

SUDAN UPDATE

Raising the stakes: Oil and conflict in Sudan

Reports: Oil

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1 - Introduction

OIL BOOM?

On 30 August 1999, Sudan filled its first tanker-load of oil.

A gigantic pipeline snaking up from oilfields over 1600 kilometres into the African hinterland was at last disgorging 100,000 barrels a day of crude oil at a nearly-completed marine terminal near Port Sudan, on the Red Sea. It offered fulfilment of countless promises of oil wealth that had been repeated to the Sudanese people by their rulers over the last quarter of a century. Billions of dollars had been invested, first in exploration, then pipeline, refinery and terminal construction. Now Sudan, Africa's largest country, could join OPEC and hold its head up as an oil exporter alongside Saudi Arabia and Libya, said Sudan's government ministers. Their critics replied that if it did join OPEC it would be politically insignificant alongside the major producers. Better parallels would be with the repression, sabotage, corruption and pollution encountered in Burma, Colombia or the Niger Delta.

Just three weeks later, on 20 September 1999, opponents of Sudan's military regime blew a hole in the newly-completed pipeline.

The explosion took place just outside the town of Atbara, the centre of Sudan's railway industry, on the river Nile above Khartoum. The location is important because - if one believed the oil companies or the government - it was so unlikely. Atbara is in the heart of supposedly peaceful northern Sudan, 1000km away from the officially acknowledged civil war zone of the south. Southern Sudanese have long felt that they were being cheated of the potential oil wealth, which was already a major factor when the civil war rekindled, way back in 1983. But the September 1999 blast showed the real strength of anti-government feeling - and determination to halt the oil project - among Muslim northerners, too.

The attack shattered the calculated charm of the government's recent public relations efforts.

It began issuing threats to neighbouring Egypt and Eritrea, demanding that they expel the opposition's leaders there, while arresting opponents and lashing out at the local press.

"Its campaign to convince the world that it has security under control, and that serious talks about ending Sudan's war are now possible, [seem] to be wrong on both counts." (*Africa Confidential* 8 October 1999)

The explosion also embarrassed the Board members of the Greater Nile Operating Company, including Talisman Energy Inc of Calgary - formerly British Petroleum Canada - who were meeting in Khartoum that week. They had claimed for years that the only risk to their project was in the southern war zone, and that peace was in any case close at hand. Now they were under greater pressure than ever to talk to the banned opposition, which had long since declared their installations throughout the country to be military targets. However, their tone remained defiant. Just a public relations failure, they said.

It is clear that more damage to the pipe is anticipated and taken into account in the project plans. Not so clear who cleans up the mess. Talisman's plans are too "sensitive" to disclose in public.

Talisman said the Atbara explosion was a "minor incident"; repairs were underway and no disruption to production or tanker filling was anticipated. The company also announced a new production record of 136,000 barrels a day (b/d). In the official Sudan News Agency (SUNA), Hassan Mohamed Ali al-Tom, secretary general for energy and mining, attributed the explosion to a "subversive act" and said it caused "limited damage".

It took six days to repair the pipe and get the oil flowing again.

"The National Islamic Front regime's elaborate charm campaign, which has spawned a flurry of peace and business initiatives by outsiders, will be harder to fix than the pipeline. For the government, the pipeline symbolises its purported openness and seriousness about democratic reform. That message is for Western and Arab business and diplomatic consumption; for most Sudanese, the NIF continues to preside over a regime of war, politically created famine, religious persecution and torture."

(Africa Confidential 8 October 1999)

Sudan's oilfields, which lie underneath the dividing line between the warring north and south of the country, have been fuelling conflict for the last 20 years.

Sudan's oil-rush has long been bloodier and messier than its defenders would like the world to believe, and systematic destruction and relocation of communities are part and parcel of the oil project. People in the areas around the militarised oil installations and the pipeline route have been subjected to devastating attacks by government forces for years. They are being driven from their homes by air-raids and bombardment, and by militias supported by the government, resulting in horrendous suffering.

The former UN Human Rights Rapporteur who worked on Sudan for years, Dr Gaspar Biro, has commented that if the oil companies don't know what is going on, they're not looking over the fences of their compounds.

Nonetheless, along with **Canada, China** and **Malaysia**, European countries are increasingly involved in Sudan's oil project.

They are ignoring the role it plays in the conflict and instead casting it in a favourable light. And the European Union seems to be doing the same.



2 - Differing realities

Continents Collide - The View from Space

Map: [Heglig & Unity oilfields](#) (LANDSAT)

Radar images from the space shuttle Endeavour in 1995 show that two ancient super-continentals collided in what is now Northern Sudan. **East Gondwana** (present-day Australia, Antarctica and India) crashed into **West Gondwana** (Africa and the Americas) 650 million years ago, forming **Greater Gondwana**.

The collision caused extensive folds along a large fault, the Keraf suture, extending for thousands of miles to the **Red Sea**, and the deformation process is thought to have shaped the S-bend in the **Nile**.

A geologist from the University of Texas at Dallas who helped analyse the space radar pictures predicted that the technique could soon be used to reveal other kinds of structures, including oil, groundwater and gold.

"Sacred gift to the faithful"?

A huge country of vast semi-desert expanses and intense heat, Sudan is said to have oil reserves of anything from 600 million barrels to 3 billion. It also has minerals, gold, uranium, and vast expanses of arable land. Tempting, perhaps. The government of Sudan has called the oil "a sacred gift to the faithful". Its would-be partners in the oil project - companies from Canada, China and Malaysia, **Austria**, **Sweden** and **France** - seem to think likewise, as do the suppliers of oil pipeline equipment from **Britain** and **Germany**, and the oil traders from **Netherlands** and **Japan**. But when it comes to making use of this asset, it is not only the sheer immensity of the terrain that brings with it a host of complications.

In practice, the success of oil extraction projects in Sudan will not only depend on the operators' ability to meet complex technical demands across vast distances in extreme high temperatures. They also face a volatile political background, in a poorly developed country with decaying infrastructure, embroiled in civil war. Optimism about "recoverable reserves" must be tempered by awareness of the full and genuine costs of extraction. In human terms as well as cash.

How much oil is there?

Proven oil reserves are enough to last some 15 years. Not enough to solve any of Sudan's deep-rooted problems, but enough to create plenty more.

The Virtual Oil Boom - The View from Cyberspace

Almost as distant as the space shuttle Endeavour, on computer screens a world away from the killing and maiming in remote Sudanese villages, stock market investors gamble with Sudan's fortunes.

When they engage in what they call "**High Risk Oil Play**", the high risk they mean is not the danger to life and limb from land-mines and AK-47s, but the risk of financial failure.

Enter Arakis...

The maverick Arakis Energy Corp of Calgary, Canada, bought part of the abandoned Chevron concession in Sudan for a token sum, through a National Islamic Front financier in 1992.

Its stock was for gamblers, not for the nervous. In the US-based *Worth* magazine, Arakis shares were depicted as a long shot. They were cheap to buy early on, with - just maybe - a possible huge payoff. But no guarantees.

Fortunes - hundreds of millions of dollars - subsequently changed hands in a virtual oil boom in the mid-1990s. Arakis was talking up its drilling results in Sudan and anticipating financing deals for their development. Profits were being stowed away by a lucky few on just the promise of oil, years before a single barrel was exported.

Some pragmatic "players" ventured to ask about the feasibility of the pipeline that Arakis was proposing, and about tiny Arakis' ability to raise the massive funding it would need. But the human cost and the political and environmental impacts of the project were not a consideration.

Arakis' financial adventures and broken promises resulted in market de-listing and massive fines - [see the [Oil and Conflict Timeline](#)] - and the pipeline project was near collapse when Talisman, a much larger Canadian company, took over in October 1998.

Has anything essentially changed?

Talisman used to be BP-Canada, before a management buy-out, and has grown - by acquisition more than original discoveries - into probably Canada's largest independent gas and oil exploration companies. Whereas Arakis was a buccaneering minor company, appealing to investors who didn't ask awkward questions, Talisman shareholders include massive pension funds and investment trusts, who sometimes do.

A campaign in North America, led by Canadian church shareholders, has begun causing serious embarrassment for both Talisman and the Canadian government, which is involved in supporting peace talks intended to end Sudan's 43-year old civil war.

Human Rights And Public Image

Sudan's government - a military-Islamist junta - has a well-known and exceedingly bad human rights record. Not only is it waging a destructive war in the south in which over 1.5 million people have died, it is also brutally repressing civil society in the north. Perhaps not surprisingly, it has been obliged to employ public relations companies to improve its international image.

The government also periodically invites observers to visit areas under its own control, and intermittently allows aid into some of the areas which are not. It is, however, highly selective about whom it invites and what it allows them to see. Many places of extreme hunger and villages devastated by militia raids are off the map.

The regime has repeatedly denied permission for humanitarian flights to aid the most afflicted populations, dropped cluster bombs on clearly civilian targets, and repeatedly bombed clearly-marked civilian hospitals.

"A psychological boost"

Throughout the 1990s, Sudan's NIF government has been using the prospect of oil for maximum propaganda value, a vital part of its efforts to get rid of its international "human rights and terrorism pariah" status and attract foreign investment into its war-devastated economy. The growing involvement of Canadian and European companies has begun to lend it a much-needed, but unwarranted, appearance of respectability.

As **Aung San Suu Kyi** said of **UK's Premier Oil** in **Burma**: "Apart from the actual revenues that it brings to the government, it also constitutes a psychological boost because it makes the government feel that, however repressive they may be, they still have the support of big companies ... And if those countries are from Western democracies, it's even more serious because it gives the military regime the chance to say: 'Look, even companies from Western democracies support us, so what we are doing can't be that wrong. Why are the democratic forces making such a fuss...?'"

(Mark Thomas / Channel 4 TV www.channel4.com, October 1999)

Above all, the National Islamic Front government desperately needs the revenue from the oil project to strengthen its grip on the country.

Despite its constant use of the word "Popular" in its slogans, the NIF itself is extremely unpopular. In the 1986 general elections its members won less than ten per cent of the vote; it staged a coup d'état in 1989 to abort a peace process, and it would lose disastrously if free elections were held now. But it has held on to power for a decade on which it has made its mark by its readiness to deny charges of systematic and gross human rights abuse, claiming persecution by the outside world for its "Islamic orientation". In practice this has amounted to religiously-infused totalitarianism, feared and despised by the predominantly Muslim community in northern Sudan nearly as much as by the people of the generally non-Muslim south. Its encouragement of violent militancy has spread beyond Sudan's borders and is a source of alarm to its neighbours in the Horn of Africa.



3 - Funding the war

One million dollars a day

The regime spends half its budget - around \$1million a day - continuing the civil war.

It is fighting a coalition of southern and northern forces, the National Democratic Alliance. The NDA represents the majority of the Sudanese people, including the mainstream political parties of the last elected parliament and many former government army officers. Most of the war has been in the south, against the Sudan People's Liberation Army (SPLA), now part of the NDA. The regime often uses a process of divide and rule, arming southern splinter groups against each other.

The toll on southern Sudan has been terrible, spreading famine and prompting an enormous international aid effort - which in mid-1998 was also costing about \$1 million a day.

Now the government of Sudan can look forward to earning the same sort of figure from the oil project.

NIF leader Hassan al-Turabi boasted to a political rally in April 1999 that the regime's share of the oil revenue, estimated at \$200-\$400 million a year, would help buy and build tanks and missiles. Ministers quickly denied this, but in August 1999 it emerged that 20 Polish-built T-55 tanks had arrived from Gdynia via Yemen.

Meanwhile, by October 1999, 3,000 - 4,000 people from Western Upper Nile - the site of the main oilfields - were fleeing south from the area.

The Khartoum government has used "bombers, helicopter gunships and artillery against unarmed civilians," according to a report in November 1999 by Dr Leonardo Franco, a special investigator for the UN Commission on Human Rights.

Dr Franco writes that the "long-term efforts by the various governments of the Sudan to protect oil production have included a policy of forcible population displacement in order to clear oil producing areas and transportation routes" of people thought to support the rebels.

However, **Jim Buckee**, chief executive of Talisman, launched a pre-emptive strike to protect his company's interests, denouncing the report as "hearsay."

Invisible people

Interviewed by Damien Lewis, in whose film from Gumriak southern Sudanese claimed that thousands have been displaced by government forces in the area, Talisman's Jim Buckee responded, "There are no people there."



4- Human casualties

Scattered fragments of humanity

Gumriak, Western Upper Nile, South Sudan:

Deep, blackened craters pock the landscape.

"The reasons for the attacks are clear," said Stephen Mabok, a local commissioner. "They want to exploit the oil in this area without fear of local resistance, so they are clearing the area and removing all the people."

The extent of the terror unleashed here is chilling. There had recently been an airdrop of food by the United Nations World Food Program. But the Antonov bombers came hot on the tail of the UN aid, and dropped bombs on the starving people as they tried to get to the food.

All around are the scattered fragments of humanity, families hunkered down on the bare earth among the trees. One or two have crude shelters made from UN food sacks, stitched together with string. Most have nothing.

One woman, wearing a soiled floral dress, just stared aimlessly into the distance. Of nine people killed, one was her sister. As she started talking, her anger, the unquenchable resistance of the Southern Sudanese, flared. She spoke in staccato sentences, jabbing the air with her finger.

"Many died in the attacks. Many more are now dying of starvation and thirst. We know why they came to clear this area - because they want the oil." She all but shouted this last sentence. And then, more subdued: "We need food, clothes, water, just basic things to survive."

"The government forces came first and attacked from the air, using Antonov bombers," said Mr Mabok. "Then came the helicopter gunships. Then the enemy came on the ground and attacked the villages, burning them and seizing women and children."

He listed the names of villages destroyed: "Alog village first, and killed 11 people. Then Dir village and killed nine people. Then Obanye and killed 19." The list went on and on.

All that remained of Jamjang village was a circle of burned huts, wood-and-mud walls reduced to a sad ring of blackened ashes. The acrid smell of smoke still hung in the air. Passing feet kicked up a cloud of fine ash.

One survivor, Michael Manyiel, crouched down on the heap of ashes that had been his home. He wore a bright purple African kaftan. He has gentle eyes and spoke with little bitterness or anger. He and his family escaped alive. He was one of the lucky ones.

"The enemy came out from Pariang and burned the villages, but we had managed to flee the area. I took my family to a safe area, but now there is no food and they are starving. The food the UN brings is not enough. Now they are living under the trees."

Mr Manyiel shows us the village hospital. He worked here as a medic. The four walls are still standing, but the windows are scorched, blackened holes. Inside, knee-deep in ashes, remains of a busy hospital are clearly visible - a discarded shoe here, a broken water bottle there.

"Over all, it must be around 6,000 homes burned, yes, 6,000," the commissioner said. "And 16 churches. . . . Including the food and everything, it was all burned. People are now just living in the bush..."

(Damien Lewis, *The Globe and Mail*, Toronto, 5 October 1999)

Sudan accounts for the largest number of the world's uprooted people.

More than 4.3 million Sudanese have been forced to flee because of the continuing bloody civil war in the south and east.

One out of every eight refugees and displaced persons in the world are Sudanese.

(U.S. Committee for Refugees USCR World Refugee Survey

9 September 1999 www.refugees.org)



5 - War strategies

"SECURITY MEASURES"

"The aim seems to be to form a 200-mile buffer zone around the oilfields which the SPLA cannot cross, and then keep the southern factions too busy

fighting each other to be able to bother with the oil," said a diplomat in Khartoum. (Financial Times 11 June 1998)

Although it has consulted specialists such as Control Risks and Rapport, Canada's Talisman says it does not use private security firms in the field, and looks solely to the government army for protection of its oil wells and pipeline. In doing so, it has benefitted from a long government policy of expelling civilians from the areas of Talisman's operation to create a no-man's land around the wells of Heglig and Unity, the oil fields which straddle the north-south border.

Now the area south of Unity, known as Block 5A, in which oil companies from Sweden, Austria, Malaysia and possibly France also have an interest, is undergoing similar trauma. If it were not for oil development, the army would not be displacing civilians from those areas.

To ensure an uninterrupted flow of oil and protect the pipeline from attacks, three thousand government troops have been assigned to the area to guarantee "security".

In practice, Nuer and Dinka Southerners from Western Upper Nile and Nuba people from Southern Kordofan have variously been removed by force or kept under harsh military control. Local Nuer fighters, while warring among themselves, have helped clear the main anti-government SPLA forces from the zone, and militiamen loyal to the Khartoum government have been burning villages in an organised campaign. Pro-northern ethnic groups are reportedly being moved in to the pipeline zone.

Talisman's Jim Buckee said he is satisfied security is adequate to protect the pumping stations and pipeline: "We've seen it in **Algeria, Yemen, Indonesia** and so on. No matter what happens, the oil field keeps going because nobody comes in promising a better life for the people and then turns off the tap."

"The alternative is stagnation," Buckee said in an interview in Heglig. "I fervently hope that the wealth . . . is for the benefit of all the people in Sudan, including the people in the south."

Talisman has been a staunch supporter of the Islamist government, and has apparently never had any contact with the SPLA or the NDA opposition, despite the proximity of the SPLA to some of its operations.

Nor, it seems, has Talisman conducted any thorough investigation of conditions in Sudan. It contents itself with the government's version of events, and ignores or denigrates an array of public reports on conflict and human rights abuses in Sudan which contradict government assertions.

Mujahideen "Protectors Of Oil Brigade"

"There are plots being prepared by the **US** and **Israel** to be executed by **Uganda** and other hirelings for preventing exportation of petroleum as of June 30," President **Bashir** told a police conference on 5 May 1999. [The regime repeatedly makes claims of foreign threats, and unconvincingly portrays the opposition as mere stooges of foreign powers.]

Bashir called upon "all young men" to enlist to a popular defence brigade to

defend petroleum sites and the 1,600-km pipeline stretching from the oilfields to the Red Sea. Khartoum has already sent a first batch of "Protectors of Oil Brigade" *mujahideen* to defend the industry, army spokesman Lt-Gen Mohamed Osman Yassin said on *Sudan TV* on 6 May.

The pipeline route

The original pipeline route, first proposed in the early 1980s when the American company Chevron discovered the oil concessions, ran via the Nile town of Kosti. But Sudan's nearby eastern border is now embroiled in a military offensive by the opposition NDA alliance, and has become a launch pad for SPLA attacks. So the new route runs via El Obeid, in the centre of the country, well away from the Eritrean border. **Feeder pipelines from four new finds in the Unity exploration block - Toma South, El Nar, El Toor, and El Harr - will join the main pipeline from the Heglig and Unity fields.**

The pipeline also skirts west of the Nuba Mountains, where the government has been conducting an ethnocidal war and blocking aid efforts. **Ismael Khamis**, commander of the SPLA's Fifth Nuba Mountains Division, interviewed by BBC correspondent Julie Flint in Changaro on 4 February 1999, said that the government launched its early dry-season offensive in the oil zone at the end of 1998 for "four reasons, one of which was oil."

"They are building the pipeline from El-Obeid to Dilling and through Keiga and to Keilak, and from there to the Heglig and Unity wells, west of Pariang," said Khamis. "The army wants to pin us down in our positions so they can get the pipeline going. This oil will be very important for them. Why? For their economy and their war effort."

Patterns of power

Southern Sudan - where most of the oil is - has long been a zone of extraction rather than of development. In fact, since the resurgence of civil war in the last two decades it has gone backwards in terms of development and social provision.

Sudan's mineral wealth - oil in Southern Sudan and Southern Kordofan, as well as gold in the **Red Sea Hills** and chromium in the **Ingessana Hills**, is monopolized by central government for its own ends. Bargaining between the various political elites - of the regions and the centre -sometimes obscures this one-way flow of wealth.

Struggles over environmental resources - land and water as well as minerals - drive the war at a deeper level than questions of religion.

For a long time oil stirred strikingly little popular interest in Sudan, except as a commodity to queue for. Soon after oil was discovered in 1979 in President Jaafar Nimeiri's reign, a government newspaper cartoon ran: "Oil? Fine, but where will we get the barrels?"

Oil: THE BIG TURN-ON

How Khartoum's newspapers showed it: Jaafar Nimeiri, the ageing Sudanese ruler in whose era oil was first discovered, was persuaded to return from exile in 1999. He was photographed in May 1999 with the current regime's top men (**Hassan al-Turabi**, and **Omar al-Bashir**) with their hands on a valve wheel, turning on the oil he had once heralded.

