

Promoting Just Economic Development

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Introduction

My focus will be on the very largest features of the wealth-sharing agreement, using as context recent Sudanese economic history. For there can be no understanding of how a wealth-sharing agreement will work in the economies of northern and southern Sudan that does not take account of the economic consequences of Khartoum's 20-year war against the south. Though there are many technical shortcomings and questions about the agreement negotiated and signed in Naivasha on January 7, 2004, I wish to devote my attention today to the larger and more conspicuous issues arising from this agreement.

I must first, however, register two particular concerns. The more consequential concerns my doubts about the mechanisms for adjudicating disputes about land ownership. I believe this key matter requires a good deal more work if such adjudication is to provide real equity, especially for people in the Nuba Mountains. The second issue is less consequential but far from negligible, and concerns the signing of oil contracts and oil infrastructure financing agreements during the period between January 7, 2004 and the signing of any final peace agreement. I think it would be an extremely useful confidence-building measure if Khartoum were to declare a moratorium on both, pending signing of a final peace agreement.

Larger Issues

Those of you who have traveled in southern Sudan will know that this is a region extraordinarily ravaged by war, suffering from the cumulative effects of decades of underdevelopment and economic neglect by the central governments of Sudan. There is no infrastructure, virtually no paved roads or transportation system, no communications system, no health care system of even the most rudimentary sort, and no economic system in our ordinary sense of that phrase. The local agricultural economies throughout southern Sudan, as well as in other marginalized areas, have been deeply compromised by war, and by deliberate destruction on the part of the armed forces and militia allies of the governments of Sudan, especially the current National Islamic Front regime. Even humanitarian aid services have been badly compromised by so many years of fighting and by the reprehensible denial of humanitarian access to civilians for military purposes.

Fields have been burned, agricultural tools deliberately destroyed, herds of cattle have been bombed—and in recent years many demoralized populations have simply given up on agricultural plantings. Compounding the problem, both for people and cattle, has been the diminishment of potable water supplies as a consequence of conflict. Moreover, the massive scorched-earth warfare that has taken place in the oil regions of southern Sudan and along the Kordofan/Upper Nile border has been especially destructive of the agricultural economies.

Khartoum's brutal efforts to create a *cordon sanitaire* for international oil companies operating in the war zone have been authoritatively chronicled by many human rights and humanitarian organizations, and recently in definitive fashion by Human Rights Watch.

As if these problems were not enough, it is widely expected that following the signing of any peace agreement, millions of Internally Displaced Persons (IDPs) will attempt to return home—likely over 1 million in the first six months alone. Such a staggeringly large movement of people, largely bereft of resources, returning to lands brutalized by decades of war, will simply overwhelm all international resources presently in the pipeline or being contemplated by potential donor governments, most significantly the United States.

The potential for chaos and violence may provide ample pretext for Khartoum to resume war in the oil regions, and international vigilance must remain high. The difficulties of transition from peace to war must not be underestimated. Thus the most urgent order of business, if wealth-sharing is to have any chance of occurring, is the deployment of a robust UN peace support operation, with fully adequate logistics, transports, communications gear, military protection if necessary, and personnel familiar with southern Sudan and the marginalized areas.

It should be noted, however, that when US Secretary of State Colin Powell recently suggested an international peacekeeping force of 8,000 – 10,000, his comments were immediately rejected by several representatives of the Khartoum regime. This bodes extremely poorly for peace, especially since this peacekeeping force would be stationed largely in the south and the contested areas along the historic north/south border. What has Khartoum to fear from peacekeepers if it is truly committed to peace?

But unless there is a major infusion of emergency transitional aid, peace may founder before it has truly set sail. Agricultural implements, seeds, family cooking kits, water bore-hole drilling, herd restocking and vaccination, infant inoculations for polio, measles, meningitis and other diseases, HIV/AIDS education and prophylaxis measures—all will be urgently needed.

To the extent that the international community is unwilling to shoulder the costs of these critical resources, wealth-sharing should be accelerated over at least the first year. If we assume that southern Sudan's portion of annual oil revenues very roughly approximates to \$400 million, these monies should be disbursed in accelerated fashion over the first year. Southern Sudan has suffered so long and terribly, its needs are so vast and immediate, that this acceleration can hardly be considered fiscally irresponsible—on the contrary, this may be what is required for peace to take hold.

