



## Sudan and South Sudan: All-out war?

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South Sudan achieved independence on 9 July 2011. However, many potentially combustible issues between it and the North remained unresolved, including the status of Abyei, border demarcation, debt liability, citizenship/residency arrangements and oil revenue sharing. Since the end of November 2011, the issue of oil revenue sharing has come to a head, plunging relations between the ‘two Sudans’ into deep crisis. South Sudan has halted all oil output, a move which many observers believe could be economically ‘suicidal’. However, this has simultaneously denied desperately needed revenues from oil transit fees to Sudan.

The two Sudans have also been drawn back into violent conflict in the ‘Three Areas’ of Abyei, the Blue Nile and South Kordofan – known to many northern critics of the ruling National Congress Party as the ‘New South’. There is currently a tense stand-off in disputed Abyei. Meanwhile, the levels of violence and humanitarian crisis in the Blue Nile and South Kordofan have steadily escalated over recent months, as rebels with strong links to the South and the Sudanese Armed Forces have clashed, causing mounting international concern. During this month, as their forces fought in the Heglig oil-fields, the largest on the northern side of the border, some were speculating that the two countries might be on the verge of returning to ‘all-out war’. Sudanese President Omar al-Bashir has committed Sudan to pursuing the “language of the gun”. Southern Sudanese President Salva Kiir has claimed the North has effectively “declared war”. The truth is that the two countries have again been at war, both directly and indirectly through proxies, for over a year now.

There is much debate about which Sudan can better survive the current ‘oil crisis’ – and for how long. Domestic discontent with the Khartoum Government simmers just beneath the surface, with many predicting that a mounting economic crisis will topple it sooner rather than later. While much more popular, the Government of South Sudan is also struggling to reduce inter-communal conflict and build bridges with those who feel excluded from, or never joined, the liberation struggle. Most southern Sudanese appear to support their government’s drastic policy over oil, but the vast majority are yet to experience significant material benefits from independence and will surely not be prepared to wait indefinitely.

Concerted international pressure may lead to a ceasefire in the next few days. But it will be a major challenge to make it hold. On 25 April, the African Union gave the two Sudans 48 hours to halt hostilities. In recent weeks, there have been discussions within the UN Security Council about imposing sanctions on both North and South to pressurize them to end the violence. A US-drafted resolution is reportedly in circulation.

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# 1 Political and security developments

## 1.1 The crisis over oil revenue sharing

### **Context**

Following secession of the South in July 2011, 75% of oil production in Sudan passed to the South. The North, however, still controls the pipeline and refining infrastructure necessary to process the landlocked South's oil, transport it to marine terminals, and (hence) make it available to global markets. The scene was thus set for fractious negotiations over oil revenue sharing and in particular the transit fee levied on oil piped from the South to the coast.

Much is at stake for the two countries: the loss of oil revenue in the North poses severe challenges to economic stability, requiring the government to urgently diversify its revenue base and find new sources of foreign exchange in order to avoid a fiscal crisis, the escalation of inflation and the threat of currency collapse. For its part, the South is almost totally reliant on oil revenues. Before the halt in production in early January, it was the most oil-dependent nation on earth, with 98% of government revenues coming from this source. More optimistic commentators noted that, properly managed, oil revenues could enable the South to catch up with, and even exceed, levels of development in the North.



### **The halt to production**

In a decision described by a number of commentators as economic 'suicide', South Sudan has maintained a complete shutdown of oil production since late January 2012.<sup>1</sup> At root, this has been the result of an unresolved dispute over a mutually acceptable transit fee for oil flowing from South Sudan to the marine terminal at Port Sudan, in the North. The South says that, based on international norms, it should pay \$1 per barrel, while the North is demanding \$23 and, more recently, \$36; the \$23 figure has been described as 'daylight robbery' by authorities in the South.

The shutdown itself was initiated after the North began confiscating oil in lieu of payment in November 2011: this prompted accusations from the South that the government in the North had stolen 6m barrels (\$815m-worth) of oil. The North, meanwhile, admits siphoning-off oil and impounding it, but says it is 'payment in kind' for \$1bn of unpaid transit and refining fees, calculated at 23% of the total value of transported oil.

African Union-mediated talks at the end of January 2012 collapsed without agreement, with one official describing both sides as equally intransigent. The solution proposed would have

<sup>1</sup> See, for instance, Alex de Waal in The New York Times [South Sudan's Doomsday Machine](#), 24 Jan 2012

seen the South compensate the North for the financing gap created by its loss of oil revenue, and to pay a per barrel transit fee considerably below the two-figure sums originally demanded. The South offered a \$1.7bn transfer and transit fees of between \$0.63 and \$0.69; the North demanded \$5.4bn and \$3 per barrel transit fees.<sup>2</sup> Further talks in Addis Ababa at the end of March made progress on some areas of dispute, though nothing specific was achieved on the oil issue.

The oil dispute is particularly intractable not only because the two sides are so polarised, but because it is wrapped-up in wider issues over security, debt division and borders described in the following sections of this note. In particular, both sides accuse each other of using oil money to intensify border conflicts. Ali Ahmed Karti, the foreign minister in the North made this point forcefully in an interview in January:-<sup>3</sup>

Nobody can hamper us from taking our right. This [confiscated oil] is our entitlement... If you are hosting rebels, preparing them against me, supporting them by munitions, by salaries, by training, by giving them all facilities, what shall I wait for? I'm waiting for war

Statements from authorities in the South have indicated that the decision to halt production was an assertion of independence: 'this is a matter of respect. We may be poor but we will be free', said the South's lead negotiator, Pagan Amum, shortly after the shutdown.<sup>4</sup> Politically, in the short-term, it seems likely that the shutdown will bind the SPLM together against the 'old enemy' in the North. The Government has been careful to protect official and army salaries, which together consume 40% of the national budget, at least for now. It has further said that, while development will have to be put on hold, basic services can and will be maintained, though exactly what these are remains unclear. Some even claim that the South has lots of money salted away in Kenya and Uganda that it can draw on and so can 'outlast' the North.<sup>5</sup> Officials in the South have also expressed confidence that they will enjoy easy access to loans from international creditors, to be paid back using future oil revenues.<sup>6</sup> This is an expensive and risky way to fund a government, however, and given the sheer extent of the South's oil dependence, and the fact that the international community has shown no signs of stepping in to deal with the direct fiscal consequences of the shutdown, there may eventually come a point when economic reality overwhelms matters of principle.

