South Sudan’s First Twelve Months: A Year of Living Dangerously

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Key Points

- South Sudan faces massive challenges, including the possibility that further conflict with the Republic of Sudan may yet break out again. Inter-tribal violence is rife and corruption and inflation flourish.

- In shutting down its oil industry, in retaliation for the transit fees to be charged by Sudan for the use of its infrastructure, the South Sudanese Government has lost 98 per cent of its revenue.

- The proposed oil pipelines to Kenya and Djibouti would allow South Sudan to bypass its northern neighbour but come with their own significant costs and complications.

- If South Sudan is to address its many challenges, it will need to swallow its pride and resume oil production.

Summary

After twelve months as the world’s newest sovereign state, the challenges faced by South Sudan continue to mount. Having shut off its oil production in January 2012, as a protest against the transit fees to be levied by the Khartoum regime, with the loss of almost all of its revenue as a result, the impoverished new republic is, like its northern neighbour, now facing austerity measures. Cross-border conflict with the north may break out again, while
inter-tribal violence is rife. Corruption has reached endemic proportions, inflation is soaring and the levels of poverty and disease continue to escalate.

Meanwhile, China, South Sudan’s possible saviour, remains uncommitted to constructing the much hoped-for oil pipeline to a new port facility near the small town of Lamu, on the Kenyan coast. If constructed, the Lamu pipeline – a massive project – would enable South Sudan to bypass the north entirely. Even were Beijing to commit, given the long lead time on such a project, the South will not be able to turn its back on Khartoum for some time. Equally distant is the proposal for a pipeline running through Ethiopia to the port of Djibouti.

Although their parting of the ways has been messy, the two Sudans will ultimately be compelled to resolve their differences.

Analysis

Following two bouts of lengthy and often vicious conflict from 1955-72 and again from 1983-2005, northern and southern Sudan agreed to the United States-brokered Comprehensive Peace Agreement (CPA) in 2005. Under the CPA, South Sudan was permitted a six-year period of autonomy, to be followed by a referendum on independence at the end of that period. Held in January 2011, the referendum saw a 98 per cent return in favour of South Sudanese independence. On 9 July 2011, independence was declared and the Republic of South Sudan separated peacefully from Sudan to become the world’s newest country. In a magnanimous gesture, Khartoum was the first foreign government to recognise the South’s independence. Although initial fears of violence at the time of independence were not realised, they were to become a reality the following year.

Twelve months on, the bright new day of southern freedom is looking ever more distant. The border with Sudan remains unresolved, as does the status of the disputed, oil-rich, Abyei region. Equally unresolved is the related issue of the fees charged by Khartoum for southern oil to travel through northern pipelines to export from the Red Sea terminal of Port Sudan. Southern oil production remains halted as result.

Not having agreed upon a mutually acceptable border
prior to southern independence is an issue that continues to poison relations between the two Sudans. At stake are the oil reserves upon which the two countries depend for their incomes. Under the CPA, oil revenues were shared evenly between the Khartoum government and the then-autonomous region of South Sudan. With southern independence, that protocol ended, despite the lack of any other arrangement being put in place. Some 80 per cent of the oil produced in the formerly united Sudan now lies in the South.

While a windfall of huge proportions for South Sudan, the loss of almost half of its revenue was a serious concern for Khartoum. Consequently, the north announced later in July 2011 that South Sudanese oil would be charged a transit fee of US$32 per barrel to travel through Sudanese pipelines to the port of Port Sudan, on the Red Sea. The South, meanwhile, offered to pay US$1 per barrel. After Sudanese authorities detained two ships carrying South Sudanese oil at Port Sudan, the southern authorities shut down production on 29 January 2012. Having accused Khartoum of stealing its oil, the South effectively has chosen to leave the oil underground rather than pay the north.

Closing down production was a brave move on Juba’s part and certainly not without risk. Not only are the effects of the brinkmanship now being felt in Sudan, they are even more so in the South. South Sudan is almost totally reliant on oil for its income, accounting for 98 per cent of government revenue in 2010. In the absence of oil money, foreign aid struggles to fill the gap.

The statistics are daunting and many South Sudanese had been counting on the oil revenues to address them. One of the world’s poorest countries, South Sudan also has among the world’s worst maternal and infant mortality rates; life expectancy stands at just under 60 years, while the rate of HIV prevalence is 3.1 per cent. A mere 27 per cent of the adult population is literate and barely one-third of the population older than six years of age has ever attended school. Just over half of the population lives below the poverty line and GDP per capita is a trifle over US$1,500. Inflation is running at 80 per cent, further weakening the South Sudanese pound and pushing up the price of foodstuffs, most of which must be imported. Corruption is so rampant that, in May 2012, President Salva Kiir wrote to current and former government officials demanding the return of some US$4 billion that had been stolen from the state coffers.