Meaningful Wealth-Sharing

The keys to effective emergency disbursement will be the same for disbursement over the longer term: transparency and accountability. Both of these terms are highlighted in the

“Guiding Principles” of the introduction to the wealth-sharing agreement (1.6); so too is the notion that economic development requires “decentralization of decision-making” (1.6). But we must recall that to date, Khartoum has not been burdened with either demands for transparency and accountability, or any serious obligation to de-centralize power. Indeed, the National Islamic Front regime has worked more relentlessly than any other Sudanese government of the last half century to centralize and consolidate its power.

Transparency

This must end. In addressing issues of transparency the International Monetary Fund has a key role to play. Despite lengthy and ponderous Staff Reports, Interim Reports, and a host of other reports, the IMF has essentially white-washed Khartoum’s mismanagement of the economy, particularly on the matter of military spending. While the November 2000 report at least had the honesty to indicate that military spending was doubling because of oil exports (the first shipment left Port Sudan in August of 1999), the most recent study by the IMF [“Staff Report for the 2003 Article IV Consultation, and First Review of the 2003 Staff-Monitored Program,” October 20, 2003] has not a word, not single word about military spending; it has not a single line item, not a single chart, with a single figure, about military spending.

Such a conspicuous refusal to address what is perhaps the key feature of northern Sudan’s economy tells us all too much about how the international community has viewed Sudan’s oil wealth, and the European and Asian capital projects that have been funded by oil revenues. For to this point, all oil revenues have gone entirely unencumbered and unrestricted to the Khartoum regime, with no provisions for anything approaching transparency.

We must ask, then, how likely is it that members of the Khartoum regime, as part of a new, nominally *national* government, will assume habits of transparency if the IMF has failed so miserably. And this leaves out of present consideration the various military expenditures the IMF has never inquired about—including, for example, the construction of the massive dual-use (military-commercial) production facilities, like the immense GIAD complex outside Khartoum. Sudan’s domestic weapons production has accelerated rapidly in recent years, yet without comment from the IMF. The same is true of salaries to the Popular Defense Forces, which operate outside the military budget of Khartoum’s regular forces, and many other indirect but consequential military expenditures.

Of course transparency is equally important for the Government of South Sudan (GOSS) contemplated in the Wealth-Sharing Agreement. While I have personally received decisive assurances from John Garang and others in the southern leadership that their highest commitment is precisely to transparency, the proof will of course be in what we see transpiring in southern Sudan. I think it is extremely important that the international community work to create incentives for transparency, and following the period of emergency transition, to make transparency requirements part of economic development aid. Certainly if there is to be an initial acceleration of oil revenues for the purposes of emergency

transitional aid, the GOSS must work very rapidly to create credible, transparent, and accountable mechanisms for the receipt and dispersal of these revenues, with a compelling articulation of priorities.

Accountability

Accountability is the other indispensable feature of effective and equitable wealth-sharing. While the south has had precious little wealth, indeed has experienced crushing poverty and lack of natural resources, the Khartoum regime has had very considerable resources at its disposal, even before oil began to flow—and virtually no obligations of accountability. Certainly if the people of Sudan, even the people of northern Sudan, had been able to hold the National Islamic Front accountable, the war itself would not have continued for so long. Instead, with no accountability, Khartoum has been able to purchase for years tremendous quantities of weapons and armaments using both anticipated and realized oil revenues, even as the agricultural sector of the northern economy has remained undercapitalized (see pages 3 and 13 the IMF's "Second Review of the Second Annual Program Under the Medium-Term Staff-Monitored Program," November 6, 2000). This arrangement has worked out especially well with the Chinese, who care nothing about principles of transparency or accountability, and are interested in Sudan purely and simply as their premier off-shore source of oil.

Accountability will be hard to come by so long as more parties do not own the peace process or have a clear stake in the wealth-sharing agreement. The democratization of Sudanese political culture is essential for such accountability to emerge, but it is precisely this democratization and concomitant decentralization—of political as well as economic power—that Khartoum is strenuously resisting.

If we need any measure of how consequential this resistance is, we have only to survey the horrific human catastrophe in Darfur. Like so many regions in Sudan, Darfur has suffered decades of economic and political marginalization. To be sure, the history of the region is complex, and the nature of the grievances, especially on the part of the African tribal groups—especially the Fur, Zaghawa, and Massaleit peoples—are various. But increasingly scarce resources and land have played a major role, and fundamental inequities in treatment of the peoples of Darfur have made the current insurgency conflict inevitable.

