic targets due to their central importance to the government and to the companies upon which the government dependent.⁵³ As many scholars have mentioned, resource rich countries under perform economically compared to non-resource endowed countries, and this is exactly happened in Sudan.

The first export of crude oil from Sudan in August 1999 marked a gradual shift in the country's multifaceted civil war until 2005, when oil became the main objective and a principal cause of the war.⁵⁴ Thus, for pre-independence South Sudan, oil remained a major obstacle to a lasting peace. The oil revenue was not spent on sectors to improve the lives of the South Sudanese people. Instead, during the north-south conflict oil revenues were used to obtain weapons and ammunition that allowed the north to intensify the war and expand oil development. Expansion of oil development has continued to be accompanied by the violent displacement of the agro-pastoral, southern Nuer and Dinka people from their traditional lands on the oilfields.⁵⁵ The regime's so called "civilized project", actively sought to destroy the cultural roots of the displaced populations, with the establishment of camps known as 'Peace Villages', initially in the Nuba Mountains area of South Kordofan.⁵⁶ These camps became the

⁵² Jason Switzer, "Oil and Violence in Sudan" African Center for Technology Study-Ecological Sources of Conflict Project April 15, 2002

⁵³ Luke Patey, "State Rules: Oil Companies and armed Conflict in Sudan" Third World Quarterly, Vol.28, No.5, 2007:997-1016

⁵⁴ Marina Ottaway & Mai El-Sadany, "Sudan: From Conflict to Conflict" Carnegie Endowment for International Peace, 2012

⁵⁵ Ibid

⁵⁶ Christian Aid, "The Scorched Earth: Oil and War in Sudan," London: Christian Aid, March 2001

infamous sites of family separation, murder, rape with impunity, and intensive indoctrination.⁵⁷ The outcome was the creation of a large and vulnerable population of dispossessed people with diminished rights. As a result of continues SAF brutal military attacks in South Sudan, an entire generation has grown up knowing only war and has deprived of basic resources or access to education. Moreover, due to the absence of fair redistribute of oil wealth among the people of south Sudan, violence is often seen as the only means to secure access to resources. For its part, the Khartoum government's marginalization policies created continued high intensity conflict over oil revenue.

2.2.2: Conflict and People displacement

One of the major resource curse effects on the South Sudanese people has been mass displacement. During the conflict four million people were displaced and this was closely related to oil production. First discovered in the 1970s, Chevron was granted large oil concessions in Sudan in 1974.⁵⁸ Oil was also subsequently discovered in the western Upper Nile State in 1978, but oil development was disrupted by the war until the 1990s.⁵⁹ When resources are discovered, it perpetuates conflict due to local land disputes and the national ownership of resources. In the case of Sudan and South Sudan, resources in the south were divided up with little regard for existing communities. As a result of marginalization policies, resource revenues were only utilized for development in the north and for the purchase of arms, perpetuating social exclusion policies from the colonial era. From the very beginning of oil discovery, the government of Sudan used war to provide free access to oil companies for exploitation. The large scale

⁵⁷ International Crisis Group, "*God, Oil and Country: Changing the Logic of War in Sudan*" ICGAfrican Report No.39,2002

⁵⁸ Douglas H. Johnson, "*The Root Causes of Sudan's Civil Wars*" African Issues, Indiana University Press, 2003, page,45

⁵⁹ Luke A. Patey, "*State Rules: Oil Companies and armed Conflict in Sudan*" Third World Quarterly, Vol.28, No.5, 2007:997-1016

exploitation of oil by foreign companies operating in the theatre of war in the southern region served to increase human rights abuses and aggravate the long running conflict in the southern part of Sudan. The conflict has resulted in gross human rights abuses, two million dead, four million displaced and recurring famine and epidemic from 1983 until 2005.⁶⁰ The Khartoum government is directly responsible for this forced displacement, which it has undertaken to provide security to the operations of its partners, private multinational and foreign state-owned oil corporations.

The legacy of war has caused entrenched hostilities and distrust and has led southern based rebel groups to sabotage the Asian- dominated oil companies operating in southern Sudan.⁶¹ Although they were supposed to receive direct benefits from oil revenues, the people of South Sudan have witnessed mixed outcomes from oil development. On the one hand, oil development brought huge economic benefits to some people in the northern government, especially the political elites and senior bureaucrats connected to them. On the other hand, the government used hundreds of millions of dollars in oil revenues to buy bombers and helicopter gunships to kill and displace civilian populations in the country's rebellious southern region.⁶² Thus, at the time the SPLA disputed the oil extraction facilities' legal status based on the forced displacements and brutal killings. For their part, the SPLA militants reacted in 1984 by attacking a Chevron oil installation, killing three Chevron workers and eventually forcing the company to abandon operations there.⁶³

⁶⁰ Human Rights Watch, *"Sudan, Oil, and Human Rights"* New York, 2006

⁶¹ Luke Patey, *"State Rules: Oil Companies and armed Conflict in Sudan"* Third World Quarterly, Vol.28, No.5, 2007:997-1016

⁶² Luke Patey, *"Crude Days Ahead? Oil and the Resource Curse in Sudan"* African Affairs, Vol.10, 2010:1-20

⁶³ Luke Patey, 2007

In the early 1980s, the dictator Jaafar Nimeiri tried to redraw the borders of the south, bringing the oilfields into a newly created 'Unity State' under central control in abrogating of the 1972 Addis Ababa peace agreement.⁶⁴ Between 1985 and 1986, his predecessor—the democratically elected Prime Minister Sadiq al-Mahadi began arming tribal militias in the area, a process which the National Islamic Front (NIF) regime accelerated when it seized power in 1989.⁶⁵ Shortly after, a scorched-earth policy was implemented against local populations by a combination of the regular army, various militias, and government armed Nuer warlords who had turned against SPLA.⁶⁶ Fighting escalated after the north's brutal military campaign, with the intensification of aerial bombardment by Sudanese Air Force planes and helicopter gunships. As a result, the exodus of civilians living in and around the oil fields grew larger.⁶⁷ The displacement continued in order to both defend existing oil fields and to push the front line forward to allow the development of new oil fields. According to an Amnesty international report; aerial bombardments, the shelling of villages, extrajudicial killings, torture, rape, and abduction were taking place on a 'massive scale.'⁶⁸ Moreover, southerners forced out of oil-producing areas were prevented from returning by the destruction of their harvest and the looting of their cattle.⁶⁹

The last three decades of oil exploration and the battle of political control in Sudan are closely interrelated. The discovery of oil in the south led the central government to claim

⁶⁴ Douglas H. Johnson, *"The Root Causes of Sudan's Civil Wars"* African Issues, Indiana University Press, 2003, page,62