The "oil card" has been played repeatedly to defuse Sudan's political and economic crises, but with little connection with real prospects. Under the dictatorships of Nimeiri (1969-1985) and Bashir (1989 to date), it has been characterised by media hype and fanfare.

Nimeiri staged massive celebrations in 1983 to mark what he claimed was the beginning of Sudan's oil-exporting age. In 1994 and in 1996 Omar al-Bashir announced that Sudan had become one of the major oil-exporting countries. In contrast, the oil issue hardly featured in the media during the democratic period (1985-1989) between the two dictators.

Now the National Islamic Front government is presenting oil as a national asset that the Sudanese people must defend with their lives, but the popular suspicion prevails that it intends to fill its own coffers before those of the nation. Their belief is rooted in history...

100 YEARS IN BRIEF

For most of the 19th century Sudan was an outpost of the Turco-Egyptian empire. Its inland boundaries were indistinct: Southern Sudan was continuously subjected to raids for slaves and other commodities such as ivory and ostrich feathers. The vast southern and western territory was regarded by the Arabic-speaking Muslims of the Nile Valley around Khartoum as *Dar al-Harib*, or the place of war, in contrast to their civilised *Dar as-Salaam*, or place of peace. This perception, and its blend of disengagement and ownership, continues to the present day. It has parallels with Christian history, and is linked to the Northern Sudanese tendency to identify with the Arab world rather than Africa. The commodities have changed to some extent. The elephants and ostriches, for example, have been virtually wiped out in the civil war. And although human slavery has flared up at the end of the 20th century, it is nowhere near the scale of the old trade, having been superseded by mass low-paid agricultural labour. Fertile land, water, and now oil are the premium commodities.

Late 19th century

A short-lived period of independence known as the Mahdiyya followed the Sudanese **Mahdi's** siege of Khartoum and defeat of the British General **Gordon**, who had attempted reforms as the envoy of Egypt, including the abolition of slavery in Sudan. When British forces led by **Kitchener** "reconquered" Sudan, Britain began a period of joint condominium rule with Egypt in which the south and west were "pacified" at the dawn of the 20th century. Sultan **Ali Dinar** of Darfur held out until 1916.

Early 20th century

In the 1920s and 1930s the British administration closed off southern Sudan and the Nuba Mountains of South Kordofan, in a policy of separate development where English and Christianity were encouraged in contrast with the Arabic and Islam of the north. Ostensibly introduced to eliminate slavery and other exploitation, this policy isolated the communities of the south from outside trade at a time of rapid development in the north, leading to increased inequality. After the Second World War, as independence loomed and the closed districts reopened, southerners and Nuba were unprepared for the political bargaining that followed. Options for linking Southern Sudan with **Uganda** were dropped in favour of the status quo - a "united" Sudan that had never truly been united, except in the relationship of master and slave.

1940s -1956

In the run-up to Sudan's independence in 1956, the civil service and administration were placed increasingly in Sudanese hands - but almost entirely Northern Sudanese, as educated Southerners were extremely rare and completely lacking in political clout. The British failure to ensure equity for the south had disastrous consequences. Feeling cheated and aggrieved, separatist Southerners began an initially low-intensity civil war aimed at establishing an independent South.

1956-69 Civil War / Independence

Sudan's first civilian Prime Minister, **Ismail al-Azhari**, lasted just two years after independence. 1958 saw the first military coup. A pattern of alternating chaotic civilian governments and military regimes was established when the first dictator, General Abboud, confident of a military solution, escalated the civil war in the early 1960s but was brought down by a civilian uprising in October 1964. The war continued through five years of haphazard civilian rule dominated by arguments between Islamic sectarian parties, during which Sadiq al-Mahdi won and lost the position of Prime Minister while still in his early thirties.

1969

When Colonel **Jaafar Nimeiri** seized power in May 1969 he was regarded as relatively progressive and secular, accepted by desperate southerners as well as northerners because of his no-nonsense military background. Nimeiri achieved what the civilians did not: a peace agreement was signed in Addis Ababa in 1972, guaranteeing autonomy for the south.

The 1972 agreement set out regional self-rule and the incorporation of the rebel Anya-Nya ("snake poison") forces into the Sudanese Army. Over a million war-displaced Sudanese returned home, although some low-level insecurity continued, led by Anya-Nya fighters unwilling to be assimilated into the regular army, who called themselves "Anya-Nya Two".

1970s

Nimeiri presided over a period in which Sudan was regarded first as a potential agricultural breadbasket for the Arab world, and then as a source of oil wealth for the first time. The hasty loans made then to Sudan's ruling elite remain unpaid a quarter of a century later.

"There was a time - it is hard to believe now - when ... Sudan was regarded as economically very promising, and there was talk about it becoming the bread basket of something, the world, Africa, the Middle East... There is an enormous amount of fertile land and lots of water, and I suspect it was at that time that these loans were made..." (Stanley Fischer, International Monetary Fund, 12 September 1999)

However, the breadbasket vision crumbled as investors saw their projects mired in bureaucracy or foundering in their own impracticality: few survived in recognisable form. The impact of the 1970s OPEC oil price shocks on the Sudanese economy was equally damaging, and Sudan went from "breadbasket" to economic "basket-case" in the following decade.



7- Doing business

OBSTACLES TO DEVELOPMENT

Sudan has fragile and primitive energy, transport and communications infrastructures which have been in steep overall decline since the 1970s. The efficiency and activity of, for example, Sudan Railways - once the largest in Africa - has fallen to about one-tenth of what it was in the 1960s and early 1970s. Electricity cuts are so widespread that Dongola, capital of Northern province, has electricity for some two hours per week, and even Khartoum only gets electricity 70% of the time.

Skills shortages

Millions of Sudanese, including most of its skilled technical workers, are outside the country. Some have left in search of better-paid employment, others because of political differences with the government. A failing education system means that there are difficulties recruiting local staff above minimum standards.

The Kenana sugar project - the world's largest - was conceived and executed as self-sufficient, with foreign management and the construction of schools, clinics, roads and power stations. Nonetheless, it encountered numerous costly unforeseen delays and took far longer than anticipated to generate revenue. Problems continue: in 1998 it dismissed all its Sudanese engineers after they went on strike.

Even a project as hermetic as Kenana employs some local staff, if only as drivers and cleaners, so interface with Sudanese political and social conditions can never entirely be avoided - although in the 1970s **China** did build Khartoum's Friendship Hall from start to finish, importing labourers who worked around the clock.

Sudan is littered with the relics of grand projects from the 1970s that became white elephants: factories for fertiliser, sugar and textiles that failed for lack of adequate infrastructure or sensible initial planning. When foreign hard currency is on offer, decision-making is prone to become distorted. A project's technical merits take second place to a combination of wishful thinking and "keeping the customer satisfied" with unfulfillable promises. When power-brokers such as politicians become involved, the aim is usually to secure as big a slice of the profit as possible for their particular supporters. Concrete realities are a

Skeletons Of White Elephants

secondary consideration.

"Gigantic cost overruns are legendary in Sudan"

(Africa Confidential)

An added complication today is the religious factor: disagreements over technical feasibility can be regarded by loyalists of the ruling National Islamic Front as holy arguments - with security implications.



8 - Chevron and Nimeiri

Oil exploration - a brief history

Oil exploration in Sudan started in 1959, when Italy's Agip oil company was granted concessions in the Red Sea area, carrying out seismic surveys and drilling six wells. Following Agip into the Red Sea came Oceanic Oil Company, France's Total, Texas Eastern, Union Texas and Chevron. All yielded nothing for the next fifteen years.

The only successful results were achieved by Chevron in 1974, 120 km southeast of Port Sudan, where dry gas and gas condensate were found at Basha'ir-1 and Suakin-1 wells. Chevron estimated possible production of 50m cubic feet of dry gas and one thousand barrels of gas condensate per day. No oil was found, however, and most companies relinquished their concessions in the region. Since 1991 the main holder of the Red Sea concession has been IPC (International Petroleum Corporation, now part of the Swedish Lundin group).

Exploration for oil in southern and southwestern Sudan began in 1975, when the government of Sudan granted Chevron a concession area of 516,000km² in blocks around Muglad and Melut. Chevron started geological and geophysical surveys in 1976, and drilled its first well in 1977, which was dry. In 1979, Chevron made its first oil discovery in Abu Jabra #1, west of Muglad, where an 8 million barrels reserve and a 1,000 barrels per day (b/d) production rate were estimated.

Unity field

Chevron's most significant discovery was made in 1980 in the Unity/Talih oilfield, north of Bentiu in Western Upper Nile.

However, when Chevron first started exploring for oil, it was in areas designated by Nimeiri's central government, and these initially excluded southern Sudan, according to Abel Alier, the Southern Sudanese judge who was Nimeiri's vice president:

"Chevron didn't find what it wanted, and then the southern Sudanese asked if Chevron could extend its work to the south. The company also asked the central government if it could work in the south, but it found a solid wall against this. Since the government in southern

Sudan was interested, we made it possible for Chevron to come to the South. I was president of the Southern Regional Executive Council at the time."

The first director of Chevron in Sudan maintained good relations with both the southern regional government and the central government, and the company was at first more concerned about sharing the oil revenue with the region than was Nimeiri's central government. Later, however, a "second Chevron group cut relations with us [the southern Sudanese] and treated us with less respect," according to Alier.

In the end the oil company entered into an unpublicised contract with the Nimeiri government to explore the Hofrat Nahas area of the south, with a production-sharing formula with the central government alone.

Heglig field

Heglig field, which lies 70 km north of Unity field, just inside Southern Kordofan, was discovered in 1982.

Six appraisal wells were drilled in Heglig, showing an estimated reserve of 265 million barrels, with a production output of 2,000 b/d. By 1982, Chevron had drilled 22 discovery, appraisal and production wells. Chevron estimated a total oil reserve of 593 million barrels and a production rate of 3,600 b/d.

1980s - CATALYST FOR CONFLICT?

The discovery of oil in Sudan came when the "breadbasket" dream was beginning to fade. It enabled Nimeiri to continue forecasting a brighter tomorrow, while in reality the economy was in a downward spiral. When Chevron began work in Sudan in 1975, Nimeiri amended his 1972 Oil Exploration Act to give his Minister of Energy complete authority to reach agreements with foreign companies.

"Nimeiri's overconfidence and the regime's intensifying economic difficulties led him to seek direct control over the newly discovered oil resources in the south... In 1980, he announced plans to redraw the borders between southern and northern provinces. When this proposal was blocked by the regional government, he conveniently created a new province [al-Wihda, or "Unity State] and removed the oil fields altogether from southern administrative jurisdiction." (*Civil War and Failed Efforts for Peace in the Sudan* - Taisier Ali and Robert O. Matthews)

Moving the boundaries for "Unity"

In 1980 Nimeiri created "Unity" (*al-Wihda*) State around Bentiu town with the stated intention to declare it as an asset of both the South and the North. In practice he would "change the oil areas in the south into northern properties by changing the boundaries within the country," according to Abel Alier.

"We had the impression that Chevron was quite comfortable with this idea, but the south's reaction was extremely strong. We objected to changing boundaries, to a different drilling location outside the south, and to the building of a pipeline from the southern fields to Port Sudan. The south preferred that the oil be taken through Mombasa in Kenya [to the Indian Ocean], which we considered a friendlier route."

Chevron played an important part in bolstering US support for Nimeiri, and the high level of

American financial and military support may well have been one of the factors that made Nimeiri feel he could afford to provoke the South.

In a flagrant breach of the 1972 Addis Ababa peace agreement, the southern region was "re-divided" into regions, and the central government began sponsoring, organising and arming tribal militias in the south. Urged on by another southern vice president, Gen **Joseph Lagu**, who opportunistically voiced Equatorian political frustrations, Nimeiri established three regions where there had previously been one (at least theoretically) autonomous southern region.

Redivision particularly antagonised the Dinka, the largest southern tribe, who form the backbone of today's SPLA. The justification was that the state was stricken by economic crisis and unable to carry out its peacekeeping duties. These steps were all in the name of maintaining unity and consolidating national sovereignty - ironic, in view of the divisions they sowed.

Bitter arguments ensued over the siting of a refinery to provide products for domestic consumption. Southern demands for a refinery in the south were turned down in favour of Kosti, in northern Sudan. Although Chevron's technical reports supported the Kosti site, the political impact of the decision and the manner in which it was handled were disastrous.

Under the 1972 Addis Ababa Agreement the Central Government controlled oil exploration and exploitation. But the Southern Regional Government had the right to all governmental profits on exports from the Region, as well as taxes from private businesses located there. Southerners were understandably unhappy about Khartoum's decision to build the main refinery in the North.

Fear and anger about the Central Government's apparent intention to get complete control of the oil led to increasing resentment in the South. In March 1983, the tensions were sparked by a mutiny in Bor into renewed civil war, and the rebel Sudan People's Liberation Army (SPLA) was founded by Southern army commanders.

The central government dropped the idea of changing the boundaries, and "Unity" / *Wihda* State remains part of Western Upper Nile. However, Nimeiri's tactics or misleading boundaries, are echoed in the Arakis Energy Corp maps of Heglig and Unity fields as recently as 1996 (see inside back cover).

Shifting politically to the religious right, Nimeiri embarked on reconciliation initiatives with some of his former opponents. With Sadiq al-Mahdi's Umma party, his success was short-lived, but Dr **Hassan al-Turabi** and his National Islamic Front accepted. They were seeking to infiltrate the army and other security organisations, and played the role of Nimeiri's loyal servants in order to achieve that purpose. The outcome was the imposition of a harsh and unpopular form of Islamic sharia law in September 1983.

Sharia was the last political card left for Nimeiri to play, and it compounded the popular resistance against him, ironically in the Muslim north as well as in the south.

The Sudan People's Liberation Army (SPLA) began attacks on oil installations almost immediately, as well as on the giant canal project in southern Jonglei, where the French CCI company was operating the world's largest excavator. The canal has never been completed.

Chevron's work came to a halt in February 1984, following an attack by the SPLA, in which three of Chevron's employees were kidnapped on the island base at Rub Kona and later killed. Three weeks before the attack, the Chevron spokesman in Khartoum said he was confident that extensive work doing deals with local chiefs, deploying anthropologists and other specialists, had the security question "all sewn up". The company misread the fluidity of Southern politics and the limits of the chiefs' powers in the face of guerrilla activity. It seems Chevron was given absolute assurances which meant nothing when put to the test.

Nimeiri tried to recruit and mobilise a local Nuer militia ("Any-Nya Two") to help defend the Bentiu area against the largely Dinka SPLA. Chevron was not convinced, and closed down its operations. When it resumed in the late 1980s, however, Chevron itself tried supporting a militia of ethnic Baggara (cattle-herding "Arabised northerners") in an attempt to secure the area.



9 - Paranoia

THE TORTURE OF NURSE BUTHEINA DOKA

Butheina Doka, a nurse working for the Chevron Oil company, was arrested in 1989 by security police for using a mobile telephone issued to her by Chevron. Possession of such a telephone marked her, in the eyes of the NIF security forces, as a "spy" or "fifth columnist". She was accused of passing information to foreign powers and to the Sudan People's Liberation Army.

The torture to which she was subjected over a period of several months included lashes, burns to the body, sexual assault with objects, and rape, according to the US-based Fund for Peace and the Sudan Human Rights Organisation (SHRO-London). As a result, Butheina Doka suffered a mental breakdown from which she has never recovered.

(Amnesty International Urgent Action AFR/54/16/89; Fund for Peace - Women's Project report 1992 - available from 823 United Nations Plaza, Suite 712, New York NY 10017, USA; SHRO-London)



10 - Arakis and the NIF

CHEVRON LEAVES, SELLING CONCESSIONS AND ASSETS FOR \$25m

In 1988 Chevron decided to resume its activities and developed a six-year exploration and

drilling programme set to run until 1994. However, seeing the intensification of the civil war that followed the 1989 NIF coup, Chevron quit Sudan in 1990 and relinquished all its concessions. It had spent more than \$1 billion.

Why pull out?

When Chevron first arrived in Sudan, there was relative peace in the south and the company had political and financial risk guarantees from the US government. It is the contention of some oil sources that by the time it left, Chevron had become very frustrated with the legal system and the manner in which business was conducted in Sudan. Their contract with the government was less favourable than the one later obtained by Arakis/State, and they appear to have come to the realization that their investment was greater than the extractable amount of oil would justify in the long run.

The tax breaks offered by the US government enabled them to cover their losses, and they seem not to have fought very hard to keep their oil concessions, even though they knew other companies were prepared to move in. Oil prices were falling, too, and threatened to fall below the cost of extracting Sudan's oil.

The Concorp-State-Arakis connection

All the Chevron concessions, ground facilities and machinery were bought - for a token \$25 million, a tiny fraction of their value - by Concorp, a Sudanese construction company owned by **Muhammad Abdallah Jar al-Nabi**, an NIF businessman, known for his activities in Uganda during Idi Amin's rule.

It was later revealed that Jar al-Nabi had acted as an agent for the newly-formed Canadian State Petroleum Company, owned by the Pakistani businessman **Lutfur Rahman Khan**. Jar al-Nabi is said to be related to former Energy and Mining Minister Abdel Wahab, and close to Hassan Turabi, leader of the NIF.

EAST OF THE RIVER NILE - Block 3

Chevron made moderate discoveries in Melut (Block 3), east of the river Nile, when the Adar-Yale oil field was found in the Khor Adar valley in 1981. Four exploration wells were drilled in Block 3 and showed good flow rates in excess of 1,500 b/d.

After Chevron's departure, the Adar-Yale oil field concession was awarded to Gulf Petroleum Corporation-Sudan (GPC), which is a private consortium of the Qatari Gulf Petroleum Corporation (60%), the previously-unknown Sudanese National Petroleum Company (20%), and 20% Concorp International - owned by the Islamist NIF financier **M.A. Jar al-Nabi**.

The GPC consortium, chaired by **Abdel Aziz al-Dulaimi**, reportedly invested \$12m in Adar-Yale. It began producing 5,000 b/d in March 1997 and increased output to 10,000 b/d in 1998. However, it is still thought to be depending heavily on Chevron's discoveries and left-over equipment, and is said by critics to lack the expertise to expand the operation.

Jar al-Nabi has built a private oil refinery in Khartoum, and the consortium is initially ferrying crude oil by barge and steamer from the Adar-Yale oil fields to Kosti. From Kosti, the oil is transported to Khartoum by rail. The consortium is planning to build another pipeline in due course.

The Melut area, to the east of Malakal, Upper Nile, is also part of the war zone. Large numbers of people were killed in 1994 when the Adar-Yale fields were attacked. Although many of the wounded were treated in the military hospital in Omdurman, and it soon became public knowledge, the government suppressed all mention of the incident in the media.

On 13 June 1998 the SPLA claimed to have captured the strategic Blue Nile province town of Mabaan, about 600 km (370 miles) south of Khartoum. The road from Ethiopia branches from there to Melut and Renk. The SPLA capture of Mabaan could open the way to put the SPLA on the eastern banks of the White Nile River and threaten the Sudanese government's barge traffic, which includes oil from the Adar-Yale fields.

Michael George Garang, an SPLA spokesman in Kenya, said, "We are telling the foreign oil companies to get out because we will not honour their agreements with Khartoum."

(Chege Mbitiru, *Associated Press*, 13 June 1998)

In June 1998 the SPLA also captured the town of Ulu, about 150 km south west of the strategic eastern town of Damazin. A lull followed. SPLA sources told the Paris-based *Indian Ocean Newsletter* (23 May 1998) they intended to hold their fire until the installation over at Heglig oilfield was completed and the laying of the pipeline was well under way, in order to cause maximum damage to equipment and morale when the opportunity arose.

On 29 March 1999 the 13th battalion of the SPLA under Commander **Malik Agar**, based at Ulu, defeated a government brigade which had been besieging the town of 50,000 inhabitants since January 6, **Samson Kwaje**, SPLA spokesman in Nairobi, told the *BBC*.

The government force had been "completely annihilated" and its remnants dispersed, he said, adding that 405 members of the government force had been killed at a loss of 12 killed and 17 wounded to the SPLA. The victory, he said, had now brought the Khor Adar and the Adar-Yale oilfield into range of the SPLA's artillery.



11- Ecology and human rights

ENVIRONMENT

Sudan's major environmental problems are:

- **destruction of wildlife (through war as well as hunting and habitat loss)**
- **soil erosion**
- **desertification**
- **drinkable water supply**

In the *Wall Street Journal*, (14 October 1997), the chairman of oil giant **Exxon** stated that developing countries ought to avoid environmental controls because otherwise they risk

losing foreign investment.

