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Implementing U.S. Policy in Sudan

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Introduction

I first wish to commend Senators Feingold and Frist, Chair and Ranking Minority of the Senate Foreign Relations Africa Subcommittee, respectively, for their leadership in holding this timely hearing on Sudan. I also wish to express my personal gratitude for the opportunity to appear here today.

I will offer a few brief comments on U.S.-led international efforts to end Sudan's war and areas where implementation should be strengthened. After that, I will briefly address issues specific to Sudan's oil sector and its place in a negotiated settlement.

Keeping a focus on U.S. policy toward Sudan

It is critically important, at this juncture, to keep a focus on U.S. policy toward Sudan.

President Bush did just that on June 20th, at the dinner honoring the late Reverend Leon Sullivan, when he stated:

"...we will... continue our search for peace in Sudan. My policy towards Sudan seeks to end Sudan's sponsorship of terror and promote human rights and the foundations of a just peace within Sudan itself. My envoy for peace in Sudan, former Senator John Danforth, has made progress toward a cease-fire and improved delivery of humanitarian aid to such places as the Nuba Mountain region of Sudan.

"Since September the 11th, there's no question the government of Sudan has made some useful contributions in cracking down on terror. But Sudan can and must do more. And Sudan's government must understand that ending its sponsorship of terror outside Sudan is no substitute for efforts to stop war inside Sudan. Sudan's government cannot continue to talk peace but make war, must not continue to block and manipulate U.N. food deliveries, and must not allow slavery to persist."

Keeping a focus is important not only because of the grave human costs of Sudan's chronic war, but also because the war has mobilized a remarkable coalition of important American constituencies, like none other in Africa in recent years. It is also important because Sudan is the single chronic conflict in Africa where the Bush administration has pursued an activist diplomacy at a sustained, high-level. And as President Bush indicated, Washington's leadership and investment have begun to show early, promising results. To build upon these returns, effectively and reliably, now requires an intensified level of effort, diplomatically, financially and analytically.

Today, there is ample reason to be deeply skeptical of Khartoum's motives and coherence. At the same time, fighting, concentrated in the oil-producing western Upper Nile region, has intensified.

Nonetheless, for the first time in many years, a just, durable settlement is again imaginable, that might reconcile the tough issues of church and state, unity and self-determination, and the sharing of Sudan's national wealth, among other issues.

This is because U.S. leadership, bolstered by dramatically altered circumstances within Sudan and the surrounding region, post-September 11, have created opportunities for peace in Sudan that did not exist before.

Progress is seen in the four achievements of Special Envoy Senator John Danforth: the Nuba Mountain cease-fire agreement, plus agreement by the two sides to international monitoring of the Geneva Convention, an international commission to investigate slavery and abduction, and disease eradication efforts.

Progress is seen in the newfound seriousness of purpose, exhibited by both the Government of Sudan and the Sudan People's Liberation Movement, in the most recent round of IGAD peace talks that opened in Nairobi on June 17th. Southern political cohesion has been strengthened in recent months. The SPLM leadership has shown increased openness to dialogue on the critical issues that must be resolved before there can be peace. Khartoum has systematically normalized its relations with its neighbors, recommitted itself rhetorically to peace, and cooperated with Washington on counter-terrorism.

Progress is seen in the conspicuous, newfound determination of the Kenyan Government, led by General Lazarus Sumbeiywo, to move this round of the IGAD talks toward real results, intended to lead to a comprehensive settlement.

And progress is seen in the joint efforts of Washington, London and Oslo to put their substantial support behind Kenya. The troika has brought new pressures upon both sides, and helped significantly to inform discussions on the critical issues tabled at the IGAD talks.

President Bush's strong personal stake is obviously critical to sustaining the Administration's focus and determination on Sudan. At the same time, former Senator John Danforth, Assistant Secretary of State Walter Kansteiner, and USAID Administrator Andrew Natsios have demonstrated resolve and creativity in carrying forward U.S. policy. This month, they will be joined by Ambassador Ranneberger.

However, notwithstanding the Administration's growing unity of purpose, there are enduring problems in implementation of U.S. policy which need to be corrected

U.S. personnel and resources to support U.S. policy toward Sudan are insufficient, at a time when there is simultaneous demand both to implement the four initiatives developed by Senator Danforth and provide extensive support to the IGAD talks. Presently, the Sudan team is understaffed, over-stretched, and under-financed in the face of multiple proliferating tasks. Analysis of Sudan's complex, quickly evolving internal political developments, critical to informing U.S. diplomacy, is uneven and often weak.