⁶⁵ Luke Patey, 2007

⁶⁶ International Crisis Group, *"South Sudan: Civil War by Any Other Name"* African Report No.217, Brussels, April,2014

⁶⁷ Mark Duffield, *"Aid and Complexity: the case of War-Displaced Southerners in the Northern Sudan"* Journal of Modern African Studies, Vol.40, No.1, 2002:83-104

⁶⁸ Amnesty international 2003 report

⁶⁹ Elke Grawert & Christine Andra, *"Oil Investment and Conflict in Upper Nile State, South Sudan"* Bonn International Center For Conversion, Brief No.48, 2013

ownership of the newly valuable lands and the potential oil revenues they represent. The early 1980s oil conflict sparked the formation of the Sudan People's Revolutionary Army (SPLA) and violent protest by the local inhabitants, culminating with the cessation of oil exploration and production in Sudan. Moreover, the discovery of oil in southern Sudan created a demand for the lands of the pastoral communities practicing their traditional livelihoods of cattle rearing and agriculture. As a result, the oil fields became the heart of the disputed area between the forces of north and south. Active fighting between the north and south took place mostly around the colonial internal boundary. For example, oil in a commercial quantity was discovered in 1978 by Chevron near the towns of Bentiu and Heglig, close to the original north-south boundary.⁷⁰

The area intersected by the poorly defined north-south border turned out to be rich in oil, making it a vital resource for both sides. The discovery of oil made it all the more important for the north to maintain control, while providing added incentives to the southern rebels to fight for control of the territory. The inhabitants of the communities located in the oil fields dealt with the war's impacts in different ways. Many fled to escape future violence and others were violently displaced by the Sudan Armed Forces (SAF) and militias. Like other resource rich countries in Africa, oil resource did not bring prosperity or peace for South Sudan. Instead, oil brought killing, displacement, and poverty. The drive for oil became a key reason for government land clearance in southern Sudan. Since its discovery in 1979, governments in Khartoum have wanted the oil zones to be occupied by an obedient population and have sought the destruction of the rebel's support base among local Nuer and Dinka villagers. Primarily this involved proxy militias armed by the government, but oil money soon enable the purchase of military hardware;

⁷⁰ Elke Grawert & Christine Andra, "*Oil Investment and Conflict in Upper Nile State, South Sudan*" Bonn International Center For Conversion, Brief No.48,2013

including helicopter gunships, jet fighters, and bombers.⁷¹ Furthermore, the Islamist junta's coup in 1989 ushered in a coherent and systematic policy of social engendering. Throughout this period, southern Sudan was denied access to its resources for more than four decades by the north. After the discovery of oil, southern Sudan lost the right to manage its own wealth and the revenue generated from its resources was allocated to other regions.⁷² After the war had ended, many could not easily resettle in their original homes because wells, pipelines, stations, base camps, and other oil facilities had been constructed over their land.⁷³

To clear the oil field areas, the Sudanese government employed frequent and brutal violence against civilians. For example, from February 1992 to December 1993, the government engaged in a military offensive in the Unity region to prepare for resumption of oil production by clearing the area of all villages.⁷⁴ According to Christian Aid, "across the oil-rich regions of Sudan, the government is ...clearing the land of civilians"⁷⁵ These offensives continued in and around the oil field region through 1999. Moreover, in the oil rich region of Bahr-al-Ghazal and western Kordofan, the government armed the Murahaleen bands of nomadic Arab tribes, forming militias "funded and military deployed by the Sudanese Army in order to protect the oil concessions."⁷⁶ Moreover, revenue from oil profits went primarily to areas historically developed and occupied by the Arab majority north, while the government neglected the Southern region. During south-north conflict most of South Sudanese people were uprooted to make way for oil

⁷¹ Reported by Daniel DeGuzman, "*Depopulating Sudan's Oil Regions*" European Coalition on Oil in Sudan, 2002

⁷² Douglas H. Johnson, "*The Root Causes of Sudan's Civil Wars*" African Issues, Indiana University Press, 2003, page,46

⁷³ Elke Grawert & Christine Andra, "*Oil Investment and Conflict in Upper Nile State, South Sudan*" Bonn International Center For Conversion, Brief No.48,2013

⁷⁴ Luke Patey, "*State Rules: Oil Companies and armed Conflict in Sudan*" Third World Quarterly, Vol.28, No.5, 2007:997-1016

⁷⁵ International Crisis Group, "*Sudan's Oilfields Burn Again: Brinkmanship Endangers The Peace Process*", ICG Africa Briefing, 10, February 2003

⁷⁶ Jason Switzer, "*oil and Violence in Sudan*" African Center for Technology studies, April 2002

prospecting and exploitation. However, for those who managed to get back to their original home areas faced rising environmental and other problems.

Section Three

Comprehensive Peace Agreement

3.1: Oil Conflict after Comprehensive Peace Agreement (2005)

This section examines the oil sector in South Sudan since 2005, when the historic Comprehensive Peace Agreement (CPA) was reached between the Government of the former Sudan (GoS) and the then rebel Sudan People's liberation Movement/Army (SPLM/A). The paper argues that, as in many low-income countries, the benefits from the oil sector have been reaped mainly by a small number of people who control the government or have links to powerful persons in the government. This is the extension of the resource curse from the Khartoum government to the new government of South Sudan, dating from the discovery of oil until the present. The people of South Sudan fought for both their freedom and the right to manage their own resources. They have fulfilled the first objective, but it is still unclear whether they have fulfilled the second. South Sudan has been recognized as the 193rd member of the United Nations community. However, security, prosperity, poverty reduction, and government accountability remain unfulfilled goals. Since the CPA agreement, the interests of ordinary people of South Sudan have been largely ignored. Conflict, corruption and a lack of strong institutions have become the central problems plaguing South Sudan.