Yet most people in Africa depend directly on the land, on the forests and on the water in streams to meet their needs.

Spills and explosions

A break in the pipe, whether from an attack or everyday wear and tear, poses two immediate hazards: oil spillage and the risk of igniting gas explosions after a rapid pressure drop inside the pipe. To some extent it will be in the company's interests to minimise these, if only to avoid loss of oil and hardware, and every pipeline will have valves and slip-plates built-in at strategic points to shut off lengths of ruptured pipe, in conjunction with pressure and flow monitors.

Running costs

However, because these extras are not one-off installations, but need continuous maintenance, their use can add considerably to the pipeline running costs. Critics say their use is kept to the minimum, and maintenance routines tend to be neglected when profit is the primary factor and environmental regulation is poor. The running costs of a public relations campaign to maintain that all is well are much less than the costs of doing a thorough job of environmental protection, or of mitigating real disasters in distant parts.

Environment Impact Assessment

Environment Impact Assessments (EIAs) are usually carried out on projects like the pipeline, but by their nature they offer no guarantee of safety. They are essentially a way to reduce dangers and ensure that adequate procedures are in place to mitigate damage, but they are only governed by the regulations of the particular country where the work is to be carried out. The criteria of an EIA done in Sudan would not be acceptable in Europe or America, where environmental legislation is at least meaningful and responsive to an informed public opinion with powers to exercise democratic rights. Since the National Islamic Front/National Congress government is actively suppressing freedom of expression of any number of public concerns, and the environment is probably the last thing on its mind, it would be unrealistic to place any faith in official assurances.

Any pipeline, no matter how well-maintained and protected, brings the risk of an oil spillage. In richer countries the route of the pipeline would be chosen with an eye to minimising any possible environmental damage. This is not noticeably a factor in Sudan.

In the event of a spill, high gravity oil like Sudan's waxy crude, often said to be laced with heavy metals, will take far longer to disperse than lighter oils whose main components tend to evaporate.

The oil consortium prefers to draw comparisons with Libyan crude oil, which is freer of heavy metals. Whatever the case, it is unlikely that clean-up efforts will be carried out with any diligence, especially out in the war zone.

Across the Nile

Not far from Khartoum, the pipeline coming up from the Southwest must cross the River Nile before going on towards Port Sudan. Whether buried under the river or suspended over it, at this point the pipeline will be especially vulnerable to both sabotage and accidental harm, and an oil spill into the Nile could have prolonged and devastating consequences. The use of oil barges from Adar Yale also poses serious hazards.

Most of the Sudanese people - as well as their livestock - along the river from Kosti to Wadi Halfa depend on untreated water from the River Nile for their drinking water.

The harm will depend on the amount spilled, how long it takes to detect the spill and stop pumping, and the strength of the river current. Even a small spill could significantly affect the local ecology of the river.

Oil and water

When the crude oil is spilled into running water, its components will behave in different patterns according to their properties under the prevailing conditions.

Most of the crude components are of limited solubility in water, so they will form a floating layer above the water with damaging effects on the river and its inhabitants. The river's flow will cause the layer to spread over a larger area, causing more damage.

Some of the components will vaporise and disperse mixed with air. Concentration of toxic and/or flammable components could have dangerous consequences, especially if a spill happens near ignition sources.

The more viscous and heavy remains may start sinking into the river bed with further and more long-term harmful consequences. Heavy metals may also be extracted by the water, causing further damage. Sulphur compounds may go through reactions resulting in changes to the pH of the water, affecting the marine life.

Rapid response?

On installations in more developed countries, rapid response teams deployed to fix broken pipes might reach a site in an hour. In many of the areas the Sudan pipeline passes through, a full day is a more likely "rapid response" time. Sudan's vast expanses and harsh operating conditions should never be under-estimated. The more time that is lost, the greater the damage.

REFINERIES

Massive wastage is expected from hasty, primitive refining methods in Western Sudan and Khartoum.

El Obeid

In 1996, Canada's Arakis Energy Corp - now taken over by Talisman (ex-BP Canada) - started pumping and trucking 10,000 barrels a day from its oil wells in Heglig, south Kordofan, and sending the crude oil to the refinery in El Obeid.

The El Obeid refinery is not a sophisticated one; it is a basic primary distillation unit with only limited facilities for ensuring that products are environmentally acceptable. It is wasteful and inefficient, using in effect 19th century technology of a sort that preceded modern refining methods.

Propaganda and military value

The primary significance of the NIF's efforts to transport the oil to El Obeid by truck and rail - also an inefficient process - seemed at first to be its propaganda value, more than the cash value of the oil. But it should not be forgotten that El Obeid is a major regional military base

for the air force and the army of the Sudanese government - and it is a vital staging post for military operations into the **Nuba Mountains** as well as parts of southern Sudan.

This oil is unlikely to be primarily for civilian use, and more likely to be refined into fuel for military trucks and tanks.

It is also possible that the El Obeid refinery is using one of the refinery products or "cuts" to blend aviation fuel that could be used by government planes flying bombing missions to the Nuba Mountains and parts of the south.

Khartoum - Concorp

The emissions and pollution levels of the private second hand refinery opened by Concorp in Khartoum, on a scale much larger than the one in El Obeid, are equally unlikely to meet international criteria. This plant has reportedly been purchased from a US producer who was forced to dismantle it because it did not meet new environmental standards in the west. The low-grade fuel it is expected to produce is for local vehicles: it would never be acceptable in developed countries.

Hazards and criticism

Although internal criticism of the project is risky, two outspoken Sudanese environmentalists obliged the government to set up a panel to examine possible environmental hazards from the oil project.

Jayli refinery

Dr **Assim el Maghrabi** of the Sudan Environment Protection Society [*an experienced biologist and academic*] says that at the 50,000 b/d oil refinery being built at el Jayli, 20km north of Khartoum, six contracted companies are working in complete isolation from each other. "There should be co-ordination between these firms, otherwise the environment of the areas concerned will be affected," he told the *Pan-African News Association*, and a careful study of possible environmental damage as a result of this work should have been conducted in advance and necessary precautions taken.

"The risk of pollution and environmental degradation as a result of the oil exploitation, transport, refining and use are of colossal proportions."

"A good example of such mismanagement and environmental degradation was that of Nigeria which prompted the poet **Ken Saro Wiwa** to launch a campaign of protest two years ago that finally led to his execution."

The ecologist criticised the processes the Chinese National Petroleum Company (CNPC) is using in the extraction of oil from the oil wells.

"They simply pump water in the oil well and pump out the mixture which is then transported a distance of 160km to the oil collection terminal. The water is separated from the oil and pumped into evaporation ponds. This contaminated water will surely seep back into the underground waters of the rich Nubian Sandstone Basin below."

He said the CNPC had completely ignored the warnings of the Environment Protection Society on the ecological hazards this process would certainly cause. A more desirable

process would be to apply air or gas pressure to force oil out of the ground as companies in other parts of the world do.

The ecologist also criticised local oil planners, saying they did not take into consideration that the pipeline would block scores of water streams and valleys, thus affecting livestock, agriculture and wildlife natural habitats and migration routes.

*[This is not surprising, since any likely critics were dismissed from the Petroleum Corporation by the NIF. All bodies connected with the oil project are effectively NIF-controlled. Those who remain know very well that any attempt to raise such concerns would result in their being dismissed, at the very least.- SU]*The refinery in Jayli, a stone's throw from the River Nile, may contaminate the river water if over-spills occur. The possible uncontrolled dumping of oil waste at this close distance from the river would certainly pose a pollution threat.

A Malaysian company has been assigned to supervise construction work on the oil facilities. But Maghrabi cast doubts on the safety of the entire process, and said the firm was doing its work in the absence of local expertise. "We have lots of qualified cadres who should not have been ignored while approaching such a vital project. We should bear in mind Sudanese scientists' noteworthy contribution to the oil industry in the Gulf states."

Ecologist Dr **Mustafa Babiker**, after visiting the Heglig oilfields, reported that local people hired as casual labour by the foreign companies "are living in makeshift housing facilities which are uncomfortable and unhealthy."

Dr Babiker, a lecturer at the University of Khartoum's Institute of Environmental Studies, said the employers had not complied with Sudanese labour laws and were denying workers much of their basic rights, for example in medical payments.

In the light of these complaints, the government panel has been given a mandate beyond the immediate question of environmental damage, says its chairperson, Labour Minister Agnes Lokudu. "The panel will also consider the social and economic aspects of the emerging oil industry," and seek the advice of specialists in wildlife, pastures and water. The minister is expected to report the panel's findings to the Council of Ministers.

(Pan African News Agency 1 February 1999)

All these last-minute expressions of social and environmental concerns raise serious questions:

- **Could the oil project really have proceeded this far without having studied these impacts? If so, then how?**
- **Why was the Labour Minister appointed to assess oil risks? (Lokudu, a southern Sudanese woman, is likely to be vulnerable to extreme political pressure, and in any case has no expertise in this field.)**
- **What about Talisman's impact assessments?**
- **Why are inexperienced government appointees repeating the work?**

Conflicts of interest and responsibility

The failure of Talisman and the consortium to provide sufficient detail means it is impossible for the public to know how much damage will result if there is an oil spill, and

whether the responsible parties would have adequate resources to contain the oil spill and prevent broader environmental and social impacts.

Construction and exploration sub-contractors may be responsible for location-specific impacts. But these contractors are under considerable time pressure - especially with construction or exploration crews working in conflict areas - so there is an implicit conflict of interest which undermines any prospect of effective environmental protection.

If the environmental management plan shifts responsibility for environmental management - including mitigation of damage - from the oil pipeline consortium to the Sudan government, then the government's capacity to fulfil this role must be doubted.

Oil Spill Response Plan / Liability Fund

An oil spill response plan based on a full assessment of the potential damages and risks from oil spills is one of the most basic internationally recognised requirements of any oil development and transport project. There should also be a fund to pay compensation for damages (including environmental damage) in case of an accidental oil spill. Talisman, however, have declined to reveal their plans - assuming they exist - on the grounds that they are too "sensitive".

World Bank comparison

If the project, instead of being privately funded, had been in line with World Bank's requirements, its Environmental Management Plans would have to include the identification and summary of all significant adverse impacts that are anticipated, the description and technical details for each mitigation measure, the assignment of responsibility for carrying out the mitigation measures and the implementation schedule for the mitigation measures.

The World Bank's Indigenous Peoples' policy requires the preparation of an Indigenous Peoples Development Plan in tandem with the preparation of the main investment. Again, in the Sudan's case, there is no sign of a comparable plan.

There has been no meaningful consultation of local people during the Environmental Impact Assessment process. And there are no guarantees that the financial resources generated by the project will be used to improve living conditions in Sudan.

Truth and public relations

Freedom of the press in Sudan is practically non-existent, and cover-ups of serious issues are far more likely than exposure and discussion. It is usually difficult to determine the truth about events in Khartoum, let alone in areas hundreds of kilometres from the capital.

SECURITY FORCES TORTURE JOURNALIST

Mohamed Abdel-Sid, the correspondent for *Asharq al-Awsat* newspaper who was detained in Khartoum in mid-April 1999, had been tortured by security forces and taken to Kober hospital in Khartoum, sources close to his family said on 4 May.

The London-based newspaper said security forces had not released Abdel-Sid despite a report on 29 April from the *Sudan News Agency* (SUNA) that Abdel Sid and **Abdel-Qader Hafiz**, correspondent of the Saudi Arabian daily *al-Gezira*,

had been released.

"Abdel-Sid's family and his lawyer have not been able to see him since his arrest last month," the paper said.

The two, along with SUNA editor Ms **Maha Hassan Ali**, were reported to have been detained under the national security law. No charges were announced. (*Asharq al-Awsat* / Reuters 4 May 1999)



12 - Who's Who

National Islamic Front / National Congress Government

The National Islamic Front engineered the military coup to overthrow the elected government of Prime Minister **Sadiq al-Mahdi** and abort the peace process in June 1989. It began life as an Islamist student movement, the Islamic Charter Front (later known as the Muslim Brotherhood) in the 1960s. In the mid-1960s it clamoured for - and got - the expulsion of the legitimately elected Communist Party from Sudan's parliament. During the Cold War it benefited both from US anti-communism and indiscriminate Saudi finance for Islamic groups. Taking its inspiration as a modern, urban-based Islamic party from the movement in Egypt, it has campaigned for the application of *sharia* law and regularly uses Islamic sloganeering.

In reality, its totalitarian outlook represents only a narrow fraction of the spectrum of Islamic political thought. The NIF was defeated twice in the 1980s - in the April 1985 popular uprising against its coalition with Nimeiri, and in the 1986 general elections.

The National Congress was launched as the party of government with the introduction of new political laws in early 1999. These laws were nicknamed "*tewali*" after their use of an obscure Arabic word to cloak their limitations. Despite a sprinkling of other politicians, it is completely dominated by the NIF. The new laws have failed to convince the opposition that liberalisation is in the air. The NIF knows that if it shares power in any meaningful way, its political programme will be halted and it will be overthrown. It is prepared to use unprecedented levels of physical violence. Beneath its surface political activity, over the years it has acquired arms and trained loyalist militias.

Omar al-Bashir

Sudan's President, former paratrooper Lt-General **Omar Hassan Ahmed al-Bashir**, nominally led the 1989 coup. He is regarded more as a figurehead than as politically powerful in his own right, although as early as 1986 the Baathist '*El Destour*' magazine identified him as an NIF member preparing a coup. Bashir went to the same school (Khartoum al-Gadeema), as NIF hawk **Ali Osman Mohamed Taha** - who became Vice President in 1998 - and was the NIF's Number Three in the army before 1989.

Bashir was designated as the candidate for the National Congress in the next presidential

elections to be held in 2001.

Hassan al-Turabi

"Hassan al-Turabi heads a team of sometimes quarrelling but always committed people. The key NIF people in government have been there since the 1989 coup. A number of top people are unknown to the public, particularly in the many senior security posts." (*Africa Confidential*)

Dr Hassan al-Turabi, long recognised as the eminence grise of the regime, has been the principal architect of the NIF as a modern Islamist party. He built a secretive cell-based structure, learning from the Communist Party's underground methods as well as those of the ultra-right, both of which he studied closely. The NIF infiltrated its placemen by sponsoring recruits in otherwise poorly paid professions including the police, education and the civil service. In the 1986 general elections, however, the NIF won less than 10 per cent of the popular vote, and Dr Turabi failed to secure a seat in his Khartoum constituency.

In October 1999 Turabi regained all the powers he had ceded in December 1998, including the leadership of the ruling National Congress (NC) party, which he lost when 10 members shifted allegiance to Bashir.

Since that defeat, Turabi had been touring the country to build up a support base. His "tanks and missiles with oil money" speech in Ed Damer in April 1999 was typical of his approach - and just a few kilometres from the Atbara blast.

TENSIONS IN THE GOVERNMENT?

Senior NIF members occupy most ministerial posts, and its loyalist cadre hold all security-sensitive positions in the administration. Lt-Gen Bashir has neither the freedom nor the capability to act independently of the National Islamic Front, although there are tensions between loyalists of Bashir and Turabi. These are reflected by differing approaches to relations with Egypt. While the now-deceased First Vice-President **Zubeir Muhammad Saleh** and President Bashir were emphasising their military connections in attempting to normalise relations, hawks from Turabi's NIF power clique like **Ali Uthman Muhammad Taha**, the foreign minister at the time, would sabotage them.

Taha's appointment as First Vice President, after the 12 February 1998 plane crash that killed Zubeir, was an indicator that Turabi's candidate had beaten Bashir's candidate, presidential security advisor **Bakri Hassan Saleh**. The death of Zubeir meant that one of the president's main lines of defence lines against the NIF's complete domination of national policy had gone.

FINANCE AND BUSINESSMEN

AbdelRahim Hamdi, former Minister of Finance in the current Sudan government. A member of the Islamic Charter Front / Muslim Brothers / National Islamic Front since his student days, Hamdi has nonetheless been accused in an NIF newspaper of insufficient commitment to the party's interests above his own. His high-flying career with **al-Baraka Bank** took him to live in London, and when the Bashir regime made him Minister of Finance after its 1989 coup, he insisted on holding on to his old post as an al-Baraka representative, commuting between London and the Khartoum Hilton. After Arakis Energy secured the contracts for oil exploration work in Sudan, it was reported that Hamdi's daughter had married the son of **Lutfur Rahman Khan**, Arakis' CEO, but Hamdi refuses to

discuss the matter.

Responsible for shaping the government's privatisation and structural adjustment program and fending off the threat of suspension by the World Bank / IMF, Hamdi continues to play a key economic advisory role despite leaving the post of finance minister.

Hamdi's attempt to introduce policies which were at the same time "Islamist" and friendly to the IMF was supported by the NIF, but he eventually became the focus of blame for the failure of the economy and opted for a less public profile. He became the chair of the Sudanese Stock Exchange and is still influential in politics.

An implicit threat was made to Arakis' future in an interview with *ash-Sharq al-Awsat* newspaper on 5 August 1996 by the then Minister of Finance, **Awad al-Jaz**, expressing Sudan's readiness to negotiate with Russia instead. Eventually, however, al-Jaz was over-ruled and Arakis emerged on top. Hamdi is believed to have intervened.

Visiting Johannesburg in August 1999, Abdel Rahim Hamdi told business delegates that Sudan's output could reach 1.4-million barrels a day in five years. It wasn't clear where the extra million barrels were coming from.

Muhammad Abdallah Jar al-Nabi, businessman and strong National Islamic Front supporter, has no direct engineering or oil expertise, and was not considered to be hugely rich, despite profits made building mosques in Uganda. Nonetheless, after returning to Sudan after the 1989 coup he acquired Chevron's Sudan assets at an apparently knockdown price when it quit Sudan in 1990, and his Concorp company acted as a go-between for the NIF in its dealings with foreign oil companies. He was praised in June 1999 by Bashir for building the private Abu Jabra refinery in Khartoum and for his contribution to the oil project.

Concorp is also a 20% owner of the Adar-Yale project consortium in Melut, near Malakal.

Abd al-Wahab Osman: Finance Minister; NIF MP, 1986.

Taj al-Sir Mustafa: veteran NIF; MP; key to security organs' funding; ex-Trade Minister; ex-Industry Minister; founded telecommunications organisation Sudatel (now part owned by al-Shifa investor Salah Idriss)

Salah al-Din Karrar ('Salah Dollar'): Ambassador; ex-Cabinet Affairs Minister; ex-head Revolutionary Command Council Economic Committee, many posts.

Al-Nur Zarroug: businessman; retired sea captain; veteran NIF and London resident. His Warm Seas Shipping gets the lion's share of government contracts for carriage of strategic commodities.

HARDLINERS & SECURITY MEN

Ali Uthman Muhammad Taha

Replacing Zubeir as First Vice President in February 1998, former judge and foreign minister Ali Uthman Muhammad Taha, 51, ranks second only to Hassan al-Turabi in the National Islamic Front hierarchy. He has been an NIF member since his days in Khartoum al-Gadeema secondary school, which he attended at the same time as Omar al-Bashir, and

led the Khartoum University Student Union in the 1970s. A hardline leader of the opposition during the 1986-89 democratic period, he refused to join in the shortlived coalitions between the NIF and then-PM Sadiq al-Mahdi's Umma party. It is widely asserted that Taha was a planner of the 1989 coup against Sadiq, and that he visited army bases in the south shortly beforehand to meet NIF officers who then took part in it.

Taha's principal role as Social Planning minister in the early years of the NIF regime was as **designer of the massive Islamisation programme in the non-Muslim south and the religiously mixed and tolerant Nuba Mountains**. He took overall control of a web of local government and parastatal activities. "A hard-line ideologue, Taha represents the least flexible elements of Sudan's complex ruling coalition." (BBC 4 November 1997).

Al-Tayeb Ibrahim Mohamed Kheir

Al-Tayeb Ibrahim Kheir trained as a military doctor, but is known as "*Tayeb Sikha*" (Tayeb of the Iron Bar) because of his part in violent NIF assaults on opponents during his student days. Appointed as Cabinet Affairs Minister after the 1989 coup, he presided over mass dismissals in the civil service. Formerly a Governor of Darfur, Brigadier al-Tayeb Ibrahim was Interior Minister until apparently demoted on 12 August 1995 by transfer to the Ministry of Labour and Administrative Reform, following the assassination attempt on President Mubarak of Egypt. He heads the peace committee for western Sudan. Having survived the February 1998 plane crash at Nasir while Information and Culture minister, he was Minister for Social Planning (better regarded as 'Social Engineering') in 1999.