If U.S. policy is to be effective, it requires an adequately staffed embassy in Khartoum that includes skilled Arabic speakers and resident senior leadership. It requires in Nairobi at least two resident officers to liaise with southern Sudanese leadership. It requires in Washington a team to backstop implementation that is considerably larger and more stable. Some recent progress has been seen in adding staff and resources, and the present teams in Washington, Khartoum, and Nairobi deserve high praise for their performance under difficult circumstances. However, recent efforts to increase capacities still fall short of requirements, and more needs to be done. As the implementation agenda continues to widen, there is a continued risk of overload, confusion and paralysis unless quick action is taken.

An immediate related priority should be accelerating the creation of the international monitoring mechanism to investigate alleged violations of the Geneva Convention. That instrument is important to bringing new pressures upon the parties and, most importantly, bringing an end to bombings of relief sites. Little progress has been seen in recent months in establishing it, not through willful neglect, but because of a sheer excess of demands upon limited staff.

Sudan's oil sector

Oil is a highly charged, fundamental factor in Sudan's war and will inexorably figure both as an obstacle and an opportunity to achieving peace.

If there is to be a durable peace accord, the parties to Sudan's war will have to determine and agree on how the oil sector is to be managed and monitored equitably and effectively in a post-war setting. Settling on a workable strategy to divide and distribute oil revenues will likely be an arduous and complex process, for which there is no historical precedent in Sudan's experience. Under the best of circumstances, realizing big, mutual financial gains will require several years.

Nonetheless, a durable and convincing peace settlement eventually will allow Sudan to significantly increase its total revenue levels. An equitable division of an expanding oil-revenue pie could help consolidate a durable peace, contribute to a broader reconstruction process, and possibly encourage the more rapid arrival of concessionary donor flows. In turn, a durable peace could ensure that the Sudan's energy pie continues to grow.

Present realities

As long as war continues in Sudan, Sudan's oil revenues will be highly constrained, and the sector itself will be a potent negative factor.

National production will be confined to first-phase exploitation in the western Upper Nile (WUN) oil fields, which have an estimated reserve of 600 million to 1 billion barrels. Current production of 230,000 barrels per day may rise in the near term to approximately 250,000 barrels per day, but shortly thereafter production is projected to decline.

Until the war is ended, there is little prospect of bringing into production the far larger fields, estimated at 3-4 billion barrels, that lie in the southern Sudd zone, dominated by southern armed movements.

Current production areas will continue to attract concentrated military activity by the government of Sudan and the SPLA. Recently intensified military action in and around the WUN oil fields will sustain insecurity and uncertainty and continue to generate displacement, disruption of humanitarian access, continued credible allegations of war crimes, and other human rights abuses. Fighting is not likely to lead to a significant change in the battlefield situation.

These factors will sustain doubt among Sudan's external partners and instability in current production arrangements, prompting periodic suspension of exploration and production activities and the possible sale of operations.

These factors will also intensify international NGO activism surrounding Sudan's oil sector, sustain strong interest among mobilized constituencies in the United States to impose capital market sanctions on Sudan's external oil partners, and otherwise impede normalization of Sudan's international status and image.

Oil in peacetime

If a negotiated peace is achieved, it will be possible to expand Sudan's oil sector considerably - in time. However that will require substantial patience and determination to surmount several formidable hurdles over several years.

Once war has ceased, there will be strong interest in enlarging the consortia of external partners, including new Western major oil firms, in order to bring the Sudd zone into production and increase overall energy sector competitiveness. However, only a credible, durable political compact among the parties to a peace accord will build confidence among external investors that the Sudanese partners are reliable and predictable.

A credible accord will require that the government of Sudan and the SPLA convince the international energy community that they have achieved a workable consensus on joint future management of Sudan's energy sector. This step will be essential, regardless of how precisely they agree to divide power politically and constitutionally.

The parties will also have to demonstrate their joint capacity to guarantee elementary security across the expansive geographic area of present and future production. This will likely require a provision in the demilitarization agreements to take account of the special security requirements of the present and future oil producing areas.

Oil did not figure in Sudan's 1972 Addis Ababa Agreement, and there is no historical precedent in Sudan for negotiating oil-revenue distribution. A revenue-sharing formula will be required that has adequate specificity, simplicity, and transparency, has provisions for negotiated adjustments, includes some form of strong third-party verification, and rests on competent revenue management structures. A number of models are possible, including for example, a simple negotiated division between north and south based on relative population sizes, or a division among the federal government and smaller federal units, with bonus allocations for producing regions. The selection of an appropriate formula will be shaped significantly by the political and constitutional design of the peace accord.

Increasing Sudan's total oil revenues to the benefit of all parties will be a slow, multi-year process. As an interim measure, the government of Sudan could dedicate a substantial share of current oil revenues to social and developmental purposes that benefit the south and north, through an internationally-monitored escrow account.

Thank you.