3.2: *Oil as a source of conflict after CPA*

The CPA established transitional provisions to share oil revenues. South Sudan was to receive 50% of the revenues from the oil produced in the south after a deduction of 2% for producing states.⁷⁷ The remainder was to go to the Government of Sudan. However, the border was not defined and agreed upon by the parties at the time of the CPA. It is estimated that about 80% of the oil fields are in the south.⁷⁸ Although the conflict between Sudan and South Sudan formally ended with the CPA in 2005, there remain many unresolved issues that continue to be sources of conflict between the two countries. Dispute related to oil have become a source of conflict in the north-south border region because about 75% of Sudan's oil is produced below the old colonial line that divided north and south and became the border between the two countries after the partition.⁷⁹ This makes the situation potentially volatile, since a large part of the oil fields are located close to that dividing line. This creates the possibility that either side will attempt to grab oil fields that do not officially belong to them. For example, in April 2012 South Sudan's army crossed into the north and seized the Heglig oil fields before retreating again.⁸⁰

Furthermore, over- reliance on oil revenues puts South Sudan in a precarious strategic position for the future. The country relies heavily on the north to export oil, which binds the two countries together in a common economic destiny. In order to avoid oil related conflict with the

⁷⁷ Elke Grawert and Christine Andra "Oil Investment and Conflict in Upper Nile State, South Sudan" Bonn International Center for Conversion, Brief, No.48, 2012

⁷⁸ Lebon Nelson Moro, "Still Waiting for the Bonanza: The Oil Business in South Sudan after 2005" South African Institute of International Affairs, Occasional Papers, No.156, 2003

⁷⁹ Ibid

⁸⁰ Ibid

north, the government of South Sudan tried to seek alternative shipping routes. However, the option of trucking oil southward to the Kenyan coast is impractical, and a new pipeline to that destination remains too expensive and would take years to construct. On the other hand, since the decades of war formally ended in 2005 with the signing of the CPA, the ordinary people of southern Sudan – which changed its name to South Sudan on 9 July 2011, the day of independence from the Sudan – have been waiting for the benefits from oil development. The signing of peace agreement stopped Africa’s longest civil war, amounting to billions of dollars in remittances from the central government based in Khartoum.⁸¹ A large portion of the windfall should have been used to improve the quality of life of ordinary people. However, after independence, much of the oil money was mismanaged or diverted into uses that did not serve the public good.⁸² In the case of South Sudan, former rebel commanders in positions of power and those close to them have led lives of affluence.⁸³ Truly, oil has been a blessing for the privileged few not for the ordinary South Sudanese

3.3: Dispute on pipeline fee and production shutdown

The substantial earnings from oil operations following the end of the war in 2005 have yet to translate into positive changes in the livelihoods of ordinary South Sudanese people. Following South Sudanese independence in July 2011, disputes over oil between the former rebel commanders now ruling the new country and their former enemies in the new neighboring country to the north have escalated, culminating in a shutdown of production in January 2012.⁸⁴ All of South Sudan’s oil currently runs through Sudan’s pipelines to Port Sudan for export.

⁸¹ Leben Nelson Moro, “*Still Waiting for the Bonanza: The Oil Business in South Sudan after 2005*” South African Institute of International Affairs, Occasional Paper No.156, October 2013

⁸² Ibid

⁸³ Ibid

⁸⁴ Phillip Potter, “*China and the Sudan-South Sudan Oil Fee Impasse: Implications of Chinese Aid, Diplomacy, and Military Relations*” 2012

Khartoum has demanded compensation of \$32 per barrel, but South Sudan has called this extortion and offered \$1 per barrel, which it says is the highest in the world.⁸⁵ This has caused serious economic problems and has pushed the two sides close to war. Moreover, conflict continued to soar when Sudanese planes repeatedly dropped bombs in areas along the border claimed by South Sudan and pro-Khartoum militias engaged the South Sudan army or SPLM/A in deadly confrontations in the Unity state.⁸⁶ To survive, the emerging South Sudanese government had to take oil-backed loans, collect more local taxes, and adopt stringent austerity measures.⁸⁷ The impact of austerity fell disproportionately on salary and wage earners, along with other vulnerable people. Though South Sudan is well endowed in agricultural potential and has significant oil reserves, it faces tremendous challenges for development. More than half of the population lives below the poverty line and the country continues to register low development indicators.⁸⁸

The road to independence was difficult and costly for South Sudan. It united disparate groups of Southern Sudanese around the notion of freedom from the Arab and Muslim rule based in Khartoum. The Continued unity of the country was viewed as untenable, in part because the leaders in Khartoum were viewed as dishonest, especially in the distribution of oil revenues. In fact, GoSS repeatedly accused leaders in Khartoum of ‘hiding bona fide information on oil revenues and tampering with oil contracts’.⁸⁹ Thus, independence meant ending dishonesty and the realization of the South’s right to control and benefit from its own resources. However,

⁸⁵ Phillip Potter “*China and the Sudan-South Sudan Oil Fee Impasse: Implications of Chinese Foreign Aid, Diplomacy, and Military Relations*” 2012

⁸⁶ International Crisis Group, “*South Sudan: Civil War by Any Other Name*” African Report No.217, Brussels, April,2014

⁸⁷ Leben Nelson Moro, “*Still Waiting for the Bonanza: The Oil Business in South Sudan after 2005*” South African Institute of International Affairs, Occasional Paper No.156,October 2013

⁸⁸ Kate Almquist Knopf, “*Fragility and State-Society Relations in South Sudan*” Africa Center for Strategic Studies, Research Paper No.4, Washington, D.C. 2013

⁸⁹ Leben Nelson Moro:2013

several disputes, including differences over oil borders and debts, escalated after Southern Sudan had completed its referendum. Abyei is one of the disputed area between Sudan and South Sudan.⁹⁰ The people of the oil-rich Abyei area should have had the opportunity to choose whether to remain in Sudan or join Southern Sudan, but this did not happen because of a disagreement over who was eligible to take part. The area of Abyei comprises oilfields Block 1, 2, and 4 and remains a subject of dispute, despite the fact that oil production in these blocks has been declining since 2006. The boundaries of the Abyei areas were to be determined by a commission of five international experts comprising the Abyei Boundaries Commission (ABC).⁹¹ Although the border was not defined and agreed upon by the parties, it is estimated that about 80% of the oil fields are in the South.⁹² The precise determination of which are in the north and which belong to South Sudan has become a subject of contention.

The conflict between Sudan and South Sudan is fueled by the North's bitterness about the secession of the South, the loss of territory and oil revenue, and the diminished position that it finds itself as a result. Both sides appear willing to undermine themselves economically in this dispute in order to score points against each other. Thus, in January 2012, South Sudan voluntarily shut off all of its oil production because of a dispute with Sudan over oil transit fees. As a result of shut down of oil production, by April 2012 South Sudan was receiving no revenue from sales and the north was receiving no transit fees since no oil was being shipped. After almost fifteen months of intermittent negotiations, South Sudan restarted oil production in April 2013. Following the secession of the South in July 2011, 75% of oil production in Sudan passed

⁹⁰Douglas H. Johnson, "Why Abyei Matters: The Breaking Points of Sudan's Comprehensive Peace Agreement?" *African Affairs*, Vol.107,No.426, 2008:1-19

⁹¹ Douglas H. Johnson, "Why Abyei Matters: The Breaking Points of Sudan's Comprehensive Peace Agreement?" *African Affairs*, Vol.107,No.426, 2008:1-19

⁹² Leben Nelson Moro, "Still Waiting for the Bonanza: The Oil Business in South Sudan after 2005" *South African Institute of International Affairs*, Occasional Paper No.156,October 2013

to the South Sudan.⁹³ The north, however, still controls the pipeline and refining infrastructure necessary to process the landlocked southern oil, transport it to marine terminals, and make it available to global markets.

