

# Understanding Sudan

## A Teaching and Learning Resource



### Fact sheet three: the economy and the environment

The discovery of oil in Sudan has radically transformed the country. This fact sheet is designed to make you think about how the economy and the environment have been transformed by the discovery of oil, and, given what we learned about oil economies in the first lesson, what implications for the Sudan this has.

#### The Economy

To understand the effect that oil has in Sudan, we must place it within a longer history, in which a turbulent central government has continually attempted to extract resources from the areas around it. This is a very different history to that of the United States of America. Instead of a contract, for most people who lived in the South of Sudan, their experience with central government came when the government or its proxies raided for slaves and ivory, or attempted to extract taxes, and gave precious little in return. This pattern, while of course varied in its details, was essentially the same under the Anglo-Egyptian Condominium, and under the post-colonial government: as Peter Kok claims, Sudan is still undergoing a “generalized confrontation between centre and periphery in a state marked by gross inequities in access to power and resources.”

In the era just before oil was discovered, this conflict was played out in then-President Nimeiri’s dream of Sudan becoming the breadbasket of the Middle East. To make this dream occur, Nimeiri began a number of mechanized agricultural projects in the 1980’s. This involved the forced displacement of people to make room for mechanized agriculture, the need to create a set of workers who could work on these farms, and a dramatic set of environmental changes. Intensive projects just above the Quoz (sandy dune) belt in Kordofan, for instance, rapidly rendered land infertile. It was just as this plan was failing, amid a famine and a lack of agricultural produce in the country, that oil was discovered.

It is thanks to oil that the Sudanese economy has been growing recently. Increased production, high oil prices and a revived industry meant that Sudan’s economy grew by 10% in 2006, and approximately the amount in 2007. Recent declines in world oil prices will slow this growth in 2008 and 2009. For instance, in November 2008, oil revenue was £347.9 million compared to \$608 million in October. So, on the one hand, Sudan is relatively unique among countries recovering from war in that it has a superficially strong economy on which to build a recovery. However, the recent global recession means this economy is increasingly unstable.

For, amid all this talk of oil, it is important to remember that Sudan is still a predominantly agricultural country, with 80% of the workforce employed in agriculture, and agriculture in turn contributing around 40% of the GDP. When the oil has long left Sudan, it is likely that this will remain the case. Thus, it is of the utmost importance that oil revenue is invested in the rest of the economy. The annotated CPA we will look at shortly will evaluate if this is presently the case.

For now, given the current world economy, what do you think the Sudanese government should do? What changes to the economy in general do you anticipate because of oil? Do you think they will effect the North and the South equally? If not, why?

## **The Environment**

Oil has not just changed the economic organization of Sudan; it has also had a fundamental effect on the environment, and those that live in it. Before you begin reading this section: what type of changes do you think the oil industry has brought about to the environment in Sudan, based on what you learned in the first lesson?

Around the Melut Basin, in Upper Nile province, just near to blocks three and seven, the agricultural landscape has been transformed since the pipeline begun transporting oil to the Red Sea in 1999, mainly due to changes in the water system following engineering related to the oil fields.

The extensive all-weather road system built by Petrodar, which runs for hundreds of kilometers, has allowed quick and easy access to oil fields. But the roads have also acted as dams, preventing the flow of natural water and leading to flooding in some areas and drought in areas where the roads have blocked the flow of water. This has led to massive changes in the agricultural cycle that traditionally relied upon seasonal tributaries from the Nile now blocked by the all-weather roads.

The changes in the hydrological system do not just come from the roads. In 2006, the White Nile Petroleum Company (WNPOC), a consortium led by Petronas, arrived in Unity State. "Since 2006, 27 adults and three children have died because of contaminated water from the oil field," the *Sudan Tribune* reported Paul Bol Ruoth, county commissioner in Koch, saying in 2008. Part of the reason for the contaminated water is related to oil production techniques. If you remember the first lesson, it was established that when the natural pressure in an oil field goes down, oil companies frequently pump water into the field to push up the oil. This water is normally very saline, and when it seeps back into the water table, it increases the amount of nitrate in the water well over the levels recommended by the US Environmental Protection Agency.

Many of these events would be illegal in America. However, environmental regulations in Sudan, while they exist, are very poorly enforced. The Sudanese government does not monitor the performance of the oil companies, which means the oil companies regulate themselves; something they do not seem to be too keen on doing.

## **The social environment**

These problems would be difficult enough to deal with in America. In Sudan, they are often even more severely felt, because unlike America's service sector based economy, so many people in Sudan are either agriculturalist, pastoralist or nomadic, and this their livelihoods are tied up in a profound way with the land beneath their feet.

For instance, the Misseriya Arabs, a nomadic people who live in Kordofan, have seen their lives totally changed by the oil industry. Traditionally, the Misseriya moved across the land with their cattle herds, going south in the dry season. During Nimeiri's introduction of mechanized agriculture in the 1970's and 80's, the Misseriya were alienated from their land by the large-scale agricultural projects. This was

compounded by the oil exploration of the 1980s. Pipelines have been built on farmland and grazing areas and the flow of water into farm and pastures was blocked. Furthermore, large areas traditionally used for grazing have now been selected for oil exploration. This will put a great deal of pressure on the land that remains, which the Misseriya have to share with other pastoralist and nomadic groups. When it is remembered that the conflict between the Misseriya and the Dinka, a pastoralist people in the south of Kordofan, is currently part of an arbitration case in the Permanent Court for Arbitration in the Hague, and that many have said this is one of the central issues on which continued peace in Sudan rests, then one can appreciate that a change in grazing areas can be a change with momentous results. The oil industry has also changed the social environment for the Misseriya in more subtle ways. All the new jobs created in Muqlad following the discovery of oil led to more people moving into the area, creating even more demand on the forests for fuel and building materials. Worse, around El Fula, the Humanitarian Policy group report, people are cutting down large areas of forest in the hope of receiving compensation from oil companies for environmental damage. This has destroyed traditional grazing resources and led to conflicts with pastoralists.

## **Further Questions**

How do you think we could avoid the problems explored above? Do you think they are worth it given the strength of the Sudanese economy? What are the relationships between the oil industry and the economy? – to explore this you can split into small groups, and make diagrams of the effects that you see the oil economy producing in the Sudan.

## **Further Reading**

Amnesty International, Sudan: the Human Price of Oil, 2000.

Coalition for International Justice, Soil and Oil: Dirty Business in Sudan, February 2006.

Human Rights Watch, Sudan, Oil and Human Rights, 2003.

HPG report: Put out to pasture: War, oil and the decline of Misseriyya pastoralism in Sudan. March 2009.