### **Prospects**

At the time of writing, the intensification of fighting in border regions means the prospects for a resolution of the oil dispute and a resumption of production look worse than ever. South Sudanese fighters seized the North's largest oilfield, Heglig, on 10 April, before promptly withdrawing on 21 April following criticism from the UN Secretary General. In response, Omar Bashir stated that 'we will not negotiate with the South's government because they don't understand anything but the language of the gun' and vowed a 'final lesson by force'. On 23 April, SAF planes bombed Bentiu, capital of Upper Nile state, and nearby civilian areas. These conflicts are described in more detail in the following section (see in particular p.8-9).

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<sup>2</sup> [South Sudan rejects African Union oil plan](#), 31 Jan 2012

<sup>3</sup> Quoted in Reuters [Sudan says oil deal with south depends on security](#), 18 Jan 2012

<sup>4</sup> Quoted in Alex de Waal in The New York Times [South Sudan's Doomsday Machine](#)

<sup>5</sup> "The South goes for sovereignty", [Africa Confidential](#), 3 February 2012

<sup>6</sup> [South Sudan seeks Beijing investment](#), FT, 22 Apr 2012

The South has insisted that, following a resolution to the dispute, production could be brought back online within 48 hours. Oil industry analysts, however, fear that even if a solution is found, it could be several months before production resumes because it would take time to restart processing plants in the North.<sup>7</sup>

In an effort to reduce its dependence on the North, South Sudan has been pursuing plans for transporting oil to the coast that bypass Sudan, using the promise of future oil revenues to attract foreign credit and investment. On 24 January, it signed a deal with Kenya to build a pipeline to the port of Lamu; analysts say this could take between 18 months and 3 years to complete. On 9 February, it signed a memorandum of understanding with Ethiopia to build a pipeline through the country, ending in Djibouti; this forms part of a wider economic co-operation plan that involves expanding telecommunication and transport networks from Ethiopia and Djibouti to South Sudan.<sup>8</sup> During a visit to China towards the end of April, the president of the South sought investment to build an alternative pipeline, although little progress was made, and the visit was cut short: China, which has already invested heavily in oil infrastructure in the two Sudans, is keen not to alienate either side.<sup>9</sup> Relations between Juba and Beijing have also been strained by the expulsion from South Sudan of the head of the Chinese-led oil consortium Petrodar in February 2012 over accusations the group helped the North to divert Southern oil.

These efforts to bypass the North's pipeline infrastructure at any cost<sup>10</sup> could, however lead to the rather perverse (and, in terms of country's development, disastrous) situation that the South's future oil revenues are mortgaged to pay for the infrastructure that enabled that oil to flow in the first place.

## 1.2 Conflict in the 'Three Areas'

The 'Three Areas' (see map<sup>11</sup>) are Abyei, Blue Nile state and South Kordofan state, all on the North-South border, over which both had asserted claims of sovereignty during the civil war.

Under the Comprehensive Peace Agreement (CPA), it was agreed that a referendum would be held in Abyei, in which voters there could decide to join the North (official title: The Republic of Sudan) or the South (official title: the Republic of South Sudan). The CPA established northern sovereignty over Blue Nile and South Kordofan, despite the opposition of substantial parts of the population who saw themselves as southerners, permitting only "popular consultations" in those states about future governance arrangements as part the North.



<sup>7</sup> See, for instance [Fears rise over Sudan oil stalemate](#), FT, 16 Feb 2012

<sup>8</sup> See, for instance, Security Council Report [Sudan and South Sudan](#), March 2012

<sup>9</sup> See, for instance, [South Sudan: China non-committal on financing nation pipeline as Kiir cuts short his visit](#), AllAfrica, 25 Apr 2012

<sup>10</sup> Sudan's lead oil negotiator, Pagan Amum, has been quoted as saying 'I don't think our oil will flow through Sudan any more again' ([South Sudan seeks Beijing investment](#), FT 22 Apr 2012)

<sup>11</sup> Source: BBC

The referendum in Abyei did not take place. Nor, in any meaningful sense, did the popular consultations in Blue Nile or South Kordofan. Today, in the aftermath of southern independence and the outbreak of renewed conflict in all of the Three Areas, northern opponents of the ruling National Congress Party (NCP) are calling them the 'New South'. For some analysts, the weaknesses of the CPA, which formally expired in August 2011, are now coming home to roost.

### **Abyei**

In May 2011, the Sudanese Armed Forces (SAF) seized control of Abyei, causing at least 100,000 people to be internally displaced, most of them Ngok Dinka, in what some have described as a form of ethnic cleansing. The South said that, while it considered this to be an 'act of war', with just over a month to go until it achieved the prize of independence, it would not retaliate. On 20 June Presidents al-Bashir and Salva Kiir signed an agreement in Addis Ababa under which all northern troops would withdraw by the date of independence and be replaced by a 4200-strong Ethiopian-led UN Interim Security Force for Abyei (UNISFA), approved by the UN Security Council.<sup>12</sup> With the disbanding, at northern insistence, of the UN Mission in Sudan (UNMIS), on 9 July 2011, the Ethiopian force became the sole force standing between the two antagonists. As of March 2012, its force strength was at 3,800.<sup>13</sup>

The situation in Abyei has changed little since then. While there is a superficial calm, it remains tense and volatile. The Ethiopians are in place. The North's troops have not yet withdrawn. Nor have those of the Sudanese People's Liberation Army (SPLA). Few IDPs have returned. The situation is calm but tense. Conflict could easily flare up again. There currently appears no prospect of the referendum promised under the CPA ever taking place. Even the Government of South Sudan seems to have accepted that this proposal has been overtaken by events. Discussions are now focused on establishing an Abyei Area Administration, which formed part of the June 2011 agreement. Little progress has been made, although in February the two sides agreed to establish a Joint Border Verification and Monitoring Mechanism.<sup>14</sup> Overall, as *Africa Confidential* put it back in July 2011, Abyei is "in limbo".<sup>15</sup> On 25 April the AU called on both parties to reaffirm their commitment to peace within 48 hours and for both Sudan and South Sudan to pull their forces out of Abyei within two weeks.<sup>16</sup>

### **Blue Nile and South Kordofan**

More attention has been focused since mid 2011 on Blue Nile state and South Kordofan state, the other two of the 'Three Areas', where violence has erupted on a scale that dwarfs that seen in Abyei.