3.4: *Two Countries, One Revenue Source*

The peace negotiations between the GoS and the SPLM/A intensified in parallel to the expansion of oil production in Sudan. The CPA formalized a power-sharing system between the SPLM and the ruling political faction in Khartoum, the National Congress Party (NCP).⁹⁴ Both parties held seats in a National Unity Government (NUG). The South, ruled by the SPLM-dominated government of South Sudan (GOSS) in Juba, was granted a large degree of autonomy. The CPA provided further for self-determination for the people of Southern Sudan. The referendum was held in January 2011, when 98% of South Sudanese voted for independence.⁹⁵ However, negotiations have been further mired over issues including border demarcation and management of the oil sector. The disagreement on the oil rich border was no initially taken seriously by Khartoum, whose interest was in continuing the 50:50 sharing of oil revenues. However, the arrangement expired on 9 July 2011, when the country was split. As a result of disagreement, the GoSS rejected oil-revenue sharing and insisted on paying for the use of northern oil infrastructure so as to continue getting its oil, about 350,000 bpd, to international

⁹³ Jon Lunn and Gavin Thompson, "Sudan and South Sudan: All-out War?" House of Commons, International Affairs and Defence Section: SN06142,2012

⁹⁴ Douglas H. Johnson, "Why Abyei Matters: The Breaking Points of Sudan's Comprehensive Peace Agreement?" African Affairs, Vol.107, No.426, 2008:1-19

⁹⁵ <http://www.bbc.co.uk/news/world-africa-12317927>

markets.⁹⁶ Finally, after several disagreements both sides began engaging in a new conflict over the oil rich border areas in 2012.⁹⁷

3.5: The impact of resource curse on local people after CPA

In the north–south border areas, returnees to Unity State and Upper Nile State had to confront oil corporations that have come to occupy large areas of the land for drilling, pumping, and dumping their oil production waste. Agricultural and livestock production was down, infrastructure minimal and social services negligible. The society was greatly militarized, hence tensions, clashes, and small-scale armed conflicts continued to occur in the oil areas after the CPA. Several studies adopt a local perspective on the resource curse; among them Luke Patey investigated the local effects of the resource curse in Unity State in Southern Sudan.⁹⁸ He found that there was a high risk of conflict escalation on the regional and national level.⁹⁹ After the civil war, the SPLM insisted that all oil contracts in the South were made in contradiction to the will of communities who collectively owned communal lands and were displaced for the purpose of oil extraction, ergo oil contracts in these areas were deemed illegal.¹⁰⁰ Property and resource rights continue to be a point of contestation between the two Sudans, whether it is over land redistribution and resource rights as a form of reconciliation or over the city of Abyei in

⁹⁶ Leben Nelson Moro, *“Still Waiting for the Bonanza: The Oil Business in South Sudan after 2005”* South African Institute of International Affairs, Occasional Paper No.156, October 2013

⁹⁷ Ibid

⁹⁸ Luke Patey, *“Crude Days Ahead? Oil and The Resource Curse in Sudan”* African Affairs, Vol.109, No.437, 2010:617-636

⁹⁹ Ibid

¹⁰⁰ Elke Grawert & Christine Andra, *“Oil Investment and Conflict in Upper Nile States, South Sudan”* Bonn International Center for Conversion, Brief, 48,

Southern Kordofan.¹⁰¹ After the return of displaced people during the interim period after the CPA, land conflicts ensued.

Section Four

Independent South Sudan (July 2011)

4.1: Oil and the Current Conflict

South Sudan got its independence in July 9, 2011. However, its problems were not solved by its detachment from Sudan and it emerged from the independence referendum as an extremely troubled state. The country's socioeconomic underdevelopment was, and remains, long lasting. In the early years of CPA, international observers praised the agreement's success and the people of South Sudan celebrated the birth of their nation with high expectations. Independence brought with it the hope for a better future and for the opportunity to build a united developmental state. Revenues from oil resources, which were a primary source of the conflict between the two nations, gave South Sudan the opportunity to invest in the development of its natural and human resources. However, the region's rich natural resource endowments, most notably land, water, commercial oil, and mineral deposits, have played a major role in the development of protracted social conflicts.

Formal separation was expected to end the long-standing conflict with the Republic of Sudan. However, these expectations were dampened by the many challenges that came with establishing conditions for sustained economic growth and improving the delivery of public

¹⁰¹ Roberto Belloni, "The Birth of South Sudan and the Challenges of State Building" *Ethniopolitics*, Vol.10, No.3-4, 2011:411-429

services. As many examples of resource curse literature explain, most resource rich developing countries suffer poverty, political instability, civil wars, corruption, low life expectancy, high illiteracy, and high infant and maternal mortality rates. Currently, all of these problems are prevalent in South Sudan. However, the problem of resources in South Sudan is accentuated by two major factors: an economy that lacks diversification, and governance that is still plagued by corruption. These structural and functional factors serve to generate instability.

4.2: Lack of strong institutions

The role of institutions in determining the effects of the natural resources curse has been widely recognized in the literature. For instance, Mehlum, Meoene and Torvik have used regression analysis to demonstrate that the resource curse is strongly present in countries with weak institutions, but is scarcely present in countries with strong institutions.¹⁰² The difference between strong and weak institutions is determined by the extent to which institutional arrangements encourage production to take place in an economy, rather than allowing corrupt practices that prevent economic efficiency.¹⁰³ In the case of South Sudan, ethnic diversity is impeding the consolidation of democratic and institutions because of politics of patronage.¹⁰⁴ Evidence shows that patronage politics in South Sudan are pervasive, even being practiced at the regional level and in the military.¹⁰⁵ Therefore, due to lack of strong governance institutions, patronage politics have continued to affect nearly every aspect of government functions in South Sudan and have led to insufficient service delivery and increased corruption.

¹⁰² Halvour Mehlum, Karl Moene, & Ragnar Torvik, *"Institutions and the Resource Curse"* The Economic Journal, Vol.116,2006:1-20

¹⁰³ Ibid

¹⁰⁴ Clemence Pinaud, *"South Sudan: Civil War, Predation and The Making of A Military Aristocracy"* African Affairs, Vol.113, No.451, 2014:192-211

¹⁰⁵ Ibid

In South Sudan, natural resource revenue can, ironically, weaken governments and make them less likely to resolve social conflicts or provide public goods. After the end of the war and the establishment of the interim GoSS, the people expected the SPLM to deliver on its promises. Popular support for the SPLM/A in South Sudan was inspired by expectation that living conditions would improve after liberation. Their expectations included: human security, protection of the right to land and water resources, opportunities for livelihood improvement, and access to health care and education services.¹⁰⁶ However, due to the nepotistic and clientelist networks adopted by military elites, the GoSS is unable to meet public needs. This is because the relatives and friends of the new governing class fill the government institutions. In such a context, it is hardly possible to provide basic services to the people of South Sudan. In order to prevent the resource curse, first and foremost, the deprivation and poverty caused by years of war and famine need to be addressed as an urgent priority for the current government.

