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Original Article

Considering the impact of oil politics on nation building in the Republic of South Sudan

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ABSTRACT

This article reviews the political economy aspects of the oil sector in Sudan, as well as historical events leading to the birth of the world's youngest nation: the Republic of South Sudan. The process of nation building is explored through an oil sector "lens" both before and after secession. In doing so, the paper highlights issues related to the specific manifestation of the "Resource Curse", which has continued to influence many aspects of the economic and political development in Sudan and continues to do so. We use both the academic and "gray" literature to better understand these issues as they continue to evolve.

1. Introduction

Oil was a principal driving force behind the economic and political development – and birth – of the world's newest nation on July 9 2011: the Republic of South Sudan (from now on referred to as South Sudan).[1] The history of Sudan thus offers a rather unique perspective from which to explore the political and economic impacts of oil production, as the topic was often and explicitly cited in the discussion of nation building/separation. We briefly consider some of the complex landscape surrounding the relationship between oil resources, economics and infrastructure with the birth and future of South Sudan – and especially its relationship with its Northern neighbor, Sudan. The paper will highlight issues related to a specific manifestation of the "Resource Curse".

Section 1 provides a brief historical overview of pre-secession Sudan's oil industry, and explores its role in the country's economic development up to 2011. To understand the rise of conflict in certain regions of Sudan and South Sudan, Section 2 outlines the characteristics of the oil resources across the two countries, the presence of international oil companies in active oil fields, and the projected oil sector developments. Section 3 summarizes the two countries' complicated history of political and ethnic conflict, and explains how the discovery of oil has added a new dimension to their fragile relationship. As indicated, the short history of South Sudan, born as a petro state, has been dominated by oil-related concerns. Most significantly, a conflict with ethnic, political and oil dimensions has brought the young country to the brink of yet another civil war. Section 4 reviews these events, and explores international interests in the conflict. Finally, Section 5 concludes and presents some possible insights we can draw from the unique case of South Sudan in the context of governance, institution building, finance and international interventions. We also allude to lessons from other oil-countries that may be applicable in this circumstance.

2. The road to secession

The importance of oil in the events that led to the independence of South Sudan cannot be fully comprehended by viewing the oil sector in isolation. Before oil exploration even took place, Sudan and southern Sudan already shared a complicated political history of violence, exploitation and mistrust.[2] The rise of the oil industry heightened aspects of this relationship as the government has thus

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[1] The following denotation will be used throughout this paper: South Sudan or the Republic of South Sudan refers to the independent country established after July 2011. "Southern Sudan" denotes the regional government established between the CPA in 2005 and up to independence. Before the CPA, the southern region of Sudan is referred to as "southern Sudan". The denotation "Sudan" will refer to Sudan including Southern Sudan up to the time of secession.

[2] For an excellent review of Sudan's history, see Jacon et al. (2012).

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failed to effectively manage the so-called "Resource Curse", the view that developing countries rich in natural resources are prone to state corruption, profligacy, social crises and violent civil conflict, and are less able to use their wealth for economic growth (Auty, 1993).[3] Seemingly more so than in any other modern case, oil resources became explicit and core to the process of nation building in southern Sudan. As in all such cases, the history is complex. We provide only a very cursory historical context as a foundation for our exploration of more recent events.

2.1. North and south decentralization

Sudan as a nation state took its shape under the occupation of the Ottoman Empire (1821–83/85), the administration of the Mahdist state (1883/85–1898), and finally the rule of the Anglo-Egyptian condominium (1898/9–1956) (Jacon et al., 2012). Prior to this period, it seems that no political alliance or unity had existed between north and south Sudan (Kameir, 2011). During these regimes, the south, composed of hundreds of tribal kingdoms, was subjected to slave trade, jihad and marginalization (Ahmad, 2010). The fact that certain sections of the Muslim and Arab-speaking population of the north had personal stake in the exploration created a legacy of distrust and marked the beginning of a history of resistance (Kameir, 2011).

British colonialism appears to have had a particular influence on the relationship between north and south. Not only did the British administer the two regions separately, but they also contributed to ethnic boundaries by barring Islamic expansion into the south, and created large socio-economic and political disparities by concentrating economic, political and administrative development in the north.[4] With this decentralization process emerged a parallel autonomous southern government, which was largely characterized, and victimized, by the uncoordinated and inconsistent policies of the competing tribes of the southern provinces (Collins, 2008).

After Sudan gained independence in 1956, Arabization and Islamization sought to unite Sudan under one religion and one culture.[5] Such ethno-religious-centered policies impeded the construction of a Sudanese national identity as southern "religious practices and language, deeply rooted in African culture were derogated" by the Arabic-speaking Muslim Government in Khartoum (Adar, 2001). These impositions were opposed by the south, and culminated in what became the first Sudanese Civil War (1955–1972). Subjugation of the south continued even after the 1972 Addis Abba Agreement ended the first separatist war,[6] which accorded the south a measure of autonomy and marked the first official move toward secession.