Nafi'e Ali al-Nafi'e

The former **Head of External Security, now Minister for Peace**, is a veteran NIF member who trained in Iran in the mid-1980s while working as a University of Khartoum agriculture lecturer. He went on to shape the NIF security police in characteristically brutal style. In 1990, when the regime bizarrely blamed political unrest in Kordofan on the Sudanese Communist Party, *Indian Ocean Newsletter* commented, "This ... seems to be the excuse to implement projects of repression conceived by Nafi'e Ali al-Nafi'e, the Assistant Director of Amm al-Thawra, (Revolution Security, an Islamist entity), and of the Deputy Director of Military Security, Col Kamal Ali Mukhtar." (ION 8 Dec 1990).

In late 1991, as head of NIF National Security, Nafi'e was accused of personal involvement in the torture and subsequent death of **Daoud Yahya Bolad**, the (ex-NIF) commander of SPLA forces in northern Darfur, who was a prisoner of war. The biologist **Farouk Ibrahim**, who was imprisoned by the regime, also accused Nafi'e of torturing him.

Nafi'e was officially removed as external security boss on 12 August 1995, in the aftermath of the assassination attempt on Egyptian President **Husni Mubarak** in Addis Ababa. He was replaced by General Ahmed al-Dabi, who was in turn replaced by **Qutbi al-Mahdi** in November 1996. In 1999 Nafi'e held the post of Agriculture and Forests Minister, but was widely assumed still to have a major security role.

Former President **Ja'afar Nimeiri** told *Radio Monte Carlo* on 13 September 1995: "Bashir cannot do anything unless he is told to by Turabi... I heard that Bashir has reinstated Dr Nafi, the chief security official whom he removed last week. I believe that he is one of those wanted for investigation in Ethiopia after the attempt on the life of President Mubarak. He

[...] supervised the operation from Khartoum..."

Qutbi al-Mahdi

External Security chief since 1998, formerly Ambassador to Iran, and State Presidency Minister in 1997, Qutbi al-Mahdi reportedly obtained Canadian citizenship in the 1980s. He first entered Canada on a student visa and later worked for the International African Relief Agency in Montreal. He returned to Sudan in 1989 to become the minister of foreign intelligence for the NIF government.

"It's important for the Canadian government to take a hard look at what they can do with this guy, revoke his citizenship or charge him with crimes against humanity," said John Oyemu, president of the African-Sudanese Association of Canada in November 1998, when it was learned that Qutbi al-Mahdi was about to re-visit Canada.

The director of the Canadian government war crimes unit confirmed his unit and Immigration Canada's enforcement unit were investigating the case. An official with the Sudanese Embassy in Ottawa was surprised to hear the news. "That's new information for me," he said. "I disagree he is responsible for committing crimes against humanity."

Gary Kenny, director of the Inter-Church Coalition on Africa, raised concerns that Qutbi al-Mahdi may have ongoing contact with the NIF network in Canada. "There is a concern that Canada is being used as a base to raise money to support the war effort in Sudan. If Mr al-Mahdi is travelling with a Canadian passport, he is violating the spirit of the sanctions and we would hope the Canadian government could prevent him from coming here." (*National Post* 25 November 1998)

In November 1998 a government delegation led by Qutbi al-Madhi visited NDA leader **Mohamed Osman al-Mirghani** in Jiddah, Saudi Arabia, and called on him to return to Sudan and engage in his opposition activities at home. Al-Mirghani rejected the invitation outright.

Ibrahim Shams al-Din: Major (tanks); Defence Advisor. Was in Juba with "ex-security" Maj **Fatih Erwa** (now UN Ambassador) during 1992 siege and killings.

Ghazi Salah al-Din al-Atabani: Culture and Information Minister, medical doctor; Libyan-trained tank driver. Taking part in a coup attempt against Nimeiri in 1976 by "National Front " (MB-Umma-DUP alliance), he and **Mahdi Ibrahim** held off the army at the Communications building. Married to Umma politician **Mubarak Abdullahi al-Fadil's sister-in-law**.

General Ahmed al-Dabi: external security boss after the 1995 attack on President Husni Mubarak; then officially replaced. by Quthi al-Mahdi in November 1996; still said to be in security.

Hassan Osman Dahawi: Major General; overall security chief.

NEGOTIATORS

Awad al Jaz, the Energy and Mining Minister, is considered crucial to the NIF's charm campaign. He is also important in security activities.

Mustafa Osman Ismail: veteran NIF; Foreign Minister, effective diplomat known as 'Mr Smile'. After 1989 headed parallel foreign policy body/"Friendship Committees", e.g. Khartoum-based Sudanese-British Friendship Committee.

Nasr al-Din Idris: Career diplomat: Ambassador, South Africa; career diplomat, ex-Ambassador to UN, New York; ex-"gatekeeper" for al-Bashir, as he was for Premier al-Gizouli Dafa'allah in 1985.

Ali al-Haj Mohamed: Federal Rule Chamber Minister (Federal Relations Minister) from Darfur, with a long, mixed track record as NIF negotiator with southerners since 1990 in Addis Ababa, Abuja, Frankfurt and Entebbe.

OIL MEN

Sharif al-Tuhami, a geologist and member of the Umma Party, became Nimeiri's Minister for Energy and Mining after Nimeiri's 1976 National Reconciliation overtures to his hitherto banned opponents. Although Sadiq al-Mahdi's Umma Party soon fell out with Nimeiri, Tuhami remained until the bitter end.

When Nimeiri was toppled in April 1985, Tuhami was one of a limited number of ex-officials to be put on trial, accused of making millions of dollars through an audacious fraud. Through his appointee at the government's General Petroleum Corporation, Tuhami had arranged for several oil tankers en route to Sudan to be diverted before arrival, and their contents sold abroad. The result was a worsening of Sudan's already critical shortage of fuel. Sentenced to several years in prison, Tuhami was eventually released ahead of schedule and became a senior advisor to the NIF's oil committee as well as an appointee to the National Assembly.

Omer Bedawi Abu al-Basher from Kadugli, South Kordofan, has a PhD from the UK in petroleum engineering and is said to be still in business in London. He is a key contact on oil contracts.

MILITIA AND ARMY MEN

Ibrahim al-Senoussi: reputed to have built up NIF militias; veteran of 1976 National Front camps in Libya; background worker.

Mahdi Ibrahim: Ambassador, United States; Veteran NIF; ex-editor NIF paper *El Raya*; ex-militia organiser.

Omar Abdel Marouf: ex-chemical engineering technician; was People's Defence Force supremo and first civilian State (Junior) Defence Minister.

Bakri Hassan Salih: Presidential Advisor /"gatekeeper"; ex-Interior Minister, ex-security chief.

Ibrahim Suleiman: General; Defence Minister.

Crackdown on peace dialogue

On November 17, 1999, Sudanese advocate and prominent human rights activist **Ghazi Suliman** was planning to hold a press conference in front of over 70 journalists, lawyers and politicians from both Northern and Southern Sudan. The aim of the conference was to establish a dialogue with leader of the SPLA, **John Garang**, who had agreed to link up with

the conference via telephone. However, before it could start, government security forces broke into Ghazi Suliman's office where the conference was being held.

They fired 8 tear gas canisters into the office and then proceeded to beat those present. A cameraman for Gezira TV was stabbed in the chest and his equipment smashed up. Lawyer **Mamoun Farouq** was stabbed in the back; lawyer and human rights defender Ms **Nazik Mahgoub Osman** was beaten, and lawyer **Sat'ih Ahmed El Haj** was injured in his leg. A security officer started to beat Ghazi Suliman about the face with a shoe in the police truck, which transported them to the police station. Ghazi Suliman's offices have been vandalized and the equipment completely destroyed; 32 lawyers and journalists were arrested and taken to the police station in the north of Khartoum.

(*Sudanese Victims of Torture Group* 18 November 1999)

The Opposition: NDA and SPLA

The National Democratic Alliance (NDA) includes former parliamentary parties, trades union and Armed Forces members alongside the Sudan People's Liberation Movement/Army (SPLM/A). The umbrella alliance formally came together with the 1995 Asmara Agreement, and represents a majority of northern and southern Sudanese. They have both frequently warned Western oil companies against involvement with the National Islamic Front regime.

The two historically largest political parties are the Umma and Democratic Unionist Party (DUP), which are based on traditional conservative Sunni Muslim sects. Both sects and parties follow hereditary leaders.

Sadiq al Mahdi of the Ansar sect is head of the Umma Party and great-grandson of the Mahdi who ejected the British and Egyptians from Sudan in the late 19th century.

Mohamed Osman al Mirghani of the Khatmiyya sect is head of the Democratic Unionist Party (DUP).

These two parties consistently out-poll the NIF when there were free elections. In its 1989 coup, the NIF acted to prevent them from settling the war with the south, because they were considering reforms that would have made the state more respectful of non-Muslims' religious rights, as southerners and northern secularists were demanding.

A Dinka educated in US universities, Col **John Garang** has been the head of the SPLA since its formation in 1983, and now heads the NDA military section, a highly significant appointment. The SPLA demands freedom of religion for all Sudanese and seeks a "united, secular" Sudan. It includes Muslims and traditional African believers as well as Christians, Southerners and non-Southerners. Nuba Mountains SPLA forces are led by **Yusif Kuwa**, a Muslim former school teacher whose family includes both Christians and Muslims.

Since 1997 the SPLA has been joined by more Muslim forces from other parts of Sudan, greatly increasing the numbers of Muslims fighting against the purported Islamic state. These include the eastern Beja fighters of the **Beja Congress** led by **Amin Shingrai**, the **Sudan Alliance Forces** (SAF) of **Abdel Aziz Khalid**, and the SPLA's **New Sudan Brigade** (NSB). Many are from traditionally privileged elite families in Khartoum who seek an alternative to the NIF police state.

SAF, the Beja Congress, SPLA and others in the opposition opened up an eastern front

against the regime in 1997. The NDA brought the road from the capital, Khartoum, to Port Sudan, the country's only sea outlet, into the war zone for the first time. It also took areas close to the strategic Roseires hydroelectric dam. Its forces attacked the pipeline near the northeast town of Atbara in September 1999.



13 - "Peace from within"

Warlords and opportunists

Southern Sudanese have a profound mistrust of all northern-dominated governments. Many believe they were abruptly abandoned to the more powerful north at independence by the British, and feel cheated of their rights in their own country. Some view the northern parties in the NDA as potentially as untrustworthy as the NIF. Factors such as the rivalry between Nuer and Dinka, or dissatisfaction with John Garang's leadership of the SPLA, sometimes matters of sheer survival or simply blatant personal ambition, have led some to opt for deals with the NIF.

The NIF follows a long northern Sudanese tradition: it both creates and seizes any chance to divide and rule the south. It doles out arms and makes promises of power and wealth to dissident southern factions, but limits the distribution of ammunition, and keeps real power at arm's length.

Most Southerners given political appointments in the south are now sitting impotently in Khartoum while the NIF security organs are running the show in the lands they are supposed to govern.

The volatility of Southern Sudan's armed groups is demonstrated by the handful of ex-SPLA commanders turned local warlords who have become caught up in the government strategy of playing one southern group off against the other.

Former SPLA commanders including **Riek Machar**, **Arok Thon Arok**, **Lam Akol** and **Kerubino Kuanyin** broke with John Garang in the early 1990s and eventually signed a separate Khartoum Peace Agreement with the government in April 1997, under a process that the NIF regime described as "Peace from Within".

After the 1997 Khartoum Peace Agreement the government arranged with Riek Machar and Kerubino Kuanyin Bol to set up a buffer zone between the SPLA and the forces directly protecting the oil fields.

From his base in Gogrial, Kerubino Kuanyin was to use his forces in northern Bahr el-Ghazal to control the area from the north of the River Lol to Abyei, and then to link up with Riek Machar's forces in Upper Nile. The combined forces would be expected to confront any SPLA force advancing towards Bentiu.

"The NIF would ... sit back and watch the spectacle of Southerner killing Southerner...."

(*Sudan Democratic Gazette*, October 1996)

Kerubino Kwanyin Bol

In mid-January 1998 President Bashir appointed former guerrilla commander Maj-Gen Kerubino Kwanyin Bol as deputy president and minister for local government and public security in southern Sudan. It is believed Bashir offered the job to Kerubino because of his rivalry with Riek Machar, who had been made head of the Coordinating Council of Southern Sudan States.

Fifteen years earlier, in 1983, Kerubino - then a lieutenant-colonel - had led the mutiny in the southern town of Bor that sparked the current insurgency. For several years he was the number two in the SPLA led by John Garang, but the two men - who belong to different branches of the Dinka group - fell out in 1987. Garang imprisoned Kerubino after disagreements between the two men. Kerubino escaped in 1992 and fled to Uganda and then to Kenya.

Kerubino returned to Gogrial, northern Bahr al-Ghazal where, armed and supplied for years by the government to attack Dinka villages, his volatile and highly destructive role became a key factor in the regime's strategy against the SPLA.

His "SPLA-Bahr al-Ghazal" faction, now aligned with Khartoum, claimed to have driven Garang's SPLA-Mainstream out of northern Bahr al-Ghazal state in December 1996. Kerubino's militia captured a key airport, took foreign aid workers hostage and seized food that an [un-named] international aid organisation had, in his words, "delivered to SPLA-Mainstream".

In January 1998 Defence Minister Lt-Gen **Hassan Abd al-Rahman Ali** praised Kerubino for orchestrating mass defections of rebel SPLA troops in the Bahr al-Ghazal region. But it turned out to be a Trojan Horse operation: once inside the regional capital, Wau, the returnees began capturing the town for the SPLA. Kerubino had changed sides again.

While he failed to capture Wau, the second largest town in South, and two other towns, "Some 100,000 Dinka and Jur in those towns fled in fear of retaliation, heading straight into a rural area where some 250,000 people were already at risk of famine because of drought and continual raiding. Hundreds of civilians who did not flee Wau were massacred by government forces in the days following..." (*Human Rights Watch* 18 March 1999)

The implications for security in the southwest were serious, since the government had lost an important buffer force between SPLA territory and the oilfields. Later in 1998 Kerubino again fell out with Garang and tried to realign himself with the pro-government forces. He took shelter with **Paulino Matiep**, the Bentiu-area warlord to whom he was related by marriage. Bentiu is on the border between the Unity and 5A oil concessions.

Kerubino met his death in September 1999. A spokesman for Paulino Matiep's pro-government South Sudan United Army (SSUA) said that a disaffected commander, **Peter Gadiet**, had tried to defect to the main SPLA with 150 men after an "unsuccessful" attempt to depose Matiep. Kerubino had intervened and been wounded and captured along with five SSUA officers in Mankien, 900km SW of Khartoum. The officers were executed

by Gadiet in Mankien; Kerubino died of his injuries. On 21 October, Gadiet, having sided with the SPLA, was reported to be bombarding Bentiu. Talisman stressed that its base was at Heglig, which it insisted was a safe distance away - a matter of 70-100 kilometres.

Western Upper Nile

Paulino Matiep has been operating as a Nuer warlord in Western Upper Nile oil field area for the last two decades. Initially an "AnyaNya 2" militia leader, Paulino was never in the mainstream SPLA, but has been intermittently armed and supplied by the government.

Matiep, now a major-general in the army, left the Southern Sudan Defence Force in late 1997. His fighters and government troops clashed with Riek Machar's SSDF forces for control of Unity state oilfields in 1998 and 1999.

He was boosted by the government as a counterbalance to Riek Machar in January 1998, after Kerubino Kuanyin Bol's temporary defection to the SPLA.

In 1998 and 1999 Paulino Matiep destroyed Nuer villages, clinics and schools, put some 150,000 displaced people at risk of famine and disease, and effectively prevented UN relief reaching them.

(Famine in Sudan, 1998 - The Human Rights Causes - Human Rights Watch)

Riek Machar, the leader of the United Democratic Salvation Front and its military wing, the Southern Sudan Defence Forces (SSDF), is also Sudan's assistant president and president of the south.

As leader of the breakaway Southern Sudan Independence Movement, a mainly Nuer SPLA splinter group, Riek Machar signed a provisional peace treaty with Khartoum in April 1996. He went on television after the SPLA-NDA opened a new offensive on the eastern border towns of Kurmuk and Geissan in January 1997, pledging his troops to fight alongside the government. Machar said the joint offensive by northern and southern opponents of the regime was aimed at undermining the peace process in which his group and that of Kerubino Kwanyin Bol, who also signed the 1996 peace accord, were involved.

"The political charter ... stipulates we should all defend the homeland," Machar said.

But by late 1999, Riek was losing many of his Nuer supporters and appeared to be in limbo, having declared the 1997 Khartoum Peace Agreement to be a failure but unwilling to risk rejoining the SPLA.

STRUGGLE FOR CONTROL

In Western Upper Nile, **Riek Machar** struggled for control of Sudan's main oil fields with **Paulino Matiep**. Both men are ethnic Nuer, a Nilotic people related to the Dinka. Matiep, now a major-general in the army, left the SSDF in late 1997. In 1998 the government arranged four ceasefires between them; none held.

Heavy fighting in January 1998 between Matiep's SSUA and Machar's SSDF prompted the government to send a planeload of high-level delegates to the region, including vice president **El-Zubair Mohamed Salih** and the governor of the region, **Taban Deng**, as well as Machar himself, who was now "Assistant President". El-Zubair died in a plane crash the next month. Matiep refused to stop fighting; he demanded an immediate halt to the petroleum operation and denounced any agreement Machar had signed.

Amid concern that the Chinese CNPC's employees and assets in Bentiu were threatened, Khartoum television spent two days broadcasting pictures of CNPC sites looking peaceful.

South of Bentiu: Block 5A

There has been extended fighting in 1999 between the government (and its militia proxies) and Nuer ex-rebels over oil fields south of Bentiu known as Block 5A, in Nuer territory.

In September 1999 Derek Hammond, a 43-year-old South African, witnessed government troops razing Leer town and met hundreds of families living in squalid conditions.

"Thousands of people living in the swamps and hiding on little islands amongst the swamps. Many of the people were naked. They were living off fish that were in the swamp and the stagnant swamp waters."

"I was stunned. I have travelled through many of the war areas of Africa and I have never seen anything quite like that in terms of disease, the heat, the insects, the stomach bugs that people have got." (*National Post*, Canada, 20 November 1999)

Mr Hammond, of Faith in Action, travelled with two colleagues to Block 5A, just south of the properties leased by Calgary's Talisman Energy, delivering food, medicine and clothing supplies to the displaced Sudanese. On 27 September 1999, he says, he watched as government planes bombed the village of Mayon.

On 28 September, he said, government forces set fire to the nearby town of Leer, about 15 kilometres from the fishing camp where the Sudanese refugees lived.

"Leer was being burnt to the ground. The black clouds were hanging in the air."

Block 5A is being developed by Sweden's Lundin Oil, Austria's OMV and Malaysia's Petronas. Activities have been suspended since May 1999 because of the war. The fighting started at the site of an exploratory well, over who was going to "defend" (i.e control) the oil locations: the government or the Nuer ex-rebels. It was continuing at the end of the year.

Block 5A was not economically feasible until Talisman completed the pipeline to neighbouring Heglig and Unity. The prospect of bringing this oil-rich area into production turned Block 5A - which has no other military value and was largely untouched by the war until 1998 - the scene of the worst fighting of 1999.

SECOND THOUGHTS AMONG THE NUER

Tito Biel, a high-ranking SSDF commander, led three other officers and an unspecified number of soldiers in a mutiny in Lakes State in early May 1999. Biel had previously led Riek Machar's SSDF forces in clashes with government troops and men of Maj-Gen Paulino Matiep. Biel was forced to move south of Leer; he arrived at Yirol and announced that he had gone over to the SPLA.

An MP for Unity State, **Tot Galwak**, said Biel's defection was "a secret part" of the important church-mediated Nuer-Dinka peace agreement at Wunlit some two months earlier. He claimed this provided for "gradual" defections from the SSDF to the SPLA.

The SPLA claimed in May 1999 that armed Sudanese had taken captive 23 oil workers employed by the Chinese National Petroleum Corp during a week of fighting in Bentiu.

Yasser Arman said that residents in Bentiu "revolted against the oil companies working in the area," and took the experts captive. The SPLA was not involved in the kidnappings, Arman said, but is willing to provide support. Bentiu residents, he said, are demanding the government apportion a share of oil revenues to local services and development projects. They revolted against government troops and were joined by members of Machar's SSDF. In Khartoum, Machar said the clashes resulted from "a misunderstanding among field commanders."