The oil revenue that the GoSS is entitled under the wealth sharing arrangement of the CPA is the central source of much needed revenue to fund government operations and post-war development. However, most of this revenue, which fluctuates according to world market oil prices, goes to pay the salaries of the government's employees and the soldiers of the SPLA.¹⁰⁷ Additionally, instead of developing functional governing institutions, President Sava Kiir himself made the regime susceptible to the demands of many competing groups, and thus open to corruption and clientalism.¹⁰⁸ Since the 2005 CPA, the GoSS has made efforts into integrate potential rebels and reward allies with well-paid or symbolic posts. These appointments often

¹⁰⁶ Leben Nelson Moro, *"Still Waiting for the Bonanza: The Oil Business in South Sudan after 2005"* South African Institute of International Affairs, Occasional Paper No.156, October 2013

¹⁰⁷ Kate Almquist Knopf, *"Fragility and State-Society Relations in South Sudan"* Africa Center for Strategic Studies, Research Paper No.4, Washington, D.C. 2013

¹⁰⁸ Walfram Lacher, *"South Sudan: International State-Building and Its Limits"* SWP Research Paper, German Institute for International and Security Affairs, RP 4, 2012

consume large amount of the state budget with ministers, agencies, and commissions growing in number. Moreover, the absence of national and State Parliaments serves, above all, as an instrument of patronage.¹⁰⁹ Furthermore, in his article “South Sudan’s Emergency state”, Jort Hammer remarks that “South Sudan states has become the private property of its dominant political class, putting the business of governance and wealth it generates well beyond citizen reach.”¹¹⁰ Therefore, the lack of strong institutions is a prime cause of the observed resource curse in South Sudan.

The ‘resource curse’ is an imminent danger to South Sudan and cannot be eliminated without a development model that combines growth with equality and institutional structures to govern such a process. As a result of weak institution, South Sudan has faced both international and domestic impediments to the implementation of this type of development process. Internally, South Sudan lacks a government with a strong commitment to development or the state institutions necessary to govern and facilitate it.¹¹¹ The GoSS has a responsibility to set up proper institutions and provide appropriate public goods. Social, political, and economic stability will depend on GoSS core institutions performing their functions sufficiently well to manage public resources effectively and distribute them equitably. Transparent governance will be critical to alleviate conflict fuelled by patronage systems that favor particular ethnic or socio-economic groups. This condition remains problematic in South Sudan due to neo-patrimonialism and the resulting inefficient of government officials.

¹⁰⁹ Walfram Lacher, “*South Sudan: International State-Building and Its Limits*” SWP Research Paper, German Institute for International and Security Affairs, RP 4, 2012

¹¹⁰ Jort Hammer, “*South Sudan’s emergency State*” Norwegian Peacebuilding Resource Center” 2012

¹¹¹ Kate Almquist Knopf, “*Fragility and State-Society Relations in South Sudan*” Africa Center for Strategic Studies, Research Paper No.4, Washington, D.C. 2013

In the case of South Sudan the absence of war is a necessary, but insufficient condition to lift the resource curse. Furthermore, war is not yet a thing of the past for South Sudan; as the situation in Abyei and other oil rich regions demonstrates, along with the recent conflict between the president and the former vice president. In addition, even after the CPA, there continue to be instances of human displacement due to the take-over of areas by corporations for the purpose of oil extraction in South Sudan.¹¹² For example, according to refugee international report, in June 2006 oil companies in Malakal were forcibly displacing people.¹¹³ Weak governance and a lack of determination to strengthen the country's institutions are moving South Sudan in the wrong direction in terms of social and political development. The SPLM role as a ruling party is important in explaining the poor performance exhibited by the government of South Sudan. The legitimacy of the new state of South Sudan rests on the strength of state- society relations. Eventually, these relations will determine the country's stability and even feasibility of South Sudan.¹¹⁴

The GoSS is still struggling to overcome the capacity constraints that affect development policymaking and implementation. However, its internal weakness has translated into a weak international bargaining position for South Sudan. Internationally, the behavior of powerful multinationals and oil-thirsty countries like China has not been favorable to the policy and institutional challenges posed by equitable development in a resource-rich, but institutionally weak, country like South Sudan.¹¹⁵ In accordance with the literature on the resource curse, this can be seen as one of the reasons why inequality, poverty, and internal conflict have gotten

¹¹² Ibid

¹¹³ <http://af.reuters.com/article/topNews/idAFJJOE51N0FB20090224>

¹¹⁴ Kate Almquist Knopf, *"Fragility and State-Society Relations in South Sudan"* Africa Center for Strategic Studies, Research Paper No.4, Washington, D.C. 2013

¹¹⁵ Hany Besada, *"Doing Business in Fragile States: The Private Sectors, Natural Resources and Conflict in Africa"* Background Research Paper, May 2013

worse in South Sudan. As a result of its weak institutions, the dangers of the resource curse continue to materialize large sections of the population in South Sudan. Indeed, the ‘resource curse’ is manmade and its transformation into a ‘blessing’ is a fundamentally a challenge for the political class and policymakers.

Weak institution and its consequence

Institutions in South Sudan were based on ethnic aggregation and personality cults.¹¹⁶ As a result, the current political system entrenched institutionalized mistrust, whereby political leaders had more faith in their ethnic base than in the national institutions enshrined in the Transitional Constitution of the Republic of South Sudan.¹¹⁷ Furthermore, state-society relations in South Sudan are deeply imperiled by of the patronage system that consumes the political establishment. On the other hand, political leaders missed the opportunity to promote post-conflict peace building after the unity of South Sudan was gained through a Referendum vote in January 2011. This form of reconciliation, along with inclusive democratic governance, is a prerequisite for development, long-lasting peace, and preventing the resource curse in South Sudan.