There was a delayed election for the governorship of South Kordofan state in mid May 2011. The NCP was accused by the Sudan People's Liberation Movement (SPLM) of rigging the result in its favour. On 1 June 2011, the North demanded the withdrawal of SPLA forces from Blue Nile and South Kordofan. When this did not happen, the North moved SAF troops into the capital of South Kordofan, Kadugli, and launched bombing raids on SPLA forces— and on the people of the Nuba mountains, who make up the bulk of the SPLM's support in the state. Fighting also broke out in Blue Nile state. A 'Two Areas Framework Agreement' on political and security issues was quickly signed in Addis Ababa on 28 June by Sudan and the

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<sup>12</sup> The most recent report on Abyei by the UN Secretary-General is UN Doc S/2012/68 of 27 January 2012

<sup>13</sup> *Report of the Secretary-General on the situation in Abyei*, UN document S/2012/175, 23 March 2012

<sup>14</sup> *Report of the Secretary-General on the situation in Abyei*, UN document S/2012/175, 23 March 2012

<sup>15</sup> "Abyei in limbo", *Africa Confidential*, 8 July 2011

<sup>16</sup> "Sudan border clashes: African Union, UN, call for peace", *BBC News Online*, 25 April 2012

'Northern Sector' of the SPLM. However, its sole achievement appears to have been to reduce the level of conflict until southern independence was completed. After 9 July, conflict resumed and, indeed, escalated.

The part of the SPLM that is doing the fighting in Blue Nile and South Kordofan is officially known as the 'Northern Sector' (or, SPLM-N for short) because it is composed of fighters whose origin is in the North, as defined by the CPA. But they have always seen themselves as part of the South. The North views the SPLM in South Sudan and the SPLM-N as one and the same. It accuses the South of fomenting aggression within its territory. Some sources claim that the SPLM/A expected that the NCP would launch aggression in the 'Three Areas' sooner or later and hid away weapons several years ago that could sustain a military response for over a year.<sup>17</sup> The SPLM-N is believed to have over 40,000 fighters and reports suggest that it is more than holding its own against the much better equipped SAF. It claims to control most of South Kordofan and significant parts of Blue Nile, although there are some reports to the contrary regarding its fortunes in Blue Nile.<sup>18</sup>

There has been mass displacement and the siege of civilians as a result of the fighting. The SAF has been bombing civilians indiscriminately and allied paramilitary bodies are engaging in a campaign of violence and fear in towns like Kadugli.<sup>19</sup> Some even claim that chemical weapons have been used by the North, although there is no independent confirmation of this to date. The North has been accused of committing war crimes against its own people in South Kordofan and Blue Nile.<sup>20</sup>

By late March, tens of thousands of refugees from the fighting had fled to South Sudan (over 100,000) and western Ethiopia (30,000).<sup>21</sup> The provision of humanitarian aid to the two areas has more often than not been blocked. In late November, Oxfam announced that it was withdrawing its staff from the border area in South Sudan because of rising insecurity. A proposal from the UN, AU and League of Arab States to pave the way for international humanitarian assistance to reach the two areas is currently on the table but not yet agreed by Sudan. The SPLM-N has accepted the proposal.

There have been SAF bombing raids on Unity state, including the capital, Bentiu, and the South has also accused the North of supporting anti-SPLM rebel militias in Unity, Jonglei and Upper Nile states; all are oil-producing states on the southern side of the border. In March, it was reported that the SAF had for the first time bombed oil facilities in the South.<sup>22</sup>

A new military alliance was formed in late 2011, known as the Sudanese Revolutionary Front (SRF), which includes the SPLM-N, JEM and a couple of other Darfuri rebel groups. It has come out clearly in favour of regime change in Khartoum.<sup>23</sup> JEM has reportedly sent fighters to fight the SAF in South Kordofan and Sudan claims SRF attacks are continuing from bases in the South.<sup>24</sup> Some claim that the SRF is having significant military success. During 2012,

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<sup>17</sup> "Questions facing the new regime", *Africa Confidential*, 9 September 2011

<sup>18</sup> "Sudanese army seize new rebel position in Blue Nile", *Sudan Tribune*, 23 November 2011

<sup>19</sup> "Sudan denies attacking South Kordofan civilians", *BBC News Online*, 7 March 2012

<sup>20</sup> M. Tuohey and J. Bradshaw, "[Sudan faces new charges of war crimes](#)", *Globalpost*, 24 April 2012

<sup>21</sup> "Sudan: violence on nations' border triggers more displacement", *UNHCR press release*, 6 March 2012

<sup>22</sup> "South Sudan accuses North of bombing oil wells", *IHS Global Insight*, 2 March 2012

<sup>23</sup> "Darfur group joins Sudan rebel alliance", *AFP*, 12 November 2011

<sup>24</sup> Some of its fighters also fought on Colonel Gaddafi's side in Libya. He was one of the group's main sponsors. JEM has been weakened by the death of its leader, Khalil Ibrahim, as a result of an airstrike.



the longest-standing anti-NCP force in eastern Sudan, the Beja Congress, has also joined the SRF.<sup>25</sup>

The SPLM-N has called, so far without success, on the international community to endorse the creation of humanitarian corridors there and, more broadly, the commissioning of investigations into alleged war crimes and crimes against humanity by Khartoum.<sup>26</sup>

An African Union High-Level Implementation Panel (known for short as AUHIP) headed by former South African president Thabo Mbeki, which is taking the lead in pushing for the resolution of all outstanding issues after the expiry of the CPA, has sought to broker a cessation of violence between the two Sudans through several rounds of negotiations, but so far without success. In February 2012, the two governments agreed a 'Memorandum of Understanding on Non-Aggression and Cooperation', but its provisions have not been implemented. Sudan has threatened at times to close the border between the two countries.<sup>27</sup>