Adding to the infant country’s problems are border disputes with Sudan and internal, inter-tribal violence. In April, the two countries traded blows in a series of cross-border incursions. The Heglig oilfield, 70 kilometres inside Sudanese territory and, since July 2011 home to half of the north’s remaining oil production, was bombed and briefly occupied by Southern forces. The Southerners were soon evicted as the north retaliated and the act was condemned internationally, denting South Sudan’s international image. The violence prompted a flood of refugees, further straining the resources of both the Juba authorities and humanitarian organisations.

Further complicating matters is the use by both sides of proxy militias. Khartoum accuses Juba of arming the Sudanese Peoples’ Liberation Movement-North (SPLM-N) in its Southern Kordofan and Blue Nile states. Juba, meanwhile, accuses the north of backing the rebel South Sudan Democratic Army that has launched attacks in the South’s Upper Nile state. The
disputed border runs through both South Kordofan and Blue Nile on the northern side, and Unity and Upper Nile on the southern. Not coincidentally, all areas are home to oil reserves, as is the Abyei region. The referendum to decide which country Abyei would join, which was to be held in 2011, appears unlikely to be held any time soon. Reluctant to concede the oil-rich district, Khartoum has despatched military forces to Abyei with the result that the South may ultimately be forced to accept de-facto northern control of the area.

Equally problematic is the inter-tribal violence which is gripping much of South Sudan. Among the worst affected areas is the state of Jonglei, where tit-for-tat violence between the Lou Nuer and Murle ethnic groups has continued to escalate. The ready availability of firearms and weak central authority does not bode well for the future. The fight against a common (northern) enemy and the euphoria of independence has given way to recriminations and mutual hostility. Strengthening the rule of law and state authority in areas afflicted by ethnic tension will be a significant challenge for South Sudan. If not successfully addressed, the country runs a risk of imploding into Africa’s next failed state.

As the 2 August 2012 deadline set by the United Nations Security Council for a resolution of their outstanding issues approaches, the two Sudans are now, at least, talking about talking again. The talks, to be held in Addis Ababa under the auspices of the African Union, are intended to establish a Joint Border Verification and Monitoring Mechanism and a demilitarised zone on both sides of the border. They are not intended to supplant actual border negotiations between the two countries and offer the best hope yet of bringing about some level of co-operation between the two sides. If successful, both in terms of discussion and implementation, they offer a rare opportunity to bridge the severe trust deficit that exists between the two Sudans and which could be built upon, even if incrementally. The danger will be a continuation of hardline policies and brinkmanship as both countries face increasing austerity and, in the north, growing social discontent.

Given their mutual dependency and increasingly straitened circumstances, the most obvious solution is a resumption of Southern oil production. With the apparent lack of goodwill on both sides, achieving this will not be easy, despite it being in the best interests of both north and south. It is, however, an outcome that would be applauded by key external stakeholders such as China, the United States and South Sudan’s neighbours.

While Washington has been a champion of South Sudan for some time and has no love for the Khartoum regime, it is concerned by the new republic’s potential instability and its consequences for the region. China, on the hand, was the formerly united Sudan’s leading customer, purchasing some 65 per cent of its oil exports. Beijing has endeavoured to maintain good relations with both Khartoum and Juba. China would be reluctant to choose between long-time supplier Khartoum and oil-rich newcomer, Juba, preferring instead to see the two Sudans resolve their differences. By the same token, financing either the Lamu or Djibouti pipelines would inevitably mean abandoning the north in favour of the South.

The South Sudanese Government, however, appears to be counting on the pipelines coming to its rescue. In January 2012, Juba announced that it had reached an agreement with Kenya for the long-awaited construction of the pipeline. With an estimated cost of US$1.5 billion,
the pipeline could transport up to 450,000 barrels per day (bbl/d), almost equal to the 470,000 bbl/d produced in 2010.

In addition to the remote terrain and possibility of corruption in both South Sudan and Kenya, construction of the Lamu pipeline is further complicated by two South Sudanese rebel groups – the South Sudan Liberation Movement and the South Sudan Democratic Army – which have jointly warned oil companies not to undertake construction of the Lamu pipeline. The two groups oppose the project on the grounds that the decision was made 'without adherence to democratic principles' and maintain that the Port Sudan pipeline should continue to be used.

Equally problematic is the timeframe required to build the pipeline, estimated to be in the region of five years. Given the conditions in the country already, it is difficult to see how the Juba authorities might sustain a functioning state on just two per cent of their possible revenue. The Djibouti pipeline proposal is equally distant and equally fraught; South Sudan will not be able to count on it, either.

While the country has undeniable potential, it will continue to face significant challenges, not the least of which is the shortage of income as a result of the ongoing oil shutdown.

If the government of South Sudan is to stand any meaningful chance of addressing those challenges, renewing its cashflow is vital. While the al-Bashir government in Khartoum is also coming under pressure, in the longer term, Juba will have little option but to swallow its pride and restart negotiations with a serious view towards resuming oil production. If nothing else, the huge costs and long lead times on either of the two proposed alternative pipelines literally render them pipedreams, with the result that South Sudan will remain dependent on the north for some time to come. All in all, the two Sudans will continue to experience something more like a messy separation than a formal divorce.

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