¹¹⁶ Kate Almqist:2013

¹¹⁷ Clemence Pinaud, “South Sudan: Civil War, Predation and The Making of A Military Aristocracy” African Affairs, Vol.113, No.451, 2014:192-211

The new states are dominated by military elites who are very fragmented and marked by competing clientelist networks along tribes and ethnic lines.¹¹⁸ As a result, South Sudan is currently in the midst of a violent crisis and is experiencing widespread instability. The country's oil resources have become a central focus of the violence and revenues from the sector have been diverted away from development towards military spending and corruption. This fragmented system of authority has undermined democratic structures, intensifying the risk of corruption and creating an exceedingly unstable investment environment. Furthermore, this situation is likely to discourage the most responsible companies and the most favorable extraction deals. Since its discovery in southern Sudan, oil has been a primary factor in Sudanese politics. It is the government's main sources of income and the country's principal driver of economic growth. However, the oil industry is poorly managed and highly politicized because of a lack of strong institutions. Rather than contributing to an environment of peace and equitable development, oil remains a source of conflict and division. Thus, oil has become a curse rather than a blessing, just as when South Sudan was part of Sudan

Political Volatility

The existing South Sudanese government cannot protect the people from political instability, even after independence from the north many people remain displaced in the oil producing region of South Sudan. More than 10,000 have died and half a million people displaced as a result of the current conflict.¹¹⁹ In South Sudan, political instability has been triggered by the oil resources course because controlling natural resource means controlling

¹¹⁸ Clemence Pinaud, "South Sudan: Civil War, Predation and The Making of A Military Aristocracy" African Affairs, Vol.113, No.451, 2014:192-211

¹¹⁹ International Crisis Group, "South Sudan: Civil War by Any Other Name" African Report No.217, Brussels, April, 2014

power. Evidence suggests that countries with weak institutions are likely to expectance the natural resource curse. One solution to the oil curse is strengthening institutions based on the principles good governance, accountability, and transparency. Unfortunately, South Sudan has struggled to build strong institutions after its separation from Sudan in 2011.

Political instability in South Sudan can be seen in its current armed rebellions. This is a result of its weak institutions and governance systems and its extreme lack of basic services. The current conflict in South Sudan has now lasted nearly eight months, killing thousands and displacing hundreds of thousands of South Sudanese. Although production is only at half-capacity, oil revenue continues to be the main financial support for the government of South Sudan in its armed fight against former vice president Riek Machar and rebel groups. The long standing rivalry between these two men turned into a serious conflict on December 15,2013 and led to the death of 10,000 people, the displacement of another half a million civilians, and the shutdown of the country's oil fields.¹²⁰ South Sudan's ruling party, the Sudanese People's Liberation Movement (SPLM) and its army, the SPLA, suffered from internal divisions even before the nation attained formal independence from Sudan in 2011.¹²¹ The opposition rebels, who call themselves the SPLM/A, argue that Kiir's government has squandered oil revenues, which make up about 98% of the national budget and failed to tolerate criticism or reform within the party.¹²² The party's internal disputes were supposed to have been solved peacefully; however, there is currently no institutionalized mechanism to solve these problems either within or outside the ruling party. Since its independence South Sudan controlled by one party rule and the party narrowed down the political filed.

¹²⁰ Ibid

¹²¹ Douglas H. Johnson, "Briefing: The Crisis In South Sudan" *African Affairs*, Vol.113, No.451, 2014:300-309

¹²² Ibid

The SPLM's ranks are filled with appointees put in place as much for their war records and military credentials as their political insight. Salva Kiir's poor governance record and reports of widespread corruption have led to strong criticism of by the SPLA high officials.¹²³ These grievances rise to the surface; the potential for intensified intra-Southern conflict is increased. Consequently, conflicts between ethnic groups in oil producing areas and the mistrust between political leaders have made South Sudan unattractive place to invest. This political instability adversely affects its oil revenue and the opportunities that the South Sudanese people have for development. From the early years of South Sudan's independence, oil production has decreased due to the power struggle between military elites.¹²⁴ For example, with some of the heaviest fighting in the oil state of Unity, production has slumped by almost half to between 130,000 to 160,000 barrels per day from around 245,000 before fighting began in December.¹²⁵ This has a huge impact on the implementation of development plans in South Sudan. Good political and economic governance, based on transparency and accountability, is the key to building a politically and economically viable state capable of articulating a common vision for national unity, providing stability, and dividing the peace dividends among its citizens.

The political volatility and conflict in South Sudan have become the central reasons for declining of oil production in the country. Political instability has disrupted oil production, making the government of Republic of South Sudan (GoSS) incapable of providing the development and peace that its citizens expected. According to International Crisis Group (ICG), with the war entering its sixth month, retaining the oil fields that once generated 98% of government revenue is the "key strategic objective" Both the government and rebel sides believe

¹²³ Ibid

¹²⁴ Ibid

¹²⁵ Leben Nelson Moro, *"Still Waiting for the Bonanza: The Oil Business in South Sudan after 2005"* South African Institute of International Affairs, Occasional Paper No.156, October 2013

they can capture or retake territory, including key towns and oil installations, in order to strengthen their negotiation position.¹²⁶ The conflict has exacerbated the political and economic grievances shared by the majority of the South Sudanese. Furthermore, the undemocratic nature of the Government of South Sudan (GoSS), has also increased competition over the country's resources. These factors are at the heart of the ethnic conflict that has resulted in the death of hundreds of civilians over the past six months. South Sudan's reliance on oil revenue, combined with GoSS's tilted priorities, has intensified political divisions among the ruling elites. This has in turn mired efforts aimed at building democratic institutions capable of bridging the divide between fighting ethnic groups.

Lack of economic development

The development of infrastructure, education, health, and social welfare programs would prevent resource wealth from being squandered by a few elites. This type of development would give everyone an opportunity to benefit and create productive capacity for other economic sectors. South Sudan is one of the poorest countries in the world, although it has huge deposit of natural resources. By any economic indicator, South Sudan underperforms compared to its non-resource endowed neighboring countries. The reason behind this poor performance is that South Sudan tends to spend less on public goods such as education, health, and social welfare services. In order to adequately fund public goods, the country needs strong institutions and determined leaders. Particularly, rural areas continue to receive insufficient attention from the government's development plans. Currently, resources are concentrated in Juba rather than across the country, despite previous promises regarding distribution. In all this, there was a growing sense that in

¹²⁶ International Crisis Group, "South Sudan: Civil War by Any Other Name" African Report, No.217, Brussels, April, 2014

some cases the Government of South Sudan was replicating the old Sudanese system within their new country. SPLM/A promised that the government would provide all rural areas with clean drinking water and build micro-dams for generating small scale hydro-electric power, however, nothing has happened to date.