AUHIP-sponsored talks resumed in March Addis Ababa and saw apparent progress on some issues, such as citizenship/residency (see below) and border demarcation. However, on the 'Three Areas' and oil, the logjam remained. An announcement in March that President al-Bashir would visit South Sudan before the end of the month raised hopes that a breakthrough in relations might be possible. South Sudan said that it had no plans to arrest President al-Bashir during his visit in connection with charges lodged against him by the International Criminal Court (ICC). However, following the seizure of Sudan's largest oil-field, Heglig, in South Kordofan, by the SPLA on 10 April (see above), after several days of fierce fighting, the two countries appeared on the verge of all-out war. SRF forces were reportedly photographed in Heglig in the days that followed.<sup>28</sup>

The SPLA, with apparent reluctance, withdrew from Heglig on 21 April. But the reassertion of Northern control has done little to lower the temperature. Two days later SAF planes again bombed Bentiu, capital of Upper Nile state, and nearby civilian areas and Sudanese President al-Bashir publicly rejected the idea of further negotiations, pledging to "liberate" the South.<sup>29</sup> Sudanese President Omar al-Bashir has committed Sudan to pursuing the "language of the gun". Southern Sudanese President Salva Kiir has claimed the North has effectively "declared war". On 24 April, the UN Security Council called for an end to SAF aerial bombardments of civilian areas and an immediate ceasefire by all parties. On 25 April the AU called on both parties to reaffirm their commitment to peace within 48 hours by halting hostilities and for both Sudan and South Sudan to pull their forces out of Abyei within two weeks.<sup>30</sup>

Levels of trust between the two sides are at an all-time low. The two countries have both claimed that they have no wish to return to all-out war, but, equally, recently their language has become ever more belligerent. The longer the violence along the disputed border continues, the greater the chance that all-out war could be triggered. In the event of all-out war, the SAF is clearly better militarily equipped; however, the SPLA has been busily building

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<sup>25</sup> "War drums sound as the South takes Heglig", *Africa Confidential*, 13 April 2012

<sup>26</sup> "Opposition on the march", *Africa Confidential*, 21 October 2011

<sup>27</sup> "Sudanese gov't orders to close Sudan-South Sudan border", *Xinhua*, 7 March 2012

<sup>28</sup> "UNSC discusses the possibility of sanctions to pressure north and south Sudan", *Sudan Tribune*, 18 April 2012

<sup>29</sup> "Sudan president rules out peace talks as forces bomb the South", *Independent*, 24 April 2012

<sup>30</sup> "Sudan border clashes: African Union, UN, call for peace", *BBC News Online*, 25 April 2012



up its capabilities in recent years.<sup>31</sup> Viewed purely in these terms, neither side seems likely to score a rapid military victory.

There have also been indications that Uganda, whose relations with the North have always been poor, might intervene on the side of South Sudan in the event of all-out war, raising the spectre of a rapid regionalisation of the conflict.<sup>32</sup>

To date, Western countries have been reluctant to interpret what is happening in South Kordofan as wholly the responsibility of the NCP. Although they have been highly critical of SAF air attacks on South Sudan, Western countries are calling on both Sudan and South Sudan to stop supporting proxies, ensure civilians are protected and to resolve their disputes peacefully in a way that is in line with the approach set out in the CPA.<sup>33</sup> Following the seizure of the Heglig oil-fields, the UN Security Council called for the SPLA's immediate withdrawal and it is clear that South Sudan came under enormous international pressure to do so. There has also been no rush by Western Countries to support the SRF, whose goal is regime change in the North.<sup>34</sup>

On 6 March 2012, the UN Security Council issued a Presidential Statement, calling for an end to cross-border violence between Sudan and South Sudan.<sup>35</sup> Further Presidential Statements were issued on 27 March and 12 April.<sup>36</sup>

In recent weeks, there has been open talk about the UN Security Council imposing sanctions on both North and South to pressurize the two sides to end the violence.<sup>37</sup> The Security Council again discussed the issue on 26 April and a US-drafted resolution is in circulation.<sup>38</sup> Meanwhile, China, some of whose workers were briefly kidnapped in South Kordofan earlier this year, is also encouraging reconciliation between the two Sudans.<sup>39</sup> Southern President Salva Kiir was in Beijing earlier this week. Russia is also playing an active role.<sup>40</sup>

### 1.3 The citizenship/residency dispute

One of the lower-profile disputes between the South and the North has been over citizenship/residency rights. However, this month the issue has risen rapidly up the agenda.

Following the South's independence, the Government of Sudan set 8 April 2012 as the deadline for all southerners either to leave Sudan or regularise their position as residents. Up to 700,000 southerners are still living in the North, according to the UN, whose main concern has been to ensure that the principle of the voluntary right of return is upheld. Neither

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<sup>31</sup> "S. Sudan rebels deny peace deal and vow to carry out more attacks", *Sudan Tribune*, 1 March 2012

<sup>32</sup> "Sudan criticizes Uganda's remarks on fighting alongside South Sudan", *Sudan Tribune*, 22 April 2012

<sup>33</sup> "US denounces Sudanese air strikes in South Sudan", *AFP*, 1 March 2012

<sup>34</sup> "US says rebel alliance in Sudan could polarise Arab-Muslim sentiments in the country", *Sudan Tribune*, 13 March 2012

<sup>35</sup> For the full text of the 6 March Presidential Statement, see this [link](#).

<sup>36</sup> For the full text of the 27 March Presidential Statement, see this [link](#).

<sup>37</sup> "UNSC discusses the possibility of sanctions to pressure north and south Sudan", *Sudan Tribune*, 18 April 2012

<sup>38</sup> "UN powers in talks on Sudan sanctions resolution", *AFP*, 27 April 2012

<sup>39</sup> Traditionally a close ally of the Government of Sudan, China is viewed with a level of suspicion by many in the South. The extent to which it is yet to persuade the South that it is neutral between the two Sudans was illustrated by the expulsion of a Chinese oil executive based there in February. "Crude lesson to be learned for China", *South China Morning Post*, 10 March 2012. Nonetheless, some believe that China can play a significant role in brokering a ceasefire.

<sup>40</sup> "RF, Sudanese foreign ministers to meet in Moscow on April 30", *ITAR-TASS*, 27 April 2012

government has been willing to introduce dual nationality. The UK and other Western countries called, without success, on Sudan to extend the 8 April deadline.<sup>41</sup>

There appeared to have been a major breakthrough on the issue on 12 March, when the two sides initialled an agreement that, if implemented, would give citizens of the other state to enjoy “freedom of residence, freedom of movement, freedom to undertake economic activity and freedom to acquire and dispose property.”<sup>42</sup> However, past performance in terms of implementing agreements such as this one has been poor, and so it has proven again. As relations between the two sides plummeted further during the second half of March and into early April, the agreement was not signed by President al-Bashir and President Salva Kiir. The fact that Al-Bashir had faced growing domestic criticism over the ‘four freedoms’ deal was another complicating factor. His critics argued that any southerners who remained in the North would be fifth-columnists and spies.<sup>43</sup>

Many southerners in the North now find themselves in an extremely difficult position. Heading to the South is an option and is one that many have already taken. But many have been in the North for decades and, of the over 350,000 people that have migrated to the South to date, many have not yet been able to establish households and livelihoods, and access to basic amenities such as clean water and health services remains poorer than expected. Further influxes following the passing of the 8 April deadline will only add to the burden created by the existing returnees and the refugees in the border regions.

#### **1.4 South Sudan’s internal challenges**

President al-Bashir attended South Sudan’s independence ceremony on 9 July 2011 and was received with respect. The ruling SPLM dominates the current transitional government in the South, which will be in place until agreement of a final Constitution in 2013, is in some ways better equipped to handle the many vagaries of relations with the North than it is the domestic challenges of the South, whether they be service delivery, economic development, governance or combating corruption.

The greatest internal challenge will be managing the “sense of exclusion felt by many individuals, ethnic groups, political parties or people who did not join the liberation struggle”.<sup>44</sup> Exacerbating the problem, the SPLM has to cope with unsatisfied senior figures originally from within its ranks who feel that they have not got their ‘just desserts’ in terms of government positions.<sup>45</sup> One example of this challenge, until his death during an armed skirmish in December 2011, was George Athor, who refused to accept his defeat in the electoral race for the governorship of Jonglei, formed the South Sudan Democratic Movement (SSDM) and took up arms, fuelling ethnic conflicts in the state. Critics accused him of having joined forces with the NCP, which then used him to destabilize the South. Peace talks between Athor and the government never got far, but some, if not yet all, of his former supporters have agreed a peace deal (in return for an amnesty) with the government.<sup>46</sup> There continue to be periodic clashes between the SPLA and SSDM forces that rejected the deal.<sup>47</sup> Another example of those who felt excluded was the leadership of

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<sup>41</sup> “Press conference by UNMISS SRSG Hilde Johnson, *African Press Organisation*, 6 March 2012; “Watchdog warns on Sudanese citizenship”, *AFP*, 3 March 2012

<sup>42</sup> “Sudan and South Sudan leaders agree basic freedoms”, *BBC News Online*, 13 March 2012

<sup>43</sup> “Dispossessed: the South Sudanese without a nationality”, *BBC News Online*, 6 April 2012

<sup>44</sup> “Questions facing the new regime”, *Africa Confidential*, 9 September 2011

<sup>45</sup> “From autonomy to sovereignty”, *Africa Confidential*, 22 July 2011

<sup>46</sup> “S. Sudan rebels deny peace deal and vow to carry out more attacks”, *Sudan Tribune*, 1 March 2012

<sup>47</sup> “S. Sudan rebels battle with SPLA in Upper Nile state”, *Sudan Tribune*, 15 April 2012

the South Sudan Liberation Movement (SSLM), mostly composed of former SAF fighters. Its leader, Peter Gadet, signed a peace deal with the government, but other senior commanders rejected the deal.<sup>48</sup>

A number of other militias also took up offers of amnesty at the time of independence. As the cases of the SSDM and SSLM show, there is a real danger of a Darfur-like proliferation of militias. The government has also accused the SPLM-Democratic Change, a breakaway group led by Lam Akol, of having links to Khartoum-backed militias in Upper Nile state.<sup>49</sup> All in all, the domestic political scene is still tense and unstable.

In terms of inter-communal conflict, Jonglei state has been, and remains, particularly turbulent, with clashes between (and within) rival Dinka, Nuer and Murle pastoral groups.<sup>50</sup> There have been further major clashes in recent days.<sup>51</sup> Current efforts to disarm civilians in Jonglei have been criticised by some as untimely and premature. Lakes, Warrap and Unity states have also been seriously affected. Overall, levels of violence in South Sudan during 2011 were at their highest since 2005. The Lord's Resistance Army also remains active in parts of South Sudan – above all, those that adjoin the Central African Republic and the Democratic Republic of Congo.

In January 2012, *Africa Confidential* provided this typology of violence in South Sudan:

[...] rivalry among pastoralists as the price of cattle (therefore of brides) soars as men from the diaspora inject cash into a subsistence economy, combined with weapons that are the debris of war, plus NCP destabilisation.<sup>52</sup>

On 26 August 2011, the composition of the first post-independence government was announced. It reflected a genuine attempt to improve regional inclusiveness (thereby weakening the representation of Dinka, who have always predominated within the SPLM) and 25% of the posts went to women. President Salva Kiir promised that under the new administration there would be a crack-down on corruption. At least \$1.2 billion is estimated to have been stolen over the last three years. Partly to address this issue, a Freedom of Information Act has been passed and officials have to declare their income and assets to the Anti-Corruption Commission – although the details are not made public. The government has created a new currency, the South Sudanese Pound, which is pegged to the dollar. It has also been decided to move the national administrative capital from Juba to Ramciel, in Lakes state. Ramciel is currently largely undeveloped. However, it is in the middle of the country, unlike Juba, which is in the south.

South Sudan has begun the process of joining international organisations and quickly became a full member of the UN and the African Union. It has also joined the [Inter-Governmental Authority on Development](#) (IGAD). The UK, along with the rest of the Commonwealth, supports South Sudan's request to become a full member, which, it is hoped, will be agreed at the next Heads of State/Government summit in late 2013. The country has also signed the Extractive Industries Transparency Initiative. A few days ago, the

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<sup>48</sup> Small Arms Survey, "Reaching for the gun: arms flows and holdings in South Sudan", *Sudan Issue Brief No. 19, April 2012*.