2.2. Finding oil

The peace that followed the Agreement was brief when it became clear that the-now self-governing southern region was sitting on large oil reserves. Oil exploration activities began in Sudan in the 1960s in the coastal waters of the Red Sea and Sudanese continental shelf, but it was discoveries by American energy major Chevron in Unity State in 1978 that made the country a potential oil player (Moro, 2009).[7] In pursuit of further resources, Khartoum granted prospecting and drilling concessions to Chevron and Total in the Upper Nile and Jonglei provinces, apparently without the consent of the south (Johnson, 2012).

Determined to better control the oil fields, the Government tried to introduce a bill in 1980, which would not only redraw the existing borders to enclose these areas in what became known as Unity State, stretching from the oil fields in southern Kordofan to the southern region (Johnson, 2012),[8] but would also include the agriculturally productive areas of the Upper Nile province. The bill was never realized, but tensions were also fueled by a disagreement over whether refineries should be placed in the Upper Nile province, where the oil existed, or in northern Sudan (Johnson, 2012). The attempted take-over of the oil fields straddling the north–south borders, together with the introduction of Sharia Law in 1983, provoked the funding of the Sudan People's Liberation Army (SPLA), a guerilla movement, which spawned the present day army of South Sudan, and sparked the Second Civil War (1983–2005). (In an investigation of the relationship between oil development and conflict in Western Upper Nile, Gagnon and Ryle (2001) find that oil revenues were channeled into increasing military expenditures and that activities related to oil exploration, drilling and production led to increased military actions.[9])

The dispute about borders thus became intimately entwined with the nexus between oil and economic development. Historically, the government had favored economic development in the north, with limited or no efforts to strengthen the economic and social conditions of the south (Shankleman, 2011).[10] The southern region was also excluded from any decisions in petroleum affairs (Johnson, 2012). In the years to come, the government halted delivery of aid to the area's inhabitants, who in general were, "regarded not as citizens but as a security risk, as potential or actual supporters of rebel movements, to be forcibly moved off the land that they inhabit in order to facilitate oil development on the government's terms" (Gagnon and Ryle, 2001). In a short time, an enormous contingent of people was displaced and thrown into deeper poverty (Lado, 2002).

2.3. The comprehensive peace agreement

Burdened by the devastating economic and social effects of the prolonged war, the Khartoum Government, the SPLA and its political wing, the Sudan People's Liberation Movement (SPLM),

[3] A vast literature exists on the resource course. In an influential study, Sachs and Warner (1995) established a negative relation between natural resource abundance and economic growth. Building on these findings, other analyses linked natural resource abundance with historical events (Auty, 1997, 2001) and political systems (Collier and Hoeffler, 2005; Ross, 2001). Subsequent papers have focused on more explicit transmission channels of the effects on growth such as educational attainment and spending (Bravo-Ortega and de Gregorio, 2005) or rent-seeking behavior (Torvik, 2001). This paper recognizes the importance of these dimensions, but relies mainly on the Sachs and Warner (1995) framework in providing an overview of historical events.

[4] For example,"the north of the country benefited from large irrigation systems for cotton plantation – for the British textile factories – and the south was considered as having nothing worthy of investment" (Jacon et al., 2012, p. 497).

[5] The process of Islamization had been taking place in North Africa since the 8th century as a part of the Arabic expansion in the region, and was successful in north Sudan (Jacon et al., 2012).

[6] According to (Jacon et al., 2012, p. 499), "this agreement granted autonomy to the South of Sudan, recognizing a Regional Self-Government in the region, with a legislative body (Regional People's Assembly) and an executive in charge of public affairs and administration (High Executive Council)".

[7] Some of the first companies to conduct exploration drills in Sudan were Agip (Azienda Generale Italiana Petroli), a former Italian oil company acquired by Eni on 2003, British Petroleum, Royal Dutch Shell and Total. It was, however, Chevron who made the first and most critical steps in advancing Sudan's oil industry in the 1970s with its extensive onshore exploration activities ('State Rules: Oil Companies and Armed Conflict in Sudan', www.sudantribune.com/spip.php?article22901 (accessed 15.07.14)).

[8] 'Oil fuels the conflict between Sudan and South Sudan – and it Keeps Getting Hotter, http://theconversation.com/oil-fuels-the-conflict-between-sudan-and-south-sudan-and-it-keeps-getting-hotter-6622 (accessed 15.07.14).

[9] Gagnon and Ryle (2001) provide a thorough discussion on the influence of international oil companies in the conflict.

[10] The Government concentrated investments in the so-called "Golden Triangle" through National Agricultural Schemes, i.e. the ?Kenana' sugar scheme on the White Nile, the 'Rahad' crop rotation scheme on the Blue Nile and mechanized farming (Kassala and Kordofan) (Embassy of the Republic of Sudan, n.d.).