Corruption

One of the big problems for the South Sudanese government is corruption. Leaving public administration to former rebel commanders in the areas they controlled during the war was viewed by ordinary people as an arrangement that provided ‘opportunities for the personal enrichment of its senior officers and their sponsors’.¹²⁷ Many of the former rebel commanders carried this vice over to GoSS. They appeared to have adopted the stance of ‘it is our turn to eat’ (i.e. to reap the benefits from the ‘system’).¹²⁸ A 2012 US State Department report on human rights in South Sudan stated, “Corruption was endemic in all branches of government and was compounded by poor record keeping, lax accounting procedures, absence of procurement laws and the pending status of corrective legislation.”¹²⁹ Resource curse literature explains that corruption is one of the central impediments to proper allocation of revenue in resource rich countries. In south Sudan, government officials squandered public revenue to their personal use.

Corruption is exhibited in various forms in South Sudan, including financial and political corruption, patronage, prevalent tribalism and abuses of power.¹³⁰ The GoSS is dominated by the military elite, which is strongly fragmented and marked by competing clientelist networks

¹²⁷ Clemence Pinaud, “South Sudan: Civil War, Predation and The Making of A Military Aristocracy” *African Affairs*, 113/451, 2014:192-211

¹²⁸ Ibid

¹²⁹ State building in South Sudan” *Priorities for development*”

¹³⁰ Transparency International, *Anti-Corruption Resource Center*, March 2013

developed along tribal and ethnic lines.¹³¹ As one of the world's most underdeveloped countries, a large portion of the windfall should have been used to improve the quality of life of ordinary people. However, this did not happen. Instead much of the oil money was mismanaged or diverted into uses that did not serve the public good. The former rebel commanders in positions of power, and those close to them, have led lives of affluence. Pinaud remarks that "The military elite that found itself in power after the war established its hegemony through the capture of resources during the war itself"¹³² As a result according to Pinaud, "Through various predation strategies it considerably expanded its own kinship networks, and its political power, and constituted itself as a military aristocracy."¹³³ In the end, oil has only been a blessing for privileged few. Power is highly abused by those who have been involved in the armed struggle and feel they deserve to be rewarded for the time they spent in the war. As a result, South Sudanese politics are still dominated by a military culture and the SPLM have a clear monopoly on political power. This means that the culture of accountability and transparency is still very weak. Progress in addressing corruption is slow, mainly because many elites are invested in the underlying system of patronage and the ethnic divisions.

Weak institutions and an unaccountable government have plagued South Sudan. The resulting misuse of oil money is a problem inherited from wartime, as a legacy of northern domination and the colonial era. When the government of South Sudan replaced Sudan as a shareholder in oil companies in late 2011, it handed over community relations to the South

¹³¹ Ibid

¹³² Clemence Pinaud, "South Sudan: Civil War, Predation and The Making of A Military Aristocracy" *African Affairs*, 113/451, 2014:192-211

¹³³ Ibid

Sudanese Security Service.¹³⁴ This directly copied the Sudanese approach to state-society relations by imitating the autocratic model created by the government of Sudan. Accountability and transparency are almost non-existence due to an absence of checks and balances throughout government structures. If its reserves were managed responsibly, the government could fund the development of school, roads, and hospitals. However, the current government of South Sudan has been doing nothing substantially different from the Khartoum government. Instead, the South Sudanese government has managed oil resource badly and has further entrenched both conflict and corruption. In 2012, President Salva Kiir himself has described the diversion of public monies-perhaps as much as \$4 billion by leading government and military officials.¹³⁵

Lack of an attempt to diversify economy

There have been no significant attempts to change the culture of oil dependency in South Sudan. In its last three years in power, the government of South Sudan has not made any effort to diversify the economy in order to create other income generating sectors. Thus oil is currently the lifeblood of South Sudan's economy. The South Sudan Development Program has underscored the fact the over-reliance on one commodity has created a situation of volatile revenues and unstable government expenditure patterns due to the lack of buffer savings through the CPA period. Oil revenue volatility provides evidence of the challenges that the GoSS will continue to face as a highly oil-dependent government. It is obvious that the security of South Sudan will continue to be a challenge if its economy remains in tatters. In order to get out of this trap, the country should strive for economic diversification to avoid exclusive reliance on oil

¹³⁴ Elke Grawert & Christine Andra, "Oil Investment and Conflict in Upper Nile States, South Sudan" Bonn International Center for Conversion, Brief, 48, 2012

¹³⁵ Kate Almquist Knopf, "Fragility and State-Society Relations in South Sudan" Africa Center for Strategic Studies, Research Paper No.4, Washington, D.C. 2013

extraction. Economic diversification would require making a decision to allocate the income from the sale of the oil to develop the agricultural sector, the manufacturing sector, and national manpower resources to support economic growth. The diversification of the oil economy is crucial if South Sudan wants to make the best use of its oil revenues.

Poverty

South Sudan began its independence facing enormous development challenges. Half of South Sudan's population lives below the poverty line and over 80% are illiterate.¹³⁶ The oil revenue, all of which accrues directly to the government, has allowed the SPLM leadership to avoid investing in livestock and agriculture, upon which 80% of the population relies for basic needs. Since independence in 2011, South Sudan has allocated 38% of oil revenue to the military and security services, but only 10% to infrastructure and 7% to education.¹³⁷ As a result, South Sudan's agricultural productivity has declined since the end of the civil war in 2003, and now imports the majority of its food.¹³⁸ The people of South Sudan have shown extraordinary resilience in emerging from a civil war that lasted over two decades. However, 50.6% of the people of South Sudan are below the poverty line, with a gnawing gap in poverty levels between classes and within regions.¹³⁹

The poverty under which many South Sudanese live is apparent from the low socioeconomic indicators of the country. The human development indicators is only 0.379, which is among the lowest in the world.¹⁴⁰ About 83% of South Sudanese live in rural areas, and

¹³⁶Kate Almquist Knopf, "*Fragility and State-Society Relations in South Sudan*" Africa Center for Strategic Studies, Research Paper No.4, Washington, D.C. 2013

¹³⁷Ibid

¹³⁸Ibid

¹³⁹ World Bank Data,2013

¹⁴⁰ Ibid

78% of households depend on agriculture (crop growing and animal husbandry).¹⁴¹ Of the population, which was 11 million in 2013, 90% earn less than a dollar a day.¹⁴² Delivery of clean water, health care, and education is poor, especially in the rural areas. Only 55% of the populations have access to improved sources of drinking water. Infant mortality is extremely high at 104 per1000 live births.¹⁴³ However, it is also worth noting that improvements are being made. For example, primary education enrolment more than doubled between 2000 and 2005 from 0.3 million to 0.7 million respectively, and doubled again between 2005 and 2009 from 0.7 to 1.4 million respectively.¹⁴⁴

Dutch disease

Resource curse literature explains that Dutch disease refers to the negative effects caused by a natural resources export boom on traditional exporting sectors. Thus, like other resource rich counters, oil dependency has led South Sudan's economy to experience some degree of Dutch Disease, with oil accounting for 80% of its GDP.¹⁴⁵ This lack of economic diversification has had a deleterious impact on other sectors of the economy. For example, South Sudan has experienced high inflation, reaching levels as high as 80%, came following independence from Sudan in 2011.¹⁴⁶ Although agriculture is the livelihood of the majority of the population, the sector has not shown any improvement compare to the previous regime. There is little local production in other economic sectors, which has forced the country to import food and other

¹⁴¹ Ibid

¹⁴² Ibid

¹⁴³ Ibid

¹⁴⁴ Ibid

¹⁴⁵ Ibid

¹⁴⁶ The World Bank: South Sudan Overview, 2013

essential goods. As a result of oil dependency, conflict over oil is prolonging a war that is predicted to spiral into famine. The Norwegian Refugee Council has warned that some 7.3 million people could go hungry by August 2014.¹⁴⁷ This figure represents almost the entire population of South Sudan.