<sup>49</sup> "Opposition critical of Juba over deadly land dispute", *Sudan Tribune*, 12 March 2012

<sup>50</sup> Report of the Secretary-General on South Sudan, S/2011/678, 2 November 2011; "30 people killed in fresh attacks in South Sudan's Jonglei state", *Sudan Tribune*, 4 March 2012

<sup>51</sup> "South Sudan cattle raid toll 'passes 200'", *BBC News Online*, 13 March 2012

<sup>52</sup> "South Sudan: rough roads ahead", *Africa Confidential*, 6 January 2012

Government renewed its commitment, through an agreement with the UN, to ensuring that the army has no child soldiers in its ranks.<sup>53</sup>

While UNMIS's mandate in the North ended on 9 July 2011, South Sudan welcomed a UN monitoring mission, the UN Mission for South Sudan (UNMISS), which began work on the same day. While personnel and resources were transferred from UNMIS to UNMISS, it is considered by the UN to be a new, significantly scaled down, mission by comparison with UNMIS. The Secretary-General has also appointed a Special Representative for South Sudan, Hilde Frafjord Johnson.

The internal political impact of the decision to shut down oil production is still difficult to predict. In the short-term, there has been a considerable rallying to the cause by a public used to conflict with the North and unavoidable privations. However, if what one observer has described as a "national hunger strike" persists for too long, the dramatic reductions in state expenditure announced could damage wider patronage networks and generate public dissatisfaction that independence is producing few material benefits.<sup>54</sup> One press report in March claimed that some senior army personnel, opposed to a resumption of war between the two Sudans, were considering carrying out a coup.<sup>55</sup> Another lone report on 27 April claimed that there had, indeed, been a coup attempt.<sup>56</sup>

Unless outstanding issues are genuinely and durably resolved between the two Sudans, there could further potentially destabilising waves of migration back to the South from the North (see below). Drought has led to increased food insecurity. The planned alternative pipelines to Djibouti and Kenya, designed to reduce the country's dependence on the North, will take several years to materialise. But for the moment, many South Sudanese, well versed over many decades in getting by with little, appear to view cutting off oil output above all as confirmation of the new country's sovereignty. This is despite the fact that it leaves South Sudan, on the face of it, almost entirely dependent upon international aid – hardly a compelling definition of freedom.

## 1.5 Sudan – reconfigurations in the North

Notwithstanding southern independence, the fortunes of North and South Sudan clearly remain inextricably intertwined for now. *Africa Confidential* has stated:

Northern democrats have long argued that the CPA's 'unfinished business' would return to haunt Sudan. With independence assured, many Southerners are now also saying regime change is needed in Khartoum if the South is to find peace.<sup>57</sup>

The SPLM always had a constituency in the North, based on John Garang's original 'New Sudan' agenda, and as described above, created a SPLM-Northern Sector to participate in politics there. Its leader is Yasir Saeed Arman. As already stated, the NCP views it as a 'fifth column', and with the fighting intensifying in Blue Nile and South Kordofan, banned the SPLM-N, arresting a large number of its activists at the beginning of September 2011. Arman went into exile.<sup>58</sup>

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<sup>53</sup> "UN, South Sudan sign child-free army plan", *Sudan Tribune*, 12 March 2012

<sup>54</sup> "South Sudan slashes spending after halting oil output", *BBC News Online*, 20 February 2012; "South Sudan: country's experiment in Gandhi diplomacy", *imaverick*, 1 March 2012

<sup>55</sup> "Oil export ban brings self-inflicted pain", *Washington Times*, 14 March 2012

<sup>56</sup> "Paper reports on failed attempt to overthrow South Sudanese leader", *BBC Monitoring Africa*, 27 April 2012

<sup>57</sup> "Questions facing the new regime", *Africa Confidential*, 9 September 2011

<sup>58</sup> "Questions facing the new regime", *Africa Confidential*, 9 September 2011

The NCP has undoubtedly been seriously weakened by the independence of the South, which has meant an estimated loss of over 50% of its oil revenues. Inflation is also rampant, eating rapidly into the already fragile livelihoods of the majority of the population. Internal divisions have widened and it is open to question what influence al-Bashir, who has said that he will not stand again for the presidency, still exercises within the regime. While he remains defiant in response to the International Criminal Court's warrant for his arrest, his freedom of movement around Africa may be receding. On 28 November, a Kenyan court ordered the Kenyan government to arrest him should he visit the country again. In retaliation, al-Bashir expelled Kenya's ambassador to Sudan.<sup>59</sup>

The spectre of what happened to former military leader Jaafar Nimeiri, who was overthrown in 1985 as economic crisis deepened, hovers over the NCP. Youth groups have been trying to mobilise in an echo of the wider 'Arab Spring'. The authorities have been responding with greater repression of critics, including human rights activists and the independent media. The NCP also continues to try and lure other parties, including the Umma Party and the Democratic Unionist Party, into a broader-based government – with some success.<sup>60</sup> Opposition divisions have often been one of the NCP's greatest assets in the past and look set to remain so.

Confirmation that the internal political situation remains fragile in the North came during March 2012, when the large procession attending the funeral in Khartoum of the long-standing leader of the Sudanese Communist Party, Mohamed Nugud, was accompanied by forceful chants for 'liberty, peace and justice.'<sup>61</sup>

## 1.6 Darfur

On 14 July 2011, the NCP and one of the rebel factions, the Liberation and Justice Movement, signed a peace deal in Qatar, adopting '[the Doha Document for Peace](#)'. Amongst other things, the deal gave the LJM political and military appointments at the national, regional and state-level, including a state governorship. Its forces were to be integrated into the SAF. A single Darfur Regional Authority was also to be established to assist in the implementation of the Doha Document. Several other small splinter groups subsequently pledged to end their rebellions. However, the rebel groups outside the Darfur peace process are still more numerous than those than inside. JEM expressed a willingness to return to talks in August, provided the Doha Document was open for negotiation. But the NCP said that only the issue of political and military appointments could be discussed, which closed the door on negotiations.<sup>62</sup>

In September 2011, Al-Haj Adam Youssef of the LJM was appointed a second vice-president of the Republic of Sudan. The current parties to the Darfur peace process have been trying since then to develop a new 'road map' for the next stage of the peace process. It was expected to be finalised by the end of 2011 but has still not materialised. It seems clear that it will be based on the Doha Document. However, it is still unclear how much flexibility there

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<sup>59</sup> "Sudan to expel ambassador after Kenya's Bashir warrant", *BBC News Online*, 29 November 2011

<sup>60</sup> "Mirghani's son rejects any position in government, criticizes DUP stance", *Sudan Tribune*, 28 November 2011

<sup>61</sup> "War drums sound as the South takes Heglig", *Africa Confidential*, 13 April 2012

<sup>62</sup> Report of the Secretary-General on the African Union-United Nations Hybrid Operation in Darfur, S/2011/643, 12 October 2011

will be to amend or add to this Document in the course of future negotiations.<sup>63</sup> In February, the Darfur Regional Authority was finally inaugurated.<sup>64</sup>

The moment for broader-based peace talks in Darfur appears to have passed for the moment. As already stated, the SPLM-N has been cultivating its relationships with Darfuri rebel groups such as JEM and the two main factions of the Sudan Liberation Army (Abdul Wahid and Minni Minawi, the latter of whom has abandoned participation in the earlier Darfur Peace Agreement) outside the current peace process around a clear agenda of regime change. All became members of the SRF.

The killing of JEM's leader, Khalil Ibrahim, in a rocket attack in North Kordofan in late December 2011 has weakened the organisation but does not seem to have dealt it a fatal blow, as its enemies hoped it would. JEM's new leader was announced as Jibril Ibrahim, Khalil's brother – a selection that appears to have contributed to some defections from JEM ranks.<sup>65</sup>

According to the UN Secretary-General's most recent report on Darfur in October 2011, the security situation in Darfur remained "volatile", although levels of fighting were "sporadic".<sup>66</sup> This is probably a fair description of the present situation too.<sup>67</sup> The escalation of violence in the 'Three Areas' since the beginning of the year has not, so far, percolated through to Darfur, although there continue to be occasional armed attacks. For example, one UNAMID peacekeeper was killed in January and another in April; three towns in southern Darfur were attacked by rebels in April.<sup>68</sup> Discussions have begun about reducing the size of UNAMID.

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<sup>63</sup> Ibid

<sup>64</sup> "Secretary-General welcomes inauguration of Darfur Regional Authority", *UN News Service*, 8 February 2012

<sup>65</sup> "The strange death of Dr Khalil Ibrahim and the future of the Darfur insurgency", *Jamestown Foundation Terrorism Monitor*, Vol. 10, Issue 3, 10 February 2012

<sup>66</sup> Ibid

<sup>67</sup> "Darfur: UN-African mission chief reports security, humanitarian improvements", *UN News Service*, 12 April 2012

<sup>68</sup> "UN-African Union mission chief concerned over developments in southern Darfur", *UN News Service*, 20 April 2012; "Security Council condemns 'in strongest terms' attack on peacekeepers in Darfur", *UN News Service*, 24 April 2012

## 2 Economy and development<sup>69</sup>

### 2.1 Overview and context

Two decades of civil war have left Sudan among the poorest areas in the world, painfully deprived of economic infrastructure in the South, and saddled with high levels of foreign debt in the North.

In the South, underdevelopment is particularly severe: paved roads did not exist outside the capital, Juba, in the immediate post-secession period; there is no manufacturing or organised agricultural production; availability of professional healthcare is extremely limited, meaning maternal mortality is among the highest in the world; and access to education, too, is low: illiteracy rates exceed 75%, and fewer than half of children enrol in primary school. Short-term success will depend critically on the government's management and distribution of oil revenues (the country has the potential to be richer than the North on the back of these alone): with 98% of government revenues coming from this source, it is the most oil-dependent nation on earth, and will remain so until it can establish a fiscal base.

In the North, which surpasses the South in terms of health and education indicators, the loss of oil revenue following secession poses severe challenges to economic stability. The country is not as oil-dependent as the South: it has a limited industrial base, some non-subsistence agriculture, a much-improved energy infrastructure following the construction of a \$2bn hydroelectric plant, the Merowe Dam, and the government is able to raise revenue through import duties. Nonetheless, with 75% of oil production now controlled by the South, North Sudan will have to diversify its revenue base and find new sources of foreign exchange if it is to avoid a fiscal crisis, the escalation of inflation and the threat of currency collapse.

### 2.2 Other selected issues

#### ***Debt and access to concessional finance***

Sudan's \$38bn debt to foreign creditors has been in arrears for many years, meaning its access to concessional financing from the 'official sector' has been limited. Sudan engaged in some open market borrowing, although the Islamic economic system in place since 1983, which prohibits *riba* (interest or usury), means securities issued by the government did not pay interest in the usual way (though they did in fact generate a rate of return, averaging around 16% over 2007-09).<sup>70</sup> This economic system is remaining in place in the North.

An agreement on the division of debt between the North and the South has not yet been reached. In exchange for assuming full liability for the \$38bn, the North is currently lobbying

Selected indicators for South and North Sudan

|  | South             | North              |
|--|-------------------|--------------------|
| Population (m)                               | 8.3<br>(disputed) | 30.9<br>(disputed) |
| GDP (\$bn)                                   | 13.2              | 55                 |
| GDP per capita (\$)                          | 1546              | 1270               |
| Child mortality (per 1,000)                  | 135.3             | 103                |
| Maternal mortality (per 100,000 live births) | 2,054             | 1,100              |
| Primary school enrolment                     | 48%               | 74%                |
| Literacy                                     | 27%               | 70%                |
| Access to improved drinking water            | 55%               | 52%                |
| Area (000s sq km)                            | 644.3             | 1,886              |

Note: figures for South Sudan are in many cases rough estimates, since the country has not yet provided, for example, a full year's national accounts

Sources: World Bank; Fund for Peace

<sup>69</sup> Information in this section is taken from, among other sources, IMF (2011) *World Economic Outlook*; World Bank (2011) *World Development Indicators*; Europa World Plus *Sudan – economy*; African Development Bank/OECD (2010) *African Economic Outlook*; and various reports from the FT [Beyondbrics blog](#)

<sup>70</sup> African Development Bank, *African fixed income and derivatives guidebook 2010*, p.154



to be permitted to go through the Heavily Indebted Poor Countries initiative within the next few years (at the end of which it will likely be granted debt relief on the vast majority of this sum).<sup>71</sup> Should this agreement not work out, debt may be apportioned according to a formula that has yet to be determined.

