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## Sudan: Oil Exploration Fueling Displacement in the South

Believed to be the site of one of the world's largest oil basins, south Sudan has seen a rapid increase in oil exploration initiatives since the signing of the Comprehensive Peace Agreement (CPA) in January 2005.

In addition to corporate initiatives already underway, the new investment potentially threatens the safety of Sudanese living in oil-rich areas and displaced people returning home to these areas. In Upper Nile State in south Sudan there are reports of forced migration and violence in the areas of oil exploration. While the conflict in Darfur has justifiably drawn world-wide attention, violence and forced displacement in the south resulting from oil activity are largely overlooked. As the government in south Sudan struggles to build its capacity to monitor oil exploration, governments must hold corporations accountable for compliance with local, national, and international laws.

There is global precedent for concern about the impact on human rights of oil basin drilling in developing countries. Talisman Energy Corporation was forced to withdraw from Sudan after numerous accusations of widespread human rights violations, which involved, according to the U.S. Department of State, the Sudanese government running a "scorched earth policy" to drive out people surrounding oil production facilities and the oil pipeline running from the south to the Port of Sudan. Documented human rights abuses associated with ChevronTexaco and Shell's oil activities in Nigeria, Unocal's in Burma, and Occidental's in the Amazon further demonstrate the frequent connection between oil exploration, displacement, and violence. Given that south Sudan contains the vast majority of the country's oil, much more attention should be devoted to the human rights impact of oil company activity in the region.

In March 2006, when thousands of displaced people were returning to south Sudan after years away from their homes, Refugees International interviewed people about on-going forced displacement due to oil investment. One

woman in Malakal claimed that oil activity had forced her family and others from their homes in Melut to a camp for the displaced in Malakal. A UN official in Malakal told RI, "Just go up to Melut and you'll meet many people who had to run away because of the oil companies. Oil is adding more fuel to displacement rather than helping us welcome returnees with economic investment." Another UN official added, "There are armed forces all over the area but you never know who they work for. Their job is to displace the people and there is also an army there whose job is to protect the oil fields. These displaced people are landowners who are being forced off their land without any compensation. This will definitely cause future conflict." The overstretched UN mission in Sudan (UNMIS) has neither the mandate nor the capacity to monitor and prevent forced displacement as the result of oil development.

The formation of the National Petroleum Commission (NPC) in Sudan has led to some regulation for foreign companies investing in Sudan's oil industry, but many of their operations are shrouded in secrecy and ignored by the media. Under Sudanese law, requirements for corporate transparency are limited. While the NPC claims to "monitor and assess the implementation of [public policies in relation to development and management of the petroleum sector] to ensure that they work in the best interests of the people of Sudan," the capacity of the new government in Sudan to monitor the complex petroleum contracts and revenue flows is still quite weak. Evaluations of corporate activity and its impact on Sudanese citizens' human rights are inconsistent and incomplete.

The probability of mishandling of the oil revenues and up-setting the plans for implementation of the CPA is high.

The United States Agency for International Development's (USAID) strategy statement for Sudan acknowledges this: "Nearly all developing countries blessed with extractable natural resources have failed to use their resources to reduce poverty, and most see an increase in corruption and conflict, suggesting that oil impedes democratic governance. The [Government of South Sudan] will start operations at near 100% dependency on oil revenues. The threat of GoSS collapse is very real and would completely undermine the CPA."

Inadequate national law requiring accountability for oil companies is just one of the problems of oil in Sudan. Many fear that provisions outlined in the CPA will lead to an independent south, the site of most of Sudan's oil. Should the south seek autonomy, Khartoum would be denied its "rightful" share of oil and gas revenues. For this reason, some speculate, the National Congress Party (NCP) promotes conflict in the south among different groups with the intention of postponing the referendum required under the CPA. Using militia, South Sudan Defense Forces (SSDF), bribery and other tactics, the NCP seeks to demonstrate that the CPA has been unsuccessful to insure that the south cannot secede.

Further complicating implementation of the CPA are the business interests of other nations, China first and foremost. Sudan is China's largest overseas oil provider, while China is Sudan's largest arms supplier and, as a veto-wielding permanent member of the UN Security Council, has helped thwart international attempts to respond more vigorously to the conflict in Darfur. China has invested more than fourteen billion dollars in Sudanese oil through the state-owned China National Petroleum Corporation (CNPC). Working with the Sudanese government to obtain security and the rights to drill, CNPC contributes Chinese-made tanks, fighter planes, bombers, helicopters, machine guns and rocket-propelled grenades, firearms, and ammunition to the Sudanese military and SSDF. China has also established three arms factories in Sudan. A recent Amnesty International report confirms the links between China's oil interests and arms dealing, stating "China's arms exports, estimated to be in excess of [US]\$1 billion a year, often involve the exchange of weapons for raw materials to fuel the country's rapid economic growth."

China, however, is not the only UN Security Council member with business interests in Sudan. While the United States still has economic sanctions in effect, they are expected to be lifted in the near future. If sanctions are lifted, it is critical that US oil company activity also be subjected to rigorous scrutiny and oversight.

The case of Jarch Capital, a US corporation, illustrates the potential difficulties. Jarch Capital management claims that "the SPLM signed a contract with Jarch Capital, LLC and its partners to explore and exploit oil in an area called Block B...[giving] Jarch Capital exclusive rights to all commodity contracts until 2009." Negotiations broke down, however, and the firm is now threatening to sue the Sudanese People's Liberation Movement (SPLM) for US \$10 billion in damages for breach of contract. In addition to being a potential economic burden, the lawsuit is exacerbating inter-ethnic tensions within the fragile south Sudan government. The SSDF, who are primarily Nuer and who have sided with the government in the north in the past, have threatened to support Jarch Capital's lawsuit militarily by battling the primarily Dinka SPLA, stating, "We've told the SPLA to keep off our oilfields and any breach could provoke a bad situation such as we have seen in the Niger Delta."

**IN ORDER TO PROMOTE HUMAN SECURITY, SAFE RETURN FOR DISPLACED PEOPLE, THE RIGHTS TO SHELTER AND LIVELIHOODS, REFUGEES INTERNATIONAL THEREFORE RECOMMENDS THAT:**

- ❑ Human rights organizations undertake comprehensive investigations of oil exploration and production activity in south Sudan, with an emphasis on examining the impacts of these activities on migration patterns, violence, and other fundamental human rights;
- ❑ The United States and other governments ensure that corporations investing in south Sudan over which they have jurisdiction are complying with local, national, and international laws;
- ❑ The United States and other governments, along with the World Bank, work continuously with national government of Sudan and the regional authorities in the south to strengthen their ability to regulate foreign investment in the oil sector;
- ❑ Corporations investing in south Sudan commit to and implement policies of transparency and accountability regarding their investments in that region; and
- ❑ Shareholders of oil companies investing in Sudan demand transparency and compliance with local, national, and international laws.

*Advocate Sarah Martin and human rights lawyer Betsy Apple assessed the situation in south Sudan in March. Monique Mugnier, a student at Columbia University, assisted with the preparation of this bulletin.*