Volatility of oil production

Over the last three months, attacks on both the oil fields and the planned refinery in the oil-producing Unity State have intensified significantly. Attacking South Sudan's oil sector is intended to cut off Salva Kiir's main source of income and limit his political and military capabilities. The threat of a disruption in oil production might be used as a bargaining chip in the negotiations with Kiir's government, as well as in the ongoing negotiation process in neighboring countries. Disrupting oil revenues means cutting deep into the lifeline of the government in Juba, as well as threatening both the profits of international oil companies and the safety of their personnel. There is no compassion for the people, both side simply want to achieve military victory by controlling the oil fields that the people had once hope would be source of prosperity. The history of SPLM/A-led revolution in South Sudan (1955-2005) against the central government in Khartoum has been, since 1984, a history of operations to muster pressure on central government by targeting major economic development programs such as the Jonglei Canal and oil infrastructure.¹⁴⁸ The SPLM/A not only destroyed expensive earth-moving machinery used for excavating the Jonglei Canal, but also joined with partners in the NDA to destroy the crude oil pipeline pumping to Port-Sudan terminals on Red Sea coast. As a rebel leader during the north-south conflict, SPLM/A defined such installations and facilities as

¹⁴⁷ BBC news,may2014

¹⁴⁸ Douglas H. Johnson, "The Root Causes of Sudan's Civil War" African Issues, Indiana University Press, 2003,page, 48

legitimate targets for war-related activity. Therefore, the rebels against Kiir are employing the same previously tactics used to fight the Sudan government.

Conclusion

The resource curse is a tragic phenomenon observed in countries that are well endowed with natural resources, but tend to have slower economic growth and poorer development indicators than those without resources. This theory has been strongly corroborated in quantitative terms. According to an analysis of developing countries by Jeffrey Sachs and Andrew Warner, the more an economy relies on mineral wealth, the lower its growth rate. Furthermore, countries with significant natural resource endowments also tend to have an increased likelihood of experiencing war and violence, along with a decreased likelihood of having a democratic system of governance. After a long fight for freedom, South Sudan has officially asserted its independence, but it continues to face numerous obstacles. One of the most poignant is its vulnerability to the resource curse. A resource endowment alone is not enough to reduce poverty. The resource curse causes a decline in the competitiveness of other sectors, volatility of revenues caused by market fluctuations in the resource prices, and the decline of production as a result of conflict.

The connection between oil and conflict has defined the relationship between northern and southern Sudan since the discovery of oil in the then Southern region in the 1970s. In the southern Sudanese regions bordering northern Sudan, the GoS used the war to clear large areas of their inhabitants to offer free access to oil companies for exploration. As a result, displacement and mass killing are among the war's lasting legacies, which caused entrenched hostilities against the Asian-dominated oil companies operating in southern Sudan during the

war. Thus, the people of South Sudan were made victims by their own resources because the north was willing to kill and displaced the southern population in order to access oil reserves. Additionally, the resource curse is still present in South Sudan as a result of corruption, conflict, and weak government institutions.

Resource profits have enabled the continuation of conflict through both the financing of arms sales and the creation of arms manufacturing in the heart of Khartoum during north-south conflict. Since the war officially ended in 2005 with the signing of the Comprehensive Peace Agreement (CPA), the ordinary people of South Sudan have been waiting for the benefits of oil development to materialize. The CPA was seen as a hallmark of reconciliation and peace building, particularly in the resource rich states. It allowed equitable distribution of resources and instituted a mutual governing structure for the disputed city of Abyei. However, resource extraction, profit sharing, and borders all became major hindrances to reconciliation and were major reasons for the cessation of oil extraction in South Sudan. Disputes over compensation and fees for the use of the Sudanese pipelines culminated in the shutdown of South Sudanese oil production in early 2012. Furthermore, subsequent armed attacks by the SAF and the SPLA, which directly affected the oil fields in Heglig, Sudan, and Bentiu, South Sudan. Until these outstanding issues can be resolved, it is questionable whether or not violence over oil and borderlands territory can be brought to an end or when the pipeline can start running peacefully.

In general, poverty, corruption, bad governance, and violence characterized the resource curse in South Sudan. A relatively small group of elite captures vast wealth, while leaving much of their society without access to the minimum resource necessary for long term wellbeing. As a result, South Sudan remains one of the world's least-developed countries despite its oil. South Sudan is dependent on hundreds of millions of dollars in annual development aid from the

United States and its allies. However, much of the oil revenue has been squandered and President Salva Kiir acknowledged in 2012 that corrupt officials had stolen from the people of South Sudan.

Recommendations

To use its natural resources for development purposes, South Sudan must have peace and security. However, South Sudan has not achieved this goal by itself due to a lack of capacity. The international community has a responsibility, not only help to bring a halt to the violence, but to work towards a lasting and sustainable peace throughout the country. South Sudan is a country that has been forced to begin its national life from scratch and has been seriously affected by almost a half a century civil war. For sustainable peace to have a chance there must be robust accountability for previous war crimes and strong prevention measures must be implemented to avoid further conflict. Additionally, armed groups, including the South Sudanese military, must stop the targeting of civilians. For its part, SPLM/A officials should also take meaningful steps towards reconciliation. This reconciliation requires inter-communal mechanisms that can provide a bridge back to coexistence between local communities that have been divided and mobilized against each other for years. Furthermore, the success of the GoSS will depend on its ability to deliver basic services in an environment of security and the rule of law. To help meet the pressing demand for experienced public administration personnel, and to build capacity for the long term, the international community should provide direct capacity-building assistance. Finally, the Inter-Governmental Authority on Development (IGAD) should continue playing a constructive role in building peace between Sudan and South Sudan, as well as among the South Sudanese themselves

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