### ***Humanitarian issues and displacement***

The violence, famine and disease resulting from Sudan's 20-year civil war is estimated to have killed 2m and displaced a further 5m and rendered the country in constant and desperate need of humanitarian aid. Since the 2005 CPA, the UN estimates that 2m displaced people have returned to southern Sudan, and further North-South movements have occurred following the South's secession. There are concerns that limited structures exist to accommodate returnees, with the government failing to use oil revenues to date to put in place the infrastructure and service provision necessary for returnees to have a livelihood.

The violence in Blue Nile and South Kordofan has resulted in displacement and food shortages. The fighting has destroyed large tracks of farmland and crops and left 250,000 people in the two regions threatened with starvation and with no access to humanitarian assistance. If access is not provided soon, agencies warn that rains beginning in April could make these areas inaccessible. The Famine Early Warning System indicated early this year that famine conditions could be expected by March in these regions.

Most of the 80,000 or so refugees fleeing from Blue Nile have sought refuge in two camps, Doro and Jaman, located in a remote region of the Upper Nile State in South Sudan. Scarcity of food and water in these areas mean that they are entirely reliant on humanitarian assistance. As in Blue Nile and South Kordofan, organisations are concerned that once rains start in late April, the area will become an inaccessible swamp, with small islands of dry ground. The focus, they say, must be on 'prepositioning' supplies to enable refugees to survive the months during which routine access to humanitarian assistance may not be available. The pace of arrivals into Doro and Jammam, currently around 3,000 per week is also placing strain on the humanitarian operation.

Most of the 20,000 or so refugees fleeing fighting in South Kordofan are concentrated at the Yida site in Unity State. The proximity of the site to the border, and hence to military bombardment, has meant that agencies had to be temporarily evacuated from the area in late February, although they have since returned. Organisations are advocating the Yida refugees' relocation to areas further away from the dangerous border.

110,000 remain displaced by the conflict that broke out in Abeyi in May 2011. Though the food and security situation for these civilians is not serious, their return is prevented by the presence of landmines, armed groups and lack of basic services.

For up-to-date briefs on the humanitarian situation, particularly in the context of the current violence and conflict on both sides of the North-South border, see the UN OCHA's [Weekly Humanitarian Bulletin \(Sudan\)](#).

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<sup>71</sup> IMF Survey Magazine: [South Sudan faces hurdles as world's newest country](#)

### **External assistance**

Even with a generous settlement over oil transit, the North will still have to diversify its revenue base and find new sources of foreign exchange if it is to avoid a fiscal crisis and the escalation of inflation, which had reached 22.4% in the year to March 2012. The North Sudanese pound<sup>72</sup> depreciated rapidly against the dollar in anticipation of secession, and a gap has now opened-up between the official exchange rate and the market value (the official rate is stronger than market-determined one)

The economic health of the two Sudans will strongly depend on the largesse of other countries. China, in particular, heavily involved in both. The state-owned China National Petroleum Corporation is active in the oil industry, and has been Sudan's principal export (58%) and import (22%) destination. The US has been Sudan's most significant bilateral donor (aid in 2009 was \$950m): however, relations with the North remain strained over its conduct, including in Darfur, and economic sanctions restricting US trade and investment were recently renewed for another year.<sup>73</sup>

The UK has been Sudan's second most significant bilateral donor behind the US, providing \$119m in 2010 (down from \$290m in 2009).<sup>74</sup> Following the bilateral aid review, DFID's level of support to the two Sudans is expected to remain broadly unchanged, in cash terms, over 2011/12 to 2014/15, as compared with the previous four-year period, when Sudan was one country. North and South will share an annual budget of £140m, with roughly a third going to the North. The vast majority of UK aid in the past has been directed towards strengthening government and civil society, and providing humanitarian relief.<sup>75</sup>

Remittances are also an important source of income and foreign exchange: Sudanese nationals abroad (North and South) sent around \$2bn home in 2010, around 3.1% of the country's GDP (this figure is not exceptional for the region).<sup>76</sup>

### **3 Further reading**

["China and conflict-affected states: Sudan and South Sudan case study"](#), Saferworld, January 2012

["South Sudan: Justice needed to stem violence"](#), Human Rights Watch, 10 February 2012

W. Lacher, ["South Sudan: international state building and its limits"](#), German Institute for International and Security Affairs, February 2012

["What could the oil shut-down mean for South Sudan?"](#), Enough Project, 19 March 2012

["South Sudan: Prospects for Peace and Development"](#), UK House of Commons International Development Committee, HC1570, Session 2010-12

["Reaching for the gun: arms flows and holdings in South Sudan"](#), Small Arms Survey, April 2012

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<sup>72</sup> A new currency was issued on 24 July 2011, although old notes and coins remain legal tender

<sup>73</sup> ["US extends long-standing sanctions on Sudan"](#), Reuters, 1 November 2011

<sup>74</sup> [OECD DAC database](#)

<sup>75</sup> More information is available in DFID's [Sudan](#) and [South Sudan](#) 2011-15 Operational Plans

<sup>76</sup> World Bank [remittances data](#)

[“Preventing full-scale war between Sudan and South Sudan”](#), International Crisis Group, 18 April 2012

[“UN urges immediate ceasefire between Sudan and South Sudan”](#), *UN News Service*, 24 April 2012

[“Foreign Minister condemns latest cross-border violence between Sudan and South Sudan”](#), FCO press statement, 24 April 2012

[Communique of the African Union Peace and Security Council on the situation between Sudan and South Sudan](#), 24 April 2012

For background, also see the following Library briefings:

[Sudan: war or peace, unity or secession?](#) (RP 10/40, June 2010);

[Sudan, 2003-09](#) (SN05555, 1 June 2010)