The same problem, on a different scale, can be found in the region of eastern Sudan that is home to the Beja people. Privation, poverty, acute food insecurity, and political marginalization have had much the same effect there as in Darfur, and the recent linkage between the insurgency groups in Darfur and the Beja Congress is no accident.

Accountability for the leaders of the Government of South Sudan will mean, among other things, accountability to a widening set of southern constituencies, and an effort to ensure that the armed militias, especially of Western and Eastern Upper Nile, own any peace. Most of these militias have long been armed and supplied by Khartoum as a means of making fighting in the oil regions a conflict between southerners ("use an 'abid' to kill an 'abid'")

[slave],” goes the common saying among northerners). But these militias can be removed as spoilers of the peace if the southern leadership is open and accountable in ways that move fully across tribal, geographic, and political lines.

The upshot of what I’m saying is that the signing of a peace agreement is hardly likely in itself to change either attitudes or behavior in Khartoum, and that a wealth-sharing agreement is ultimately only as meaningful as the regime wishes it to be. The final details of a power-sharing agreement have yet to be worked out, and these in turn are contingent upon resolution of the status of the three contested areas—the Nuba Mountains, Southern Blue Nile, and Abyei. The fact that the latter continues to be the sticking point is ominous indeed as an indicator of Khartoum’s willingness to share either wealth or power, and if this issue is not satisfactorily resolved in the very near future, this entire discussion will be moot.

Recent and highly authoritative reports coming to me from those who have traveled to Abyei indicate that oil development is proceeding extremely rapidly and that the local population has been told by Khartoum to prepare to leave. Just as there are no villages between Heglig and Abyei (in GNPOC Concession Blocks 2 and 4 respectively), we may soon expect to see Abyei become a victim of oil development. It is perhaps this that best explains the utter intransigence of Khartoum in negotiating this issue in Naivasha. The SPLM has proposed a splitting of oil revenues from the Abyei area, but this may not be enough. For we should recall that there is no provision for dividing oil revenues from northern Sudan.

Enforcement mechanisms are also not sufficiently well articulated in the wealth-sharing agreement and one may easily wonder how much legal remedy there may be if the GOSS, in pursuing its roughly 50% of southern oil revenues, is obliged to proceed through the Constitutional Court. “The National Government shall make transfers to the Government of Southern Sudan based on the principles established” (1.14). But what is the force of that “shall”? What are the means of enforcement? Here the critical need for transparency is especially evident; for only international pressure is likely to be able to overcome intransigence here of a sort all too familiar on Khartoum’s part.

Another way of putting this is to say there is good reason for skepticism about the meaning of Khartoum’s signature on a wealth-sharing agreement, or any other agreement. We see bad faith on a monstrous scale, and on a daily basis, in Khartoum’s pronouncements about the humanitarian situation in Darfur. The same has been true of negotiations over Abyei. If a comprehensive agreement is reached, a primary test of what this means will be reflected in Khartoum’s willingness to use national wealth, primarily oil wealth, to move from a war economy to a peace economy.

For example, the agreement on security arrangements give Khartoum up to two and half years to re-deploy its approximately 100,000 troops from southern garrison towns—the number in excess of those required for the joint military units to be created with the SPLA per the terms of the Agreement on Security Arrangements (September 25, 2004). The continuing presence of so many troops in southern Sudan will, of course, be the source of great instability and represent a continual potential for renewed war. Khartoum is right to

insist that it will be expensive to re-deploy and demobilize so many troops, and there should be expedited international assistance on this front. But this garrisoned troop total will be a great drag on the economy of Sudan as a whole, and Khartoum can show both a commitment to peace and economic wisdom by committing substantial resources of its own to reducing this number as quickly as possible. A willingness to reduce force size will demonstrate a real readiness for peace as well as be a boon to the national economy.

Conclusion

What is clearest about the wealth-sharing agreement is that it will have only as much meaning as the larger, comprehensive peace agreement of which it will be part. It is particularly dependent upon the viability of the agreement on security arrangements, which in turn requires a robust peace support operation—and even such a peace support operation cannot succeed without a massive increase in international commitment to emergency transitional aid. Particular features—concerning banking, land ownership, oversight—will require a substantial length of time to become truly institutionalized in a land that has been defined overwhelmingly by the institutions and ethos of war. The document's terms will require refinement, lacunae must be filled, precedents must be established—and all require trust and good will, commodities that have been in conspicuously short supply.

In short, the meaning of the wealth-sharing agreement will evolve with the peace process itself—a process that in an important sense only begins with the signing of an agreement in Naivasha...Insha-Allah.