On 11 May 1999 there were fresh clashes between government troops and the SSDF at Mayen Dit, north of Leer in Unity state. **Makuac Teny Youk**, state minister for National Development in the Khartoum government and spokesman for the UDSF, blamed the government for the violence. He said the 1997 Khartoum Peace Agreement had put oilfields in Unity under SSDF control and that an increase in government troop numbers in Leer in early May cast doubt on "the government's sincerity towards achieving peace and eliminated the chances of success of the forthcoming peace negotiations" [with the SPLA].

Youk said Paulino Matiep's SSUA militia had detained 75 government officials in Unity state. "Most of these officials have been moved to Mankien where Matiep has his headquarters and we have great fear for their lives."

"Daylight robbery" - by government helicopter

He also accused Matiep of removing furniture from government offices in Bentiu, the Unity state capital, and taking them to Mankien in a government helicopter. "This is daylight robbery."

Youk said the UDSF had informed the government of Matiep's activities, but there had been no response. "It is as if we are talking to ourselves," he complained.

Riek Machar had left the National Congress in order to lead the UDSF as a political party. Now, Youk said, the government was using Matiep to put pressure on him. He said the government wanted Machar to abandon the UDSF and rejoin the ruling National Congress, but such tactics only raised doubts about its commitment to the Khartoum peace accord.

Augustino Aremo, secretary of the Southern Sudan department in the National Congress, denied that the government was trying to wreck the Khartoum Peace Agreement. But he admitted that it wanted to persuade Machar to rejoin the ruling party.

In June 1999 a splinter group named the UDSF Collective Leadership said Machar was no longer capable of leading them. Headed by Machar's close aide and office director **Weles Wal Bang**, (deputy secretary general of the South Sudan Coordination Council), they pulled out of the UDSF's armed wing, the South Sudan Defence Force (SSDF), and demanded that Machar be dismissed from both wings.

The group also called for reunification with Paulino Matiep and other groups in Unity State that had already split from the UDSF and had clashed with Riak Machar's SSDF fighters.

Machar also faces accusations by rival south Sudanese officials that he has been

sympathising with the SPLA, since **John Garang** had asked him to re-think and return to the rebel ranks.

UPPER NILE - Malakal

Lam Akol

Former University of Khartoum lecturer Lam Akol has an MSc in petroleum engineering and a PhD in copper extraction. He was the architect, together with Riek Machar, of the 1991 split in the SPLA, which began as an attempt to replace John Garang as leader. He later fell out with Riek, was reduced to leading a force of his Shilluk kinsfolk - ironically called SPLA-United - and after prolonged pressure eventually signed up to Khartoum's 1997 Peace Agreement. After the 1998 defection of Kerubino Kuanyin in Wau, Lam Akol kept a low profile in Khartoum.



14 - Red Sea

"Terror and fear"

The **Beja**, the originally nomadic people of the Red Sea Hills, have become part of the Sudanese armed opposition in the National Democratic Alliance.

A government campaign of "terror and fear" was being conducted against the Beja ethnic group in Port Sudan, Tokar and Sinkat, the Cairo branch of the Beja Congress reported in mid-1994. Six people were arrested and hundreds of young people were said to have fled the area fearing government reprisals. The distinct culture of the Beja is regarded by the NIF government as antithetical to its "Islamisation" programme, according to the *Sudan Human Rights Organisation*.

The Beja have been badly affected by famine, malnutrition and tuberculosis, resulting from extreme poverty and deprivation. Infant mortality is high, while basic social services, education and primary health care are virtually non-existent. (*SHRO* August 1994)

The pipeline route across the Red Sea hills from the Nile - around Atbara, north of Khartoum - to Port Sudan, crosses territory in which both the Beja Congress and Sudan Alliance Forces are active .



15 - Blue Nile

Dam and landmines

NDA forces now control patches of territory between the Red Sea and the Blue Nile, along Sudan's border with Eritrea and Ethiopia, where it threatens the country's main hydro-electric dam at Roseires / Damazin.

France's Total and the US' Marathon Oil were partners in an oil concession in the southeast but suspended operations several years ago. (The American company because its government has barred it from trading in Sudan; the French because of landmines.) The road from the eastern agricultural centre Gedaref to Gallabat on the Ethiopian border is mined, as is much of the border.

President al-Bashir accuses the United Nations and United States of financing the Sudanese opposition - the US gave \$20m to neighbouring Eritrea, Ethiopia and Uganda in November 1997. Speaking of "Eritrean and Tigrayan aggressors" more than rebels, Khartoum is attempting a mass mobilisation of civilian militias to augment its over-stretched and potentially recalcitrant armed forces on the eastern front.

Attacks on government garrisons around Kassala, the capital of the eastern region close to the Eritrean border, have been stepped up.

The opposition forces in the Blue Nile area have no intention of destroying the hydroelectric dam at Roseires, which is one of Khartoum's main sources of power, since the dam itself is a strategic resource that they want to remain functioning.

The oil installations - particularly the pumping stations of the pipeline - are, by contrast, attackable without loss of any existing benefit, and the pipe and equipment can be regarded as disposable in a way that the dam construction can not.



16 - Economy

DECLINING INCOME

The dramatic fall in income from exports and expatriate remittances since the NIF's 1989 coup d'etat more than wipes out the amount Sudan will earn from

its oil.

Sudan's exports - mainly cotton and gum arabic - declined from an average \$450m in the 1980s to \$53m in 1993-94, and its foreign debt stands at some 20 billion dollars. The country depends heavily on remittances from its nationals abroad, but these remittances fell from \$500m in 1989 to \$60m in 1994. Foreign aid has dwindled from about \$800m a decade ago to about \$10m in 1998.

The government is "unable to provide the minimum limits for survival for the Sudanese" because spending on the war costs half of the national budget - estimated at \$1.9 billion - according to President Bashir himself. "This puts even ministers and government officials below the poverty line," he said in February 1999.

Sudan is still paying back the loans for a pipeline it built in the 1970s to carry petroleum products from the refinery at Port Sudan to Khartoum.

It imports up to 40,000 additional barrels of refined oil products daily - worth \$400m a year - to meet domestic needs. This represents more than 25% of the country's total imports.

Three (originally) foreign companies - Agip, Mobil and Shell - and the local firm, Nile Petroleum, handle distribution and marketing of imported petroleum products.

Debts

With a gross national product of some \$7.9 billion, Sudan owed the International Monetary Fund (IMF) some \$1.57 billion on 30 April 1999, and was the biggest single IMF debtor in terms of arrears.

A debt repayment programme between Sudan and the IMF involves payments of some \$60 million a year, a minuscule proportion of its actual debt.

Sudan was very nearly turfed out of the IMF in 1998 because of its persistent arrears, but the fund lifted the threat after Sudan promised to start paying back. Sudan would have been the first country to be expelled from the IMF, and has had no voting rights within it since 1993. Malaysia, one of its partners in the oil project, is said to have advanced the money.

Although Sudan will not be able to clear or even reduce its debts to the IMF with the \$60m annual payments, the Fund hopes to keep it on track so that at least the arrears do not increase. It hopes that its economic situation will eventually improve. On 29 August 1999, the IMF "upgraded" Sudan's borrower status - from "non-compliance" to "compliance". This was a "green light" in the eyes of international lenders - a signal that they could start lending again.

"Agriculture, not oil"

Senior economist **Mohamed Hashim Awad** has dismissed the government's faith in petroleum saving the economy, saying the country's wealth rests in its agriculture and that the government should develop that sector.

"The real source of wealth in Sudan and the only one which will never dry up is agriculture," Awad said. "The policies adopted by the government such as fixing prices before harvests and the high interest rate on loans to farmers are not helping to strengthen this sector."

He said private Sudanese funds abroad are almost equal to the country's external debt. "Sudanese private capital abroad, estimated at 20 billion dollars, could rapidly help the economy but for political or economic reasons owners of these funds are not transferring them back into the country."

(Mohamed Hashim Awad is a University of Khartoum economist and former commerce minister under Nimeiri)

Oil Revenue

The Sudanese government has signed up for a share of the cost of the pipeline development, and will have to pay that back from its share of the oil production over the coming years. But it will still have a sizeable income amounting to about a third of the oil revenues, with a raft of different agreements bringing income from royalties and taxes on the other pipeline users.

Oil prices in 1999 rose from \$9 a barrel to just over \$20, and by September 1999 Sudan's crude was being sold at a discount rate of about \$18 (FOB). Pumping up to 150,000 barrels a day, the pipeline will earn nearly one billion dollars a year, or about \$750,000 after costs. From this the Sudan government will make some \$200-\$400 million a year.

If the pipeline capacity is successfully expanded to 250,000 b/d by the end of the year 2000, the National Islamic Front government will earn about \$300m - \$500m a year.

This is about the same as the regime's current spending on oil imports, or - more importantly - on the civil war. not including what it costs to maintain its extensive security apparatus in the north. It is certain to raise the level of spending on these two priorities for its own survival, before anything else.

Mobilisation

The claim that domestic oil needs for transport and energy generation will be met, thanks to locally-refined petrol, should be looked at with extreme scepticism. Oil imports will still be necessary, the queues of cars at the petrol stations are unlikely to shorten, and the electricity power cuts will not stop being a regular feature of urban life in Sudan.

Whose mobility will improve? In the economic upheavals since 1989, the incomes of the formerly car-owning urban Sudanese middle class has been decimated, and comparatively few still have vehicles. They can't afford to run them: feeding the family is a bigger priority. Instead there has been a sharp rise in the number of security-related vehicles, now said to make up one in four of the cars on the road.

Opposition sources reported in 1999 that the security service was taking delivery of some five thousand 4WD vehicles and double-cabin pickup trucks: 200 for each of Sudan's 26 provinces. If true, this will represent a sizeable proportion of each state's fuel consumption.

FINANCE AND THE N.I.F: Controlling the money

The NIF has played a central role in the establishment of Islamic banking in Sudan, beginning under President Nimeiri in the early 1980s. They were not alone: Turabi's brother-in-law, Sadiq al-Mahdi, is named as a shareholder in the founding documents of the Geneva-based Dar al-Mal al-Islami (DMI).

When Sadiq's government was obliged to set up a committee to investigate allegations of corruption and malpractice in the Sudanese Islamic banks, it concluded that they posed a threat to the economy, but Sadiq resisted the pressure to act on its warnings.

The NIF continues to dominate Islamic banking in Sudan, notwithstanding the legal problems and accusations some of these banks have continued to encounter.

Note: Oil prices have risen since this example was published

Liquidity crisis

In 1995 influential merchants close to the government pushed for a review of the banking system, amid a financial crisis in which several major banks and companies were believed to be at risk. Large trading families have been quietly withdrawing large sums of cash from the banking system while public saving has continued to slow down. Commercial bankers have been calling for greater safeguards for some time, but say their concerns are ignored by the Bank of Sudan, the central bank.

Although the bankruptcy of any major bank was thought to be impossible because of the controlling role of the Bank of Sudan, since 1995 there have been recurrent warnings of a possible banking collapse.

One commercial bank is reported to have been unable to pay back a foreign investor's stake. There is a chronic shortage of hard currency in the country, and when it turned to the government for help, the bank was offered the equivalent in Sudan Airways shares rather than cash. The investor rejected this offer, and the bank was obliged to sell properties in Khartoum and Omdurman after a new share issue failed to raise enough capital to pay him back.

Cash-flow problems were also reported at the Western Sudan Islamic Bank, which dismissed 60 employees. Other banks are said to have held back salaries. The loss of confidence was also affecting the Khartoum Stock Market, which depends heavily on local dealings with banks and insurance companies for its business.

Corruption

Any individual who gains a politically or economically powerful position is likely to be deluged by appeals for assistance from his/her kin. Those who control appointments are fully aware of this pressure, and will exploit the compromised situation in which such individuals find themselves. Former president **Nimeiri** was skilled at the "musical chairs" approach to appointing ministers and civil servants, in which the appointees were intimidated by the obviously temporary nature of their positions and pushed towards extracting maximum personal financial advantage in the limited time available. Their corrupt actions compromised them and made them politically malleable.

During the civilian period 1986-1989 the NIF extended its financial scope and began monopolising some areas of trade, such as newsprint, which was more tightly rationed for its opponents than for the burgeoning number of newspapers which supported NIF policies. Its preference for monopoly control has continued in government.

A great many external trade negotiations with Sudan are conducted through individuals. Although Sudan has been considered a relatively uncorrupted country in comparison with many of its neighbours, corruption at this level has now become a significant factor. The NIF has practiced a form of cronyism in its parcelling out of newly-privatised assets, and in granting export/import licences to its supporters while denying them to its foes. Individuals have gained monopoly control over key commodities. Influence takes precedence over efficiency, and accusations of corruption close to the highest levels of leadership have even come from within Islamist circles.

The risk for outside players is that there is no fair and open competition for contracts; everything is subject to political clout. The individual *wasta* (contact) with whom one deals is critical to success, and his influence may suddenly collapse through loss of political favour...



17 - The companies

PIPELINE PARTNERS

Unable to raise sufficient investment elsewhere, and unable to fulfill its initial exploration and production agreement alone, in 1996 Canada's Arakis began negotiating with the Sudan government over the introduction of China and Malaysia into its oil venture, including the \$1.2bn pipeline plan.

An interim agreement in December 1996, finalised by mid-1997, gave the state-owned China National Petroleum Corporation (CNPC) 40%, Malaysia's state-owned Petronas 30%, Arakis 25% and the Sudan National Petroleum Company 5% in a joint operating company - the Greater Nile Oil Project.

'Sources close to the deal say Khartoum imposed Petronas and the CNPC on Arakis by threatening not to renew its concession. China is a key arms

supplier to Khartoum, whose links to Malaysia, especially to its Islamist networks, are growing. Rivals in Asia, Beijing and Kuala Lumpur are co-operating to fight the Western, mainly United States', oil monopoly. (Africa Confidential 17 January 1997)

MAJOR OIL FIELDS

Unity (Block 1); Heglig (Block 2); Block 5A; Adar-Yale (Block 3), Abu Jabra (Block 6)

OIL REFINERIES

Port Sudan (21,700 b/d, being upgraded 1999)

El Obeid (10,000 b/d)

Jayli (Khartoum) 50,000 b/d when completed

Concorp (private, Khartoum, n/a)

Abu Jabra (10,000 b/d)

MAJOR OIL COMPANIES

Agip - Italy

China National Petroleum Corp. (CNPC)

Elf-Aquitaine (France)

Gulf Petroleum Corp. (GPC)

Lundin Oil/IPC (Sweden)

Mobil

National Iranian Gas Company (NIGC)

OMV-AG (Austria)

Petronas (Malaysia)

Royal Dutch Shell (Netherlands)

Talisman Energy (Canada)

TotalFina (France & Belgium)

CANADA: TALISMAN ENERGY Inc.

"Talisman have committed themselves to a large investment, regrettably with abominable partners in a complex and volatile landscape."

(Tag Elkhazin, SubSahara Group, 1999)

Talisman is now the third largest independent oil company in the world, the largest independent oil and gas company in Canada, and one of Canada's 60 largest corporations.

It was created in 1992 in a management buyout of the assets of BP Canada and expanded aggressively through corporate acquisition. In 1998 it acquired the struggling Arakis Energy for about \$220 million after Arakis failed to raise funds to meet its obligations to the \$1.4 billion Sudan oil project. This ended Arakis's long and controversial bid to bring the pipeline project to fruition, and gave Talisman a 25% interest in the Greater Nile consortium.

Talisman also operates in Canada, Ross field in the North Sea, and Indonesia, and is involved in operations in Algeria and Trinidad. It has won an award for its installation at Wych Farm, its English onshore operation, and has an office in Aberdeen, Scotland.

Talisman's market capitalization is CAN\$ 5.1 billion and its daily production totals 248,000 b/d. In 1998 Talisman operations in Western Canada accounted for 53% of their production

and for 83% of their operating income. But if the forecasts for Indonesia and Sudan materialise, by the year 2001, 60% of the company's production and operating income will come from outside Canada.

Risky business

A January 1997 report on the *World Bank's* Oil and Gas Portfolio concluded that "especially in countries with unstable governance, the oil and gas portfolio is almost certain to remain risky and contain an above average share of problem projects."

Talisman has taken on the added political risk of operating in the proximity of war zones in Sudan, in civil unrest zones in Indonesia, and in Algeria. In valuing Talisman's operations financial analysts Merrill Lynch already put an after tax discount of 14% on its Indonesia project and 20% on the Sudan. If the SPLA takes the war to the heart of Unity State, this 20% discount stands to increase. Should the Sudan oil project be disrupted, Talisman would find itself unable to operate the project and unable to receive cash related to its share of the production.

FAIR SHARES? There is now a mobilisation in North America of people calling for divestment of Talisman shares. It may ruin the commercial credibility of Talisman if American and Canadian shareholders start to sell Talisman shares in a rush, or if they apply the brakes to Talisman's involvement in Sudan. Major Talisman shareholders include two giant pension funds in Canada and several institutions each holding over one and a half million shares:

PORTFOLIO NAME	HELD	DATE
- RT Investment MGNT	8,951,960	2/99
- Royal Trust Investment MGNT	5,671,630	2/99
- Ontario Teachers Pension Plan	4,500,000	12/98
- Caisse de depot et placement du Quebec	3,911,670	12/98
- Capital Research and Management Company	3,240,000	3/99
- Omers	3,023,310	12/97
- T.A.L Investments INC.	2,745,200	3/99
- TIPS 35	2,410,200	11/98
- Vanguard U.S. Growth portfolio	1,900,000	8/97
- Trimark Select Canadian Growth	1,683,400	12/98
- Mackenzie Financial	1,677,000	3/99

- Trimark RSP equity 1, 517,000 12/98

source: Bloomberg and Targeted

IG Investment, Royal Canadian Equity, Investors Canada, Investor Retirement, Credit Swiss, Al Tamira Equity Fund, Canada Trust Stock, J.P. Morgan, Scotia Canadian Grow, CIBC Core Canadian, Green Line Balanced, TD Green Line, also have varying amounts of shares.

(Tag Elkhazin, SubSahara Group, 1999)

The Teachers' Pension fund has a total value of shares in excess of Can\$210m at Can\$47/Talisman share. Another reputable sector's pension fund has an equally large stake. The two largest known shareholders as well as Capital Research purchased their shares in the first quarter of 1999.

Despite record third quarter results in 1999, Talisman's share price dropped some 12% at the beginning of November when Canada's Foreign Minister announced an inquiry into the human rights aspect of the Sudan project. CEO Jim Buckee attributed the low share price to Talisman's having "been in the news lately". When the price rallied a little, critics ascribed it to mere "dead cat bounce", maintaining that the shares were tainted.

Silence is golden?

As criticism of its Sudan venture grew in November 1999, Talisman began using the major US public relations company Hill & Knowlton, who also served the Bank of Credit and Commerce International (BCCI) before its collapse. CEO Jim Buckee's frequent riposte to his detractors - that if Talisman gave up its business in Sudan, it would only mean that someone else would step in - echoes a familiar refrain of arms dealers throughout the world. Hill & Knowlton's first advice was that he should say less. Even if Talisman is superseded in Sudan, it will have fulfilled the NIF's purpose of building momentum for the oil project.

Government dilemma

The Canadian government has been acutely embarrassed by Calgary-based oil companies' adventures in Sudan: first by Arakis Energy's scandals, and now by Talisman. Although Canada is a vocal human rights advocate at the UN, and a member of the IGAD Partners Forum seeking to assist the Sudanese peace process, the Liberal government appears equally determined to be seen resisting pressure from Washington to order Canadian commercial interests out of Sudan.

Fact-finding mission

In November 1999 **Lloyd Axworthy**, Canada's Foreign Affairs Minister, said he would await the outcome of a special fact-finding mission to Sudan before deciding whether to impose sanctions on Sudan and restrict Canadian business operations there. **John Harker**, the head of the mission, said that he had seen the UN human rights report on Sudan by Dr **Leonardo Franco** and hoped to meet its author before setting off. However, sceptics said his visit was likely to be far too short - two weeks at the end of the rainy season when travel is hardest - to be of any real value, and risked being stage-managed by the regime.

Hospital: gains and losses

Talisman's most frequently-mentioned "humanitarian" contribution is a hospital at Heglig. Aid agencies deride this as tokenism, and recall that other hospitals in the area have repeatedly been bombed and clinics destroyed by the Sudan government, Talisman's partner in the project. Even the acknowledgement for building this hospital was lost when Hassan al-Turabi instead gave the credit to **Rahman Khan** of Arakis, and claimed it as a Muslim good deed.

(source: *Sudanow* magazine p13, July 1999).

CHINA

In November 1999 the China National Petroleum Corporation (CNPC) was hoping to get a listing on the New York Stock Exchange - and access to "the greatest capital market in the world". Some westerners see this as useful "constructive engagement" with China, and a way to appease China pending its full acceptance into the World Trade Organisation (WTO). China is keen to talk up its prospects in Sudan - where it is the largest stakeholder in the petroleum consortium - to improve its likely share price.

CNPC's China National United Oil Corp (Chinaoil), will also have a hand in marketing the new crude. It will focus on building up business customers in Europe and the Far East as well as in China itself. Customers in the United States are out of bounds.

China is a principal trading partner and sometime ally of Sudan at the UN Security Council. It has been the major supplier of arms to the Khartoum government since 1989, and in recent years has been part of a three way trade involving the shipment of Iranian oil to China in return for arms shipped to Khartoum.

CNPC plays a key role in the Greater Nile Oil Project in Sudan, with a 40% stake.

It holds several other concessions in Sudan beyond the GNOP concession area, having acquired exploration and production rights on the Sharaf, Tabaldi and Abu Jabra fields (Block 6), on which it began exploration and development work in 1997.

Sudan is said to be CNPC's largest single foreign investment, and the only one producing oil in any quantity.

China has made huge capital expenditures in Sudan - it has projects either underway or "on the drawing board" worth some \$15bn - and hopes its presence on the New York Stock Exchange with CNPC will "backfill" these expenditures.

As the largest investor and provider of much of the equipment for the pipeline project, the Chinese company seems to need the skills and sophisticated technology of western countries to complete the task. It has little experience in on-shore oil exploration, compared to its considerable experience in offshore exploration, but wants to gain it in Sudan.

It has recently become a net importer of oil, and wants to find sources of crude oil for its own needs, so it has made a number of world-wide oil investments over the last couple of years.

Sudan's crude is usefully similar to the Daqing crude that China's refineries are designed for.

China needs a secure source of oil to carry out its modernisation plans, while Sudan needs the external credit China offers, as well as investment and a market for its oil.

China has a vested interest in ensuring the NIF stays in power, so that it is repaid for its investment and continues to have access to crude oil. It has shown that it will support Khartoum diplomatically, no matter what the charges. On June 15, 1999 the US House of Representatives voted 416 to 1 to declare the Sudanese regime's conduct of the civil war to be "genocidal." China rejected this finding, and promised to use its UN Security Council vote to veto any condemnation of Khartoum's actions.

The SPLA and NDA have said that they will not honour oil deals brokered by Khartoum if they take power, and China has become so close to the National Islamic Front that it faces a serious showdown if the regime falls.

However, it has succeeded in the past to maintain relations with every government in Sudan, and is willing to play a long game. The arms it shipped in 1989 had actually been ordered by the Sadiq al-Mahdi government, and it is certain to have contacts with ex-ministers now in the opposition. In the event of the NIF falling, it probably stands the best chance of survival of all the members of the consortium - but has no guarantees.

El-Obeid Chinese road camp blues

In early 1999 a delegation of El-Obeid inhabitants petitioned the Wali (Governor) of Kordofan about the behaviour of Chinese construction workers building a road to link the town with El-Fashir in Darfur. They accused the Chinese of rape, theft and fighting, and of harassing local people in the street, and demanded that he impose a curfew on them and lock them in their road camp. Instead, the Wali used the local radio to advise husbands and fathers in El-Obeid to make sure their wives and daughters stayed indoors at night.

The Chinese workers were alleged to be "criminals released from Chinese prisons", among thousands brought to work in Sudan by the China National Petroleum Company. After working on the pipeline project, several hundred were "sub-contracted" to Maban, a construction company owned by **Abdul-Rahman al-Tuhami**. Tuhami's father, ex-Irrigation Minister **Sharif al-Tuhami**, resigned from the government in October 1998 after allegations that he had helped his son obtain a contract to supply pipe for the oil pipeline.

MALAYSIA

Malaysia, which has a 30% stake in the pipeline consortium, has become an important focus for Sudan's Islamist government in recent years. Bilateral trade arrangements have become common, many individual business deals have been made, and thousands of NIF students have gone to Malaysia for training.

A Sudanese diplomat who defected from the Sudan embassy in Malaysia in 1997 has claimed to have extensive evidence of Malaysia's involvement in the shipment of arms to Sudan. One such shipment was brought in to Port Sudan labelled as oil pipe machinery, but was - he claimed - revealed to be weapons when a crane dropped a consignment it was unloading.

The NDA bitterly resents Malaysia's support for the National Islamic Front, and if the

current Khartoum government falls it is fairly certain that Malaysia will unceremoniously be shown the door.

Malaysia's Prime Minister Mahathir bin Mohamed is one of the current Sudan government's keenest supporters, and despite Malaysia's own economic difficulties, he is determined to pursue big, influential projects in Africa.

In mid-1999 he and Sudan's Lt-Gen Bashir announced a joint venture railway expansion project, which was short on detail but usefully came a few weeks after Malaysia's YTL power and construction group withdrew from a controversial \$1bn privatisation and expansion plan for the Hwange power station in Zimbabwe. Opposition from western donors, angered by the way YTL came to be awarded the deal, and from the power utility's own board, which believed it was not in the best interests of Zimbabwe, had forced it to pull out.

(Africa Analysis 6 August 1999)

Malaysia's **Petronas Carigali** is a giant state-owned company, whose fluctuating fortunes have been linked to the crises facing the rest of the Malaysian economy. They have probably been most visible in the interrupted completion of the ambitious twin Petronas Towers in Kuala Lumpur, whose aim is to be the tallest building in the world. With the UK-based Premier Oil, it is a stakeholder in the seafloor oilfields of Burma, whose ruling military junta is using forced labour to build roads and other infrastructure.

Petronas is not exposed to the stock market, but has started selling \$750m to \$1bn of bonds on the global market, mainly to build up its petrochemical capacity. Bond credit rating agencies *Duff & Phelps* and *Standard & Poor's* are quite positive about Petronas' finances. It has some \$6bn in cash reserves, it finances 70% of its capital expenditure from cash flow, and over half its debts don't come due until after 2004.

However, Malaysia's energy sector is directly controlled by Mahathir's office, and "Petronas' investment decisions may be guided by national policy objectives to support government-backed initiatives," according to Duff & Phelps. In practice this means pressure from the Prime Minister's office and obligation to spend its capital on social safety nets, and bailing-out less successful state companies. In May 1998 it bought a controlling share of a shipping line owned by Mahathir's son Mirzan. In August 1999 it was on the verge of a \$260m deal for a 27% stake in another favoured project, the financially troubled company that makes the Proton car, Perusahaan Oxtomobil Nasional. Now it is reportedly being pushed to take over the national Malaysia Airline System, which lost \$184 million in the 1998-99 fiscal year.

Oil analysts portray Petronas' chief executive, **Hassan Merican**, as having transformed Petronas and as having driven hard bargains in these diversions. He has boosted revenues from foreign assets since taking over in 1995 - by mid-1999 they made up 34% of its income - and is regarded as having stood up to attempts to milk its cash. The jailed former deputy prime minister, **Anwar Ibrahim**, was a big supporter of Hassan, however, and his treatment has prompted rumours about Hassan's own job security.

Peace or pollution?

Malaysia's presence alongside the NIF at a "peace" meeting with Nelson Mandela in South Africa brought complaints of interference from Sudan's

opposition NDA.

The NDA sent a five-man delegation to Malaysia in September 1997 to meet Prime Minister Mahathir Mohamad. Its aim was "to clear the air of the NIF's disinformation pollution, to present the true situation in the Sudan to the government and people of Malaysia, and to tell the authorities there to advise ... the Khartoum government to return to the regional mediation... of IGAD [the main channel for peace talks, which the NIF government was trying to sidestep]. This mission was very successful. [We] believe that PM Mahathir Mohamad has given his advice to Bashir to return to the IGAD process...'

(Voice of Sudan / Voice of the NDA 10 September 1997)

Electricity

The Sudan government intends to privatise electric power generation while maintaining state control over transmission and distribution. It has concluded a memorandum of understanding with a Malaysian firm which would act as an individual power producer, selling electricity to the national electricity corporation for distribution.

Oil in Red Sea region

In October 1998 a joint Sudanese and Malaysian expedition was looking for oil deposits in the northwest of Sudan. **Hassan Mohamed Ali al-Tom**, secretary-general of the ministry of energy and mining, said that sedimentary basins in the area suggested the existence of oil.

In addition, final tests in the Red Sea region had already produced promising results, particularly in regard to natural gas deposits, he said. The joint mission would carry out further geological tests that could help in promoting the project to international companies.

To South Africa?

Petronas was considering taking its share of crude from Sudan (c.37,500 b/d) to its Engen refinery in **South Africa**, industry sources said on 28 April 1999. The final decision would depend on global oil prices: if spot prices soared, then selling into the merchant market would be more lucrative.

Engen processes Middle East crude at the 100,000-b/d refinery in Durban that Petronas took over in October 1998. It says this can be substituted, in part, by the new Sudan Nile Blend crude.

SWEDEN: Lundin / Sands / IPC

Since 1991 the main holder of the Red Sea concession has been IPC (International Petroleum Corporation, now part of the Swedish Lundin group). The Lundin oil group was also the biggest single shareholder in Canada's Arakis from 1994 until 1998, when Arakis was taken over by Talisman.

Sweden's Lundin Oil/IPC also holds concessions in Block 5A, immediately southeast of Talisman's Unity field in Southern Sudan, between Mankien, Leer and Adok, an area devastated by oil-related violence, famine and human displacement. Notorious for picking tough spots, Lundin also has mining concessions in Congo- Kinshasa.

In March 1994 the Geneva-based oil and minerals investor Adolph Lundin and his family took a 8.25% stake in Arakis Energy through their 31%-owned Swedish exploration and production company Sands Petroleum AB. Some saw the new Lundin holding as the potential springboard for a takeover. Although this never happened, Lundin **came to control 9.6 million or 10.8 percent of the Arakis shares**, and gained an influential presence on the company board.

IPC is wholly owned by Lundin Oil, based in Stockholm and controlled by the Canadian-Swedish, Swiss-based family. It signed an Exploration and Production Sharing Agreement with the Sudanese government on 6 February 1997 granting it rights to Block 5A. IPC has 40.375 % of the Block 5A concession, leading a consortium with Malaysia's Petronas (28.5%), Austria's OMV (Sudan) GmbH (26.125%), and the Sudan Government's Sudapet (5%).

On 20 May 1997, Lundin/IPC said that an exploration well in Block 5A had given "very significant" results.

In the drilling and logging of the Thar Jath oil well, one of the largest structural features identified to date in the Muglad basin, and "on trend" with oilfields in Blocks 1 (Unity) and 2 (Heglig), "Petrophysical analysis of the primary Bentiu and Aradeba sandstone reservoirs indicates a substantial net pay interval which is further supported by excellent oil and gas shows and an oil gradient from RFT pressure samples. Reservoir quality appears to be excellent from both electric log and sample analysis. The well was drilled to a total depth of 1,820m **and is currently being temporarily suspended in preparation for production testing.**"

"Due to the impending onset of the rainy season and associated logistical difficulties, the testing of the well will be postponed until the commencement of the next dry season at the end of 1999"

(Lundin press release 20 May 1999)

IPC and other companies with oil to pump are legally obliged to use the Greater Nile Petroleum pipeline. The pipeline has a theoretical capacity of 100,000 b/d available for third party users such as Lundin and Total.

PRESIDENT BASHIR MEETS SWEDISH OILMAN

President Bashir received Adolph H. Lundin, the Chairman of the Lundin/IPC Board, at the Republican Palace on 17 August 1999. He was 'acquainted with plans and performance of the Swedish International Petroleum Company' and 'lauded the efforts of the company in boosting the development process in the Sudan, pledging to provide all facilities to the company to realize its plans and programmes.' Mr Lundin told *SUNA* of his company's commitment to reach the stage of production within the next two years, appreciating the government's support to the company.

(*Sudan News Agency* 17 August 1999)

AUSTRIA: OMV

In June 1997, Austria's **oil and chemicals group** OMV AG joined Lundin/IPC and Petronas

in exploring Block 5. On 17 July 1997 Sudan's state-owned *New Horizon* newspaper said that OMV (Mineral and Oil Administration) had joined the consortium but would limit its investment for the moment because of the Southern conflict. The Austrian company would be expected to help finance much of the venture's early work. Oil sources said in November 1997 they had committed about \$900 million so far.

OMV director **Marc Hall** said in April 1998 the company wanted to pick up oilfield bargains as part of a strategy to boost output by 70 percent by 2005. It had set aside an unspecified sum to acquire oilfields already in production, in order to increase the proportion of its own crude that it processes.

"We want to be an anti-cyclical investor - for a company wanting to grow in the upstream business it is good that there are some companies getting out of projects and if you want to acquire them they are cheaper."

It is a partner in Alyeska, the consortium running the 22 year old pipeline in Alaska which was alleged by whistleblowers to have falsified maintenance records.
(*Guardian* August 1999)

Its existing four core areas are the North Sea, **Libya**, Austria and **Pakistan**. Further acquisitions in the North Sea are unlikely, but OMV is exploring further opportunities in **Canada** and **Australia**, **Albania** and Sudan. **In May 1999, OMV said it had made a significant oil find in Block 5A**(see *Lundin* above).



18 - TECHNICAL CONCERNS - OIL and PRESSURE

Avoiding 'Costly Paraphernalia'

After tests on the crude at the Unity, Heglig and Talih oil fields in mid-1994, technicians contracted by Arakis' wholly-owned subsidiary State Petroleum drew more positive conclusions about the technical and economic viability of developing the fields than Chevron had done. Chevron had reckoned that the waxy crude oil from these sites would need to be diluted with naphtha or light oil in order to be transported. Arakis, which *Energy Compass* described as 'trawling for money' to develop the sites, claimed that a high-pressure pumping system could obviate the need for such 'costly paraphernalia', thus halving the cost of starting the extraction project to \$400 million. Instead of a twin pipeline, a single pipeline would suffice.

'State's contracted analyst, **Dwayne Rasmussen**, insists there is a cheap way to handle the high level of wax. To counteract its tendency to solidify once exposed, Chevron had proposed an expensive system comprising a heat-treater and a second pipeline from the coast over 1,400 km away to carry a light oil diluent. Claiming no need for such a system, Rasmussen says the crude does not weather (solidify) if pumped under pressure with the associated gases 'kept in solution'...

(*Oil Energy Compass* 13 September 1994)

Chevron's sampling of the oil was done in Texas, 'when the gas element which inhibits the weathering process was taken out: Arakis conversely tested the crude keeping the gas in.' Nonetheless, Chevron sources were said to be sceptical of the proposed new system. If the gas and oil mixture suffers a pressure drop - from a rupture in the pipe - the result may be like taking the top off a shaken bottle of fizzy drink, said one chemical engineer.

John McCleod, a former Amoco oil field engineer, and a Canadian-Pakistani businessman, **Lutfur Khan**, the founder of State Petroleum, set up the project after acquiring the fields for a 'negligible' sum from the Sudanese Concorp company, after Chevron relinquished its concession in 1992.

Arakis made some progress in convincing a consortium of European banks of the technical merits of its project, but it remained unable to persuade them that the political risk was sufficiently low to justify financing. It retained **Goldman Sachs** for financial risk management and Strand partners for financial advice, and took out a three-year political risk policy with **Lloyd's of London**.

'But what the banks really wanted was reassurance that the project would not be endangered by the conflict in Southern Sudan or by US trade and diplomatic restrictions.'

(*Energy Compass Weekend Review* 23 September 1994)

The 28-inch pipeline will have a capacity of 250,000 b/d, and initial throughput of 150,000 b/d. Spare capacity may be used by later field developments on the consortium's blocks, or by third parties. This will enable the project risks to be spread more widely but will require more pumping stations. Talisman says a total of 12, rather than the currently installed seven, will be needed.

The paraffin-based crude was originally thought to be so viscous that it needed to be diluted or heated to keep it flowing freely. Its "pour point" was said initially to be 36oC. More recent statements have compared the Nile Blend crude with Libyan or Saudi products instead of China's heavier Daqing crude, and given a pour point ten degrees lower than before - but this is not confirmed and is commercially sensitive.

The pumping will be greatly affected by the viscosity: the thicker the oil, the more energy it needs to propel it. The pipeline is mostly buried, and relies on ambient heat from the ground remaining above the pour point. If it cools below that for too long, there is a risk of the pipe seizing up. In the Red Sea Hills, winter temperatures can drop below zero..

Sceptics said a sizeable and costly programme of water injection into the oilfields might be necessary early on, because the gas:oil ratios are low and there is a lack of natural water drive.

Not only does the high viscosity of all the oil found so far require higher investment in the pipeline than low-viscosity grades, it also costs more to process: the equipment for vacuum distillation is more expensive than ordinary distillation equipment. In the refining stage, more chemical cracking steps are required to convert the long chain hydrocarbons into short chains. The facilities to do this require more money. If it is not done, the result is more waste.

Initial testing of the 50,000-b/d refinery at Jayli, a joint venture with China National Petroleum (CNPC) at a cost of \$600 million, slated for completion by the end of 1999, was held up until March 2000. Its technical specification was not available.

The \$335m contract to supply pre-coated steel pipe and gathering lines was awarded to China and Germany. Over 1100km of the 1600km of pipe is provided by China. The remaining 500km of the pipe has been supplied by Germany's Mannesmann. The technically more sophisticated Mannesmann pipe will be used at key stages.

Parts of the route through the northern desert and the Red Sea Hills are notoriously rocky and difficult to excavate. The pipe will be exposed to fluctuating extremes of heat and cold in the desert atmosphere. Better quality pipe is needed in these sections to survive the thermal stresses of expansion and contraction.

The pressure inside the pipes is highest near the pump stations, and these sections also need the strongest pipes.

The pipeline will be exposed to ground movement, from flood erosion, for example, as well as organised attacks. Breaks could occur anywhere, and safety features are needed all along the route.

PIPELINE PUZZLE: 107 = 30?

Oil started being pumped into the pipeline on 31 May 1999, when the Sudan government was predicting firmly that oil exports would start on 30 June. So the time available for the oil to reach the Red Sea was 30 days. But as the calculations below show, with current pumping capacity it needs 107 days for the oil simply to fill the 1610km pipe, before it can come out of the other end. So was this repeated claim just another part of the talking-up of the project?

Oil production is initially expected at a rate of up to 150,000 bbl/day

1 barrel = 0.1589873 cubic metres, so volumetric production is 23848.1 cubic metres per day.

Velocity = volume / area of flow

Area of flow = $\pi * d * d / 4$ (where d is the diameter of the pipeline in metres = 28 inches = 0.71 m, and $\pi = 3.14$)

Velocity = $23848.1 / (3.14 * .71 * 0.71 / 4) = 15007.9 \text{ m/day} = 15.01 \text{ km/day}$

The number of days needed for the oil to fill the pipe and travel 1610 km, therefore, is $1610/15 = 107$ (to the nearest day).

CONTRACTORS and SUPPLIERS

Argentina's TECHINT International Construction put in winning bids for the work on the Port Sudan marine terminal, pumps and SCADA, Arakis announced on 13 January 1998.

Canada's Denim Pipeline Construction Ltd (Calgary) and Roll'n Oil Field Industries (Calgary) were contracted for some of the oilfield and pipeline work.

BRITAIN

Arakis Energy announced on 13 January 1998 that supply contracts for the pumps and drivers were awarded to Weir Pumps Ltd of Glasgow, Scotland, and for generators to Allen Power Engineering Ltd, England. Since Talisman's takeover from Arakis, seven pumping stations have been built in Britain, using Allen Power's ship-sized engines in Weir's pump

housings, and incorporated at key stages along the pipeline. (A total twelve pumps are needed for upgrading it.)

Britain is seeking to keep its options open on Islamist politics, perhaps fearful of the prospect of an Islamist takeover in Saudi Arabia in the future. Its officials often speak of the need for "constructive engagement" with Sudan's National Islamic Front, and of their apparent conviction that exposure to trade and decent western values will somehow lead the NIF leaders to moderate their behaviour. Since Dr Turabi already has an impeccable western education, this seems a forlorn hope.

"Sudan's independence was NOT achieved through self-determination, and it is largely due to the Foreign Office that the process of self-determination was first circumscribed and then circumvented... This act of political expediency has haunted the Sudan ever since, and this is one reason why very many Sudanese insist that Britain has a continuing responsibility in helping to resolve the current war."

(*"Dear Minister - What you need to remember about the Sudan"*, Prof. Douglas H. Johnson's open letter to Derek Fatchett in Parliamentary Brief, March 1999)

Providing the pulse of the pipeline

The bulk of the pipeline equipment is provided by China. While cheap, such equipment tends to be less reliable and lower in technical specification than western-manufactured goods, so one-third of the line-pipe, all seven pumping stations and other key parts have been bought from Britain and Germany.

Nothing could be more vital than reliable pumps - providing the heartbeat of the project, keeping the oil flowing through the pipe - and when US sanctions prevented the purchase of American equipment, two British companies landed multi-million pound contracts. For Weir pumps of Glasgow it was probably their biggest ever.

The contracts were signed in February 1998, when the already-discredited Arakis was still in the driving-seat of the project, yet there is no sign of any concern from the British government at the deal or its implications.

Like Germany's Mannesmann, it seems Weir and Allen got a good deal - a quiet bonanza, even. They've been paid in full - one of the project's few hard-currency expenses, the bill for the pumps is estimated at around \$50m - and have nothing to lose if the project is sabotaged or collapses. Indeed, they could profit more from the conflict around the pipeline than if it ran smoothly.

The role of the British companies is not just to supply the hardware. Weir have also trained Malaysian and (NIF-approved) Sudanese mechanical engineers in Scotland. Then there are the maintenance contracts. If the existing pumps and generators break down or are attacked, who will replace them? Each pump station is the size of a small house, making it a prime target on the pipeline route, and a replacement reportedly takes three months to complete.

Always look on the bright side of life

In Sudan's case, oil barrels are as central to the war as gun barrels. Yet the British Department of Trade and Industry (DTI), in a July 1998 report, sees Sudan's oil project with

uncritical optimism as a "tremendous opportunity", a view which has not openly been challenged by Robin Cook's Foreign and Commonwealth Office (FCO) or Clare Short's Department for International Development (DFID).

The DTI report was released six months after the two UK firms signed multi-million pound contracts for the pipeline pumping equipment with Arakis.

"Oil prospects are good, with the Government of Sudan expecting production for export once the pipeline is complete.

"Considerable outside investment and the importance of oil for the current government's hold on power make completion of the pipeline likely and the government have committed considerable resources into protecting the oil fields from rebel attacks.

"If you would like to learn more about how your company can get involved you can commission a Tailored Market Report to assess the potential for your product or service in this exciting sector."

(DTI "Sudan Oil Sector Report", July 1998)

The DTI's apparent enthusiasm must mean that Weir and Allen Power Diesel can claim to have played according to the rules, and would no doubt be offended by allegations of complicity with the war aims of a totalitarian regime.

The DTI's July 1998 Sudan Oil report gives no hint of the claims of fraud that were already raging around Arakis' involvement, suggests that the government has the oil fields under control, and makes no reference to the hazards of doing business with the NIF government. (This is surprising, not least since export credit guarantees would not be issued for Sudan because of the financial risks involved.) Any businessman unprepared to face repeated and abrupt changes in foreign exchange regulations and other laws, in a weak and chaotic legal system dominated by religious zealots, will find no preparatory warning of them here.

The DTI report conveys no picture of what the money will be used for, and makes several errors of fact and omission. It asserts, for example, that Nimeiri's introduction of Sharia law halted Chevron's exploration. It did not. Chevron stopped because of the accelerating civil war, which re-ignited several months before the September 1983 introduction of Sharia, and because of operational frustrations and a changing financial picture.

There is no discussion about the viability of the pipeline; no information is given about the nature of the crude oil, especially with regard to the operational requirements of the pipeline, and there is no discussion about the nature and technical capabilities of the refineries and their efficiencies. The latter point is important, in view of British obligations under the international agreements it has signed on the reduction of carbon dioxide emissions and other environmental considerations.

Why such encouragement for British companies to invest in a country which is fomenting ethnic wars, and where there is no law to protect citizens from the excesses of the security forces? How is it that the proximity of the war zone to the oil fields, the complexity of militia in-fighting, and dangers to the pipeline are all played down?

The report was withdrawn for a re-write in August 1999, at the same time as the parliamentary select committee on international development issued a damning criticism of the failure of the three British ministries - DTI, Foreign & Commonwealth Office (FCO) and Department for International Development (DFID) - to ensure that considerations of human rights, the environment and conflict were adequately taken into account in trade deals.

BRITISH QUEEN TO SPONSOR PROJECT FOR REHABILITATING GEZIRA SCHEME:

"The British Queen Elizabeth has declared her sponsorship to the Sudan Call to rehabilitation of the Gezira Scheme, on ground that Britain was the founder of this scheme," the Chairman of the Sudanese Businessmen Association, **Izz-Eddin al-Sayed**, told the *Sudan News Agency* (SUNA).

The Association "is exerting serious efforts for enhancing Sudanese-British relations" and "contributing effectively to solution of Sudan's national problem via its relations with equal foreign unions, such as the French, Belgian and German businessmen chambers. It is also realizing development and transporting the Sudanese petroleum."
(SUNA 26 April 1999)

GERMANY

After the American missile attack on El-Shifa factory in Khartoum in August 1998, Germany's Ambassador, Werner Daum, dismissed as "impossible" the US' allegations that the pharmaceutical plant had been used in the manufacture of chemical weapons.

The signing of a contract with Germany's Mannesmann Handel conglomerate to provide 500km of the line-pipe - 30% of the total length - went through in November 1998 with no apparent fuss.

Mannesmann holds 1/3 of the EUROPIPE consortium (one-third is held by British Steel and the remaining third by a French company). Europipe sold the pipeline-tubes to the Chinese company that is actually building the pipe-line. Mannesmann, an engineering giant, is also extensively involved in electronics and mobile telephones.

European companies are not known to be involved in the construction of the pipeline. Mannesmann's business ends at a German port.

Nonetheless, Energy and Mining minister Dr **Awad al-Jaz** visited Germany on the invitation of a number of German companies which expressed desire to invest in Sudan in different fields, and said that a German delegation was expected to visit Sudan shortly in this regard. Dr Al-Jaz "hoped that the relations and cooperation between Sudan and Germany would witness further consolidation for the interest of the two countries," said the *Sudan News Agency*.

FRANCE / BELGIUM

The oil discovery made by the French Total oil company was once thought more significant than that of Chevron's Unity field. Total (now TotalFina) is still waiting in the wings.

At the beginning of the 1980s, **France's Total** gained exploration rights over two prime tracts in Southern Sudan. These were the so-called "Papyrai" block in Bahr al-Ghazal province - adjoining Block 4 and Block 5A - and a bigger swathe further south in the **Bor Basin**, Block B, stretching down towards **Juba**. Its partners in Sudan at that time were **US Marathon Oil** and the **Kuwait Oil Exploration Company**. While Chevron was taking public flak in the arguments over the siting of the pipeline and refinery, Total kept a low profile. Although it was forced to suspend its onshore operations in 1985 as the civil war intensified, in the 1990s it has retained the rights to its concessions, and continues to wait in the wings while Canada's Talisman is dragged into the public arena.

Following its 1999 merger with Belgium's Fina, Total said on 1 October that it was planning to return to Sudan. Its Director for East Africa Exploration, Thierry Monmot, said operations would initially focus on its existing concession, the 170,000km2 Block B, where it had carried out seismic surveys in the early 1980s. It has "a huge potential" for oil production. Sudan is keen to offer TotalFina the possibility of acquiring another tract, and TotalFina has bid for another concession over Block 5.

France sees an opportunity to stake an early claim for French companies in mineral and petroleum extraction in Sudan. Its colonial rivalry with Britain is still in evidence, and with little confidence in US policy on Islamism in the 1990s, Paris has been building its own strategies and contacts. It tried using Khartoum to open a dialogue with **Algeria's Islamic Salvation Front (FIS)**. **Hassan al-Turabi** promised mediation in the Algerian conflict, when he presented himself as a "moderate" fundamentalist with whom they could do business, - but failed to deliver.

France was said in 1994 to be using Sudanese security to put pressure on Egyptian and other Islamists not to disrupt the Palestinian-Israeli peace talks: "Arms and economic goodies may be involved," said *Africa Confidential*.

Even in February 1994, when France protested to Khartoum about its southern military offensive, secretive meetings in Paris were being reported between Sudanese generals, led by head of external security **Hashim Abu Said**, and French counterparts. The Sudanese opposition feared that the French counter-espionage service DGSE wanted to cooperate with Sudan over **Chad** and **Central African Republic**.

During visits to Paris in August and October 1994, Turabi urged the French to resume involvement in oil exploration, and when Arakis launched its pipeline plans, oil industry sources commented that Total might try to "piggyback" on Arakis, to reduce its costs by using the pipeline.

In October 1998 Total expressed renewed interest in participating in the next round of bids for development blocks. In September 1999, on a European tour, Energy Minister **Awad Eljaz** met with TotalFina officials in Paris and asked them to resume work on their permit in southern Sudan, also offering them further prospecting rights on Block 5. TotalFina executives accepted the minister's statement that safety in Sudan "seemed to be improving" and decided to send a mission, accompanied by Sudanese officials, to verify the situation in Bor.

"In order to really check the security situation in the region, the mission ought to go overland

to Bor, at least from Kosti, for if it travels by air, the trip will be totally useless, " warned *Indian Ocean Newsletter*, which noted: TotalFina executives seemed all the keener to examine Sudan's offer of new permits, since the financial conditions Awad Eljaz has proposed seem to be more acceptable than those offered by deputy minister for energy and mining **John Dor** in July.

(*Indian Ocean Newsletter* 11 September 1999)

Jackal

As a reward for its co-operation in the seizure of the ageing terrorist Carlos in Khartoum in 1995, France gave the National Islamic Front government its satellite photographs of the Southern war zone.

And in October 1999, **Michel Porta**, chairman of Aéronautique et Systèmes, was facing charges of "the unlawful export of war material" to the Sudanese regime in September 1994. An allegedly illegal \$3million deal went through six weeks after Carlos had been captured.

Porta, aged 57, is accused by French customs of orchestrating the sale of five unmanned aircraft intended to allow the Sudanese Army to survey rebel positions in the south of the country. M Porta claims the drones were for civilian use. The prosecution says the drones were virtually identical to a model developed by the French firm Sagem for military use. (*The Times* - London October 16 1999)

Jonglei and Juba

In addition to oil interests, French companies were involved in two major projects in southern Sudan which stalled because of the civil war: the part-completed Jonglei canal and the Juba international airport. Both France and Sudan still hope that work can eventually restart on the two projects.

'The Jonglei canal, 350km long, was being constructed with the world's biggest digger by the French company Grandes Travaux de Marseilles (GTM). Abandoned since 1984, the \$50m digger is now a useless heap of rusting remains, but GTM has said it is determined to finish the job in Sudan. The canal is equally important to Egypt since it would increase the Nile flow by 2bn cubic metres of water a year...'

(*Africa Analysis* 19 August 1994)

Gold

Ariab, a French mining company, has been taking out around 50 tonnes of gold per year from the Red Sea Hills for the past several years - generating total income equivalent to the value of a couple of oil tankers.

THE TRADER - Trafigura

On 1 August 1999, Sudan confirmed the signing of a three-month marketing deal with **Trafigura Beheer BV** of the **Netherlands and London**. Trafigura is one of a limited number of "world class" oil and physical metals commodities trading firms. It also does business in oil trading with Iraq - exporting Iraqi crude to Europe and/or the Far East - and in oil trading of South American crude. (www.vitrade.com)

Oil and physical commodities trading companies such as Trafigura make their money two ways - from the margins of **buying and selling large quantities** (super-tanker size quantities) of crude oil, and from the freight and "handling" fees of the physical aspect of the transactions. The company has to be an expert in

shipping regulations and fees (they often line up the ships from port) as well as trading on a minute-by-minute basis.

A typical cargo of oil can easily change hands half a dozen times from the time it leaves the Middle East to before it arrives at its ultimate destination. Trafigura is just one of the many traders willing to buy, sell and speculate on the value of that oil cargo. They have won the bid for the initial marketing of the crude oil from Sudan to "the world" (anyone with enough cash to buy the cargo). They will have to use their network of worldwide contacts to sell the cargo to the highest bidder - and then, in this case, probably just take a fee (percentage) of whatever they get from selling the cargo.

India

Two Indian firms, **Indian Oil Corporation** (IOC) and **Oil and Natural Gas Corporation** (ONGC) have expressed interest in Sudan. IOC and ONGC plan to continue and expand operation on already developed fields in Sudan. (SUNA 18 April 1999)

Iran

In the early 1990s Tehran supplied Sudan with arms and ammunition, a \$17m loan, and agreed to write off a \$150m loan given to **Nimeiri** by the late Shah. In September 1990 the Iranian president declared his support for Sudan and described the war in the South as a "holy war".

In December 1991 two Iranian ships loaded with road-building equipment arrived after a visit by President **Rafsanjani**, his Defence Minister, Foreign Minister, Construction Minister, Trade Minister, Information Minister, and Budget and Planning Minister. Iran denied reports that it was enlisting Sudan's help in providing new bases for Hezbollah, and said it simply wanted to invest in Sudan. Rafsanjani might have been sincere in trying to establish relations, but other Iranian institutions might have had their own agenda.

Iran financed a \$260 million arms agreement with **China**, by which Khartoum obtained 18 F7 and F8 fighter aircraft, 140 Chinese T-54 and T-59 tanks and 20 T-70s, and 270 armoured personnel carriers, plus multiple rocket launchers and artillery. Its National Petroleum Corporation came in.

An agreement was made to provide Sudan with oil and oil-based products, agricultural and medical machinery and electrical equipment, in return for meat, edible oils and sorghum. Iranian help was offered in building a radio and television station capable of broadcasting to neighbouring countries, in addition to "all requirements for the implementation of 'sharia'."

But Iran is above all pragmatic and keen not to jeopardise its trade links with the west in the face of pressure to reduce its international Islamist connections. Some in the Iranian government see no benefit in dealing with a besieged and isolated Sudan, also not wishing to jeopardise relations with Egypt and the Gulf States.

Beginning to distance itself from Khartoum, Iran has baulked at providing potentially limitless petroleum/gasoline for Sudan, which has continued to suffer periodic acute shortages. The amounts of money for military support are also limited: Iran is not writing a blank cheque.

Iran has nonetheless provided considerable help in training Sudanese security personnel and advising the NIF how to neutralise the threat posed by the (traditionally anti-NIF) regular armed forces by setting up parallel institutions. Sudanese officers were trained in Iranian academies, especially that of the Iranian Air Force, supervised by **Chinese** and **North Korean** advisers.

Iran has been involved in several public works construction projects in Southern Sudan which have been alleged to be cover for military assistance. However, despite SPLA and NDA claims that Iranians have been fighting in the South, no prisoners or bodies have ever been produced.

Iraq

In 1991, Sudan opposed the US-led military coalition to flush the Iraqi army out of **Kuwait**. Sudan's stance was inevitably seen as hostile by Kuwait and the other oil-rich Arab states including **Saudi Arabia**, and rapprochement with them was slow and uncertain during the rest of the 1990s.

Iraq is also sharing its expertise in developing Sudan's oil resources. An agreement was signed in 1995 to build an oil refinery in Sudan, and teams of Iraqi workers have been sent to Sudan from Baghdad. One group of Iraqis hijacked an aircraft that was returning them after working in Sudan: on arrival in Britain they claimed their lives had been in peril.

In July 1997, then-Finance Minister **Awad al-Jaz** was in Iraq to develop an oil accord on exploration, refineries and training of Sudanese in Iraq. The Sudanese opposition and **Uganda** claim that Iraq has used Sudanese territory to build chemical weapons plants in Wau and sites close to Khartoum.

On 8 April 1999, Awad al-Jaz (now Minister Of Energy and Mining) met with the Iraqi ambassador and 'praised Iraq's permanent support for the Sudan, particularly the country's oil project via training the Sudanese technicians in the Iraqi institutes.'
(SUNA 8 April 1999)



19 - Summary

CONCLUSIONS

20 years and over \$3 billion since its discovery in the south and south-west of Sudan, oil has not yet had a demonstrably positive impact on Sudan's economy or people's lives. It helped re-ignite civil war in 1983 after a decade of relative peace, and there are plenty of reasons to believe that it will continue to do more harm than good.

Sudan joined the ranks of oil exporters in August 1999, when the first oil was shipped along its newly constructed 1,610km pipeline from the southern oil fields to the Red Sea, to a new port built for oil tankers.

Meanwhile in parts of south-central Sudan the civil war has intensified and is creating

massive human suffering. The foreign companies exploiting oil there

have inevitably become involved in the war on the side of the government forces.

Yet Sudan has been transformed in the eyes of business interests from a basket-case on the verge of expulsion from the IMF to one whose future is bright with the promise of oil wealth.

The National Islamic Front government has been making allies in countries whose corporations are lining up for oil contracts. These allies will lobby their governments against any condemnation of Sudan for its extreme violations of human rights. They will attempt to block any measures that will interfere with their short-term profits.

The oil may only last 15 years. It is a finite resource, and needs to be used with maximum efficiency. Why squander it in haste? In the stampede to ship it out and discover more, its legacy is more likely to be devastation rather than any solution to Sudan's economic and social problems.

It is unrealistic for external partners in the scheme to maintain that the oil project is in any way distinct from the NIF's war effort. The drive for oil has become a central factor in the civil war.

Talisman, as lead partner in the oil consortium, has repeatedly failed to display any awareness or sense of responsibility for the political and military role it is inevitably playing.

The region's chronic instability has added significantly to the costs - financial and human - of extraction, while the act of extraction and maintaining "security" has fuelled that instability, in a vicious cycle.

VULNERABLE OIL INSTALLATIONS

The SPLA has repeatedly declared that all oil installations in South Sudan are a legitimate target for their military operations. The Sudan Alliance Force (SAF) and National Democratic Alliance (NDA) have issued similar warnings with regard to the north of the country. If the armed opposition concentrates on attacking the pumping stations at staged intervals, it will maximise its chances of actually halting the operation.

Weir Pumps appear to have built their intended quota of seven. It is not clear who will build or the five extra stations needed to complete the proposed upgrading to 250,000 b/d - although France has a similar manufacturer - or supply replacements in the event of damage

- The oil pipeline project not only risks longer-term disasters for Sudan's people and environment, but threatens to sustain the current regime in its prolongation of war and its rejection of democratic values and human rights.
- Parts of Sudan already need massive aid provision in the year 2000.
- Oil conflict will only add to that need.

With the oil revenue coming onstream, the government of Sudan's economic constraints are being eased to the extent that it will be more likely to regard continued war as affordable and will feel less pressure towards serious peace negotiations.

POWER AND THE N.I.F.

The National Islamic Front has a totalitarian outlook which is implicitly opposed to sharing power. It resists any dilution of its absolutist ideology, but is sufficiently politically astute to present itself as flexible when necessary. It has portrayed peace as within reach for as long as it has been promoting the oil project, but has always shrunk from offering the secular society and self-determination that would actually provide it.

The militarisation of the oil exploration zones and the conflict engendered by the pursuit of oil at this time are likely to worsen the social fragmentation of Sudan.

Claims by the Sudan government or its business partners that this conflict is "local internecine fighting" are disingenuous. The regime's policy is to arm southern splinter groups and their leaders as a buffer against the Sudan People's Liberation Army (SPLA), particularly in the oil zone, while playing them off against each other. It has been supplying these armed groups for years and has given their commanders military rank in the regular Armed Forces.

ENVIRONMENT

The environmental dangers of the pipeline are inadequately studied and impossible to discuss under the totalitarian regime. Talisman has declined to disclose its Environmental Impact Assessment and Emergency response plans.

There is a reasonable possibility, given the project's history, that technical safeguards have been minimised and that the risk of fires, explosions and pollution from oil spills both deliberate and accidental - even into the River Nile and Red Sea - has not been addressed realistically. Extraction areas will face the same fate as the Niger delta: chronic poverty amid chronic pollution, contamination of soil and water.

The people of Western Upper Nile and South Kordofan are already suffering more direct military oppression than the Ijaw or Ogoni people of Nigeria. They may have ecological disaster added to famine and war.

Emergency responses to spillage are likely to take days rather than hours. Clean-up operations in remote areas are expected to be token or non-existent for the most part. Sabotage attempts may further endanger populations near the pipeline.

REFINERIES

Local refineries such as El Obeid are believed to be producing aviation fuel for bombing raids on southern villages and low-grade petrol primarily for armed forces and security personnel vehicles.

The oil will be used inefficiently by poor quality refineries. A secondhand refinery which has been imported (from the US) and rebuilt in Khartoum no longer conforms to environmental regulations in its country of origin. Pollution and wasteful processing can also be expected from the refinery in El Obeid.

AID SUBSIDISING OIL

Operation Lifeline Sudan is already the biggest relief operation in the history of the UN. Fighting over oil will increase the need for aid input from the international community. Unless the oil issue is resolved, a perverse situation will prevail where humanitarian aid is

needed simply to deal with the fallout of fighting around the oilfields. Aid would, in effect, be acting as a subsidy to the oil companies.

The destabilising effects of the civil war and the aggressive may spill over into the neighbouring countries in the already fragile Horn of Africa.

TRADE AND MILITARISATION

There is a lack of coherence in UK government policy towards Sudan. While some British government departments and ministries were pushing for peace and providing humanitarian assistance in 1998, its trade ministry was enthusing about the supply of equipment essential to the oil pipeline which - it could be argued - is contributing to the war. The equipment is certainly considered a strategic military target.

PIPELINE MILITIA

The Sudan government has attempted to recruit sufficient young men into militia to protect the pipeline along its entire length (an impossible task). The recruitment is often no more than press-ganging, and under-age children have often been swept up into the militia.

Since European oil companies can provide money in the form of "investment" which the NIF government then spends on weapons, the current EU arms embargo on Sudan is effectively being broken.

ECONOMY

The government is now paying off its debt arrears to the International Monetary Fund. Because the decision by the IMF to upgrade Sudan's borrower status from 'non-compliance' to 'compliance' has been made on strictly fiscal criteria, it has overlooked the broader consequences of the way the Sudan government is conducting its economy, including the human impact of the investment in oil in the middle of a civil war.

PEACE

Closer examination must be given to the possible outcomes of two areas of possible fence-mending. The NDA's Sadiq al-Mahdi and NIF leader Hassan al-Turabi have been holding meetings in 1999 which have not always pleased others in Sadiq's Umma party, let alone the rest of the NDA. This rapprochement, echoed in Egyptian and Libyan peace initiatives aimed at the northern Sudanese opposition, is highly unlikely to bring the rest of the NDA into reconciliation with the NIF. Nor will it end the war.

Members of Southern groups - notably UDSF / SSDF - which have been fighting on the government side since 1996 - have been mending fences with the SPLA. This has been affected by the grass-roots Nuer-Dinka and Nuer-Nuer peace initiatives of the church. Nonetheless, the situation remains in flux.

HUMAN RIGHTS

The SPLA has been guilty of human rights abuses which have turned several communities against it. These are not, however, comparable with the National Islamic Front's deliberate use of torture in government as a means of control, nor with the scale of official abuses committed against minorities by the NIF in the pursuit of its social engineering policies.

Nonetheless, the SPLA has continued holding fellow rebels prisoner in prolonged arbitrary detention, confiscating food (including emergency relief food) from civilians, looting crops, summary executions and disappearances. It, too, has recruited thousands of under-age boys.

RECOMMENDATIONS

- **All extraction of oil in contested areas should cease until a peaceful resolution of the conflict is reached.**
- **Equity of distribution of oil revenue must be recognised as essential for an end to the conflict.**

There should be a halt in the rush of outside investors seeking to profit from Sudan's oil while it is so clearly an integral factor in the civil war.

Governments concerned with peace in Sudan should prohibit or discourage investment in Sudan (including prohibiting company subsidiaries) until a peace agreement has been signed by all major parties and is moving in recognisable stages towards implementation.

Talisman, as lead partner in the oil pipeline consortium, should end its blinkered approach to the social and local economic dimensions of the project.

There is a growing international call for shareholders and governments to put pressure on Talisman and Sudan's other oil partners. The naming (and implicit shaming) of Talisman investors - who include local authorities and pension funds - should extend to other stakeholders in the Sudanese oil project. The coupled fate of the pipeline project partners and the National Islamic Front should be recognised and made explicit. Any evaluation of the project must highlight the risk to investors of political fallout as well as moral opprobrium.

Independent specialist observers should be given full access, facilities and time to:

- **Clarify the environmental dangers, from possible oil/gas spillage from the pipeline and refineries, from the pollution associated with extraction - and from using inadequately refined petroleum products in local applications such as transport. Examine ways of improving safeguards to meet internationally accepted levels.**

Talisman should put into the hands of independent experts its documents and correspondence on environmental aspects - such as the impact assessment report, emergency response and clean-up plans. Some of these documents were prepared under the previous Arakis management and should be reassessed in the light of Arakis' demonstrated mendacity over financing.

- **Carry out adequately detailed assessments of the project's impact on local people.**
- **Investigate security arrangements for the oilfields and the pipeline - and their human rights / conflict implications - more thoroughly.**

Assurances from the Sudan government must be viewed with scepticism in the light of its unwillingness to acknowledge genuine dangers, its own weaknesses, and its role in deploying militias. Neither the use of private security forces nor of government militias can be relied on to ensure the safety of field workers when the project is surrounded by a variety of hostile armed groups entangled in long-drawn-out low-level conflict. Indeed, they may worsen the problem.

- **The UN Human Rights Rapporteur and other human rights observers should be given proper access and facilities to investigate reports of oil-related human rights abuses and to go into the oil fields for as long as is necessary to establish a full account of events.**

The area is a patchwork of zones under government and pro-government militia control, and of zones held by the SPLA and Nuer dissidents. Access must be to all the areas, not only to the citadels of the oil installations under government control and tight security, but also to those outlying villages and populations which are reportedly coming under attack from government forces.

Questions concerning environmental safeguards and human rights abuse should addressed to all the participants in oil project, including the Chinese and Malaysian companies.

The UK and other IGAD Partners should:

- **put pressure on the warring parties to put genuine cease-fires in place, inclusive of militia activity, and monitored in all regions.**
- **push the IGAD peace process to address the role of oil in the war, including issues of land rights, equity of income, and access to resources and their benefits.**

The World Trade Organisation (WTO) should be called upon to address the question of Talisman's involvement in Sudan: this would be an indicator of the WTO's handling of human rights and conflict issues in trade.

SUDANESE PROTESTS FROM NORTH & SOUTH

A petition calling for a halt to the export of oil has been circulated by the **Sudan Human Rights Organisation** (Washington DC) and signed in mid-1999 by:

- Democratic Forces Front - (DFF) - (Khartoum, Sudan)
- Sudanese Human Rights Group - (SHRG) (Khartoum)
- National Alliance for the Restoration of Democracy (Khartoum, Sudan)
- The Group Against Torture in Sudan - (GATS) - USA.
- Sudan Human Rights Organization (SHRO) Cairo,

Canada, Washington DC and Germany

- Sudan National Alliance (SNA/SAF)-Poland.
- Sudan National Democratic Alliance, USA.
- Sudanese Australian Human Rights Association.
- Association of Sudanese Women Abroad

The Nairobi-based **New Sudan Council of Churches** has also written on several occasions to Canadian and British governments to call for action on the oil project. It is urging that the oil revenue accruing to the Sudan government be put instead into escrow accounts, to be held by an international fund until a peace settlement is reached.

INVESTORS' CONCERNS

City of New York Pension Funds
1 Centre Street, New York, NY 10007-2341

To: Mr. James W. Buckee, President and Chief Executive Officer, Talisman Energy, Inc.,
2400, 855Q2 Street, SW
Calgary, Alberta T2P 4J9, Canada

September 27, 1999

Dear Mr. Buckee,

I am the investment adviser and/or trustee of the **New York City pension funds** (the "Funds"), with combined assets totaling approximately \$90 billion, including an aggregate **186,000 shares of Talisman Energy Inc.**, Common Stock.

I am deeply troubled by the allegations made against our company in a report titled **Western Capital Aids Genocidal War in Sudan, Spurs Human Rights Violations** (*American Anti-Slavery Group's Special Report: Talisman Divestment Campaign, July 20, 1999*)...

The report ... describes a recent June raid by the Sudanese Army in which **twelve hundred troops backed by tanks and planes decimated villages right near Talisman's Unity Oil Field**. The international community is appalled and outraged by the report's horrific accounts..

Talisman Energy has defended its role in Sudan, asserting that it employs many Sudanese and has helped build **roads, water wells, and a hospital**. **Even if the above positive actions are true, they do not and cannot compensate for the grief otherwise caused by our activities.**

Our company's position painfully brings to mind the intransigence of companies that operated in **South Africa** under **apartheid**, incurring substantial **damage to their public image and the eventual loss of capital** as protestors demonstrated in front of their facilities and investors divested their stock, worldwide.

I believe a company that is doing business in a country under a repressive regime must not provide financing or other resources for the perpetuation of wrongdoing or atrocities. **As long-term investors, we believe a company that is cavalier about its moral and social responsibility presents an unacceptable investment risk.** The expanding divestment campaign against Talisman Energy for alleged complicity in the horrors in Sudan is just one indication of that risk.

As the investment adviser to the funds, it is my fiduciary duty to advise the Funds' Trustees of potential risks to our investments. Therefore, **I request that you respond to these allegations** and inform me of our company's plans concerning future business in Sudan. In this regard, I would appreciate a meeting with you, at your earliest convenience.

Sincerely,

Alan G. Hevesi, **Comptroller of the City of New York**

American Anti-Slavery Group Urges Fidelity and Vanguard to Dump Talisman Stock

July 23, 1999

Millions of Americans are inadvertently profiting from an oil venture that is contributing to enslavement and mass murder of blacks in Africa. Widely held mutual funds - such as **Fidelity's** True North and **Vanguard's** U.S. Growth Portfolio - include Talisman, a Canadian company developing oil in Sudan.

The **major teacher's pension fund, TIAA-CREF, also holds Talisman**, and is asking them to divest. "American educators who teach the evils of slavery will be shocked they are unknowingly profiting from a modern day trade in humans," AASG's Charles Jacobs said. The states of **Wisconsin** and **New Jersey** also hold Talisman in their pension funds. New Jersey Congressmen **Chris Smith** and **Donald Payne** told Jacobs ... they were surprised and upset over that. Payne, former head of the Congressional Black Caucus, just returned from Sudan [...]

Jacobs has written to Fidelity and Vanguard officials and is hopeful they will divest. "They won't want to have made their investors accessories to murder and slavery. This is 1999. I believe American capital has conscience. "
(*American Anti-Slavery Group*)

Canadian Churches' Shareholder Proposal to Talisman

Eleven churches and religious orders from Canada and the United States have submitted a shareholder proposal to Talisman Energy. The proposal asks the Board of Directors of Talisman to assure shareholders that the company will not materially aid the Sudanese government in its civil war in that country, nor in its repeated violations of internationally accepted standards of human rights.

Talisman refused to circulate the Canadian churches' 1999 shareholder proposal, so it was not seen by most shareholders, and was not voted upon at the company's AGM.

Together the filers hold in excess of 100,000 shares.

Socially screened investment funds in North America are now estimated at more than \$1 trillion. Many of these investors avoid companies whose human rights records fail to meet internationally recognized standards. The shareholders believe that without credible evidence that Talisman is not materially aiding the continuing civil war or the gross and systematic human rights abuses of the Sudanese government in Khartoum, the long-term financial health of the company could be adversely affected.

TALISMAN ENERGY INC. SHAREHOLDER PROPOSAL

WHEREAS Talisman Energy Inc. owns 25% of the Greater Nile Petroleum Operating Company, a consortium engaged in oil and pipeline developments in Sudan;
Talisman's participation in the Greater Nile project raises concerns among investors that have already reduced and could further reduce liquidity and shareholder value;
Talisman's other business relationships may be hurt by its association with the Government of Sudan's violence against innocent civilians;
The Sudan People's Liberation Army and the Sudan Alliance Forces have declared that the consortium's facilities in Sudan are a target in the civil war, posing a security risk to both employees and company assets;
The Government of Sudan in Khartoum is a partner through its state petroleum company, Sudapet;
The Khartoum regime is engaged in a civil war in and around the region where oil and pipeline developments are being undertaken;
The United Nations Commission on Human Rights, in both 1997 and 1998, passed

resolutions censuring the Sudanese Government for human rights violations, including indiscriminate aerial bombardment in southern Sudan, extrajudicial killings, forced disappearances, persecution of women, and denial of international humanitarian access to populations at risk of starvation;

Any revenue and oil supplied to the Government of Sudan will increase the regime's capacity to engage in conduct repeatedly condemned by respected international bodies such as Amnesty International and Human Rights Watch;

Facilities of Arakis Energy Inc. in Sudan, now wholly-owned by Talisman, were reported in the news media as providing direct assistance to the Sudanese military;

In letters to shareholders the Company has committed itself to being a positive influence in Sudan;

THEREFORE BE IT RESOLVED that the shareholders ask the Board of Directors to:

1. assure shareholders that the company's operations in Sudan will not materially aid the capacity of the Sudanese government to engage in the civil war in that country, nor violate internationally accepted standards of human rights,
2. issue an independently verified report on the company's compliance with this commitment,
3. provide to shareholders within 180 days a summary of this report, and
4. provide a copy of the full report to shareholders on request.

SUPPORTING STATEMENT: Doing business in Sudan exposes investors to significant risks. Our Company has formed a business partnership with the Khartoum regime, which is engaged in the gross and systematic violation of fundamental human rights. The other members of the partnership are the state petroleum companies of China and Malaysia, countries whose governments are also internationally condemned for their human rights records. Our business partner, the Khartoum regime, has also manipulated and stalled the peace process initiated by neighbouring governments through the Inter-Governmental Authority on Development and supported by the Canadian government. Talisman's undertaking to be a positive influence in Sudan is significantly hampered by the fixed nature of its assets.

In particular, because our Company's financial success rests on oil wells and a pipeline under construction amidst a civil war, it depends on the Sudanese military to protect its investment. Security arrangements for oil development reportedly involve forced removal of people living where development is occurring. Reports received by church shareholders from partner organizations in the region vary significantly from Talisman's descriptions....

2 February 1999

Peter Chapman, Coordinator Canadian Friends Service Committee 60 Lowther Avenue
Toronto, ON M5R 1C7 tel 416.920.5213 fax 416.920.5214 cfsc@web.net

Taskforce on the Churches and Corporate Responsibility 129 St. Clair Avenue West,
Toronto, Ontario M4V 1N5 Canada 416-923-1758 Fax 416-927-7554



20 - Comparisons: Chad & Colombia

CHAD-CAMEROUN PIPELINE

Regarded as an ally of Sudan's NIF, Chadian leader **Idriss Deby** is accused of encouraging Islamic fundamentalism through his links with them. The **French** military's former warmth towards Deby cooled after the Chadian president courted Chinese and other arms sellers, but in 1990 Deby helped France's **Elf Aquitaine** into the **Exxon**-led oil consortium.

Exxon, Shell and ELF Aquitaine plan to develop three oil fields in southern **Chad** with a 1,050km pipeline, most of which passes through **Cameroun**, and an off-shore loading facility for crude oil on Cameroun's southern coast.

In July 1998 an open letter was sent to **James D. Wolfensohn**, President of the World Bank, from 86 NGOs, calling on the Bank to suspend participation in a proposed oil and pipeline project in Chad and Cameroon until human rights and environmental concerns are adequately addressed.

Key objections were the severe violation of human rights in southern Chad and the inadequacy of the environmental impact assessment and environmental management plan for the project submitted to the Bank by Exxon.

The letter criticises "lack of accountability to affected populations, lack of transparency, and absence of the rule of law... precisely the values that you are championing in promoting good governance and in your fight against corruption. Under present circumstances we are concerned that the project will lead to escalating civil violence... We call on the World Bank to use its skills and resources to find alternatives to the presently risky Chad/Cameroun Oil and Pipeline project. The Bank's financial resources should be used for operations which have direct positive impacts on nutrition, health, education and other priorities of the people of Chad and Cameroun."

Postscript: In mid-November 1999, there were signs that Shell might pull out of the Chad-Cameroun project.

Corporate Social Responsibility: "Good intentions are not enough"

"We can't stand aside from the problems of the communities in which we work. We can't try to operate in splendid isolation and cut ourselves off from local realities behind a security fence"

- Sir John Browne (Group Chief Executive, BP Amoco) delivering the Elliott Lecture at St. Antony's College, Oxford, 1998

"Companies are functions of the societies in which they operate. The challenge, the new goal for the new century, must be not only to supply the energy the world needs, but also to demonstrate that we can do so in ways which are acceptable, and enhance the life of the community as a whole"

- John Browne, 1997

It appears BP-Amoco is addressing issues of Corporate Social Responsibility that could be said to be a quantum leap ahead of oil company attitudes and practice in Sudan. BP-Amoco has argued that it is in company self-interest to do this, both to expand the consumer base for energy and to ensure the industry continues to attract the best and the brightest brains. Yet despite the good intentions, which represent an unusual degree of commitment by an oil company, the situation on the ground in BP-Amoco's Colombia project in Casanare remains dire.

The lives of the poor have not significantly improved since the arrival of the oil industry in Colombia as measured by the provision of basic services of healthcare, education and housing.

Instead, the poorest people have suffered disproportionately from the increase in political violence, and from environmental problems, as they are more dependent on their immediate physical surroundings than their richer neighbours.

Population growth, particularly in urban areas of Colombia, has created huge new problems. Population growth in response to the oil industry has been marked, while rapid urbanisation and changes in land-holding patterns have resulted in big changes, with evidence of alteration to traditional family structures and of an increase in youth crime.

Commitment to 'Corporate Social Responsibility' must be judged on outcome and not intention. Good intention is a necessary but insufficient condition to ensure that foreign direct investment - currently heralded as the key motor for development for many developing countries - brings about equitable development.

(Recommendations and Conclusions of the Inter-Agency Group -CAFOD, Christian Aid, CIIR, Oxfam GB and SCF UK- to BP-AMOCO on its role in Casanare, Colombia - July 1999)

The World Trade Organisation (WTO) - Environment, Health & Human Rights

The Sudan oil project raises serious questions about social injustice and destruction of the environment which will be profoundly affected by the World Trade Organisation (WTO) Millennium Round of talks in Seattle, November 1999. The most powerful trade body in the world, the WTO establishes global agreements and legally binding rules for international commerce. It has the power to over-rule existing environmental protection, health and labour rights laws in favour of the interests of multinational business corporations.

The WTO has already attacked a law passed in Massachusetts against working with companies investing in the repressive regime in **Burma**.

The World Wide Fund for Nature (WWF) warned in October 1999 that WTO rules could take precedence over hard-won environmental laws, including the proposed Persistent Pollutants Agreement, which seeks to curb toxic chemical pollution.

STATISTICS AND BACKGROUND

Independence: 1 January 1956 (from Egypt and Britain)

Population (1997 estimate): 32.6 million

Location: Northern Africa, bordering the Red Sea between Egypt (N); Eritrea and Ethiopia (E); Kenya, Uganda and the Democratic Republic of Congo (S); and Libya, Chad and the Central African Republic (W).

Size: 2,505,810 km² (967,000 square miles)

Major Cities: Capital - Khartoum [Khartoum, Omdurman and Khartoum North]; Juba, Wau, Malakal, Atbara, Kassala, Wad Medani, Nyala, el-Fasher, el-Obeid, Port Sudan.

Languages: Arabic (official), Dinka, Bedawi, Nuer, Fur, Hausa, Zande, English, and various other Nilo-Saharan, and Afro-Asiatic languages.

Major Ethnic/Linguistic Groups: [Afro]-Arab (c.40%), Beja, Dinka (c.12%), Fur, Nuba, Nubian, Nuer, Zande/Azande. The Arab group is ethnically diverse, but bound by language and religion. The Dinka are the largest single ethnic group.

Religion

The media's shorthand simplification of "Muslim-Arab north, Christian-African south" is inaccurate. There are thousands of Muslims in the south of Sudan, and millions of Christians and believers in traditional African religions in the north.

Muslim (Sunni) c.60-70% - Islam is the state religion, but many Sudanese Muslims are more influenced by tolerant Sufi philosophies than by the absolutist attitudes of the National Islamic Front. Degrees of orthodoxy are variable. In Darfur, sorghum beer (*marissa*) is a long-established nutritional resource consumed by otherwise devout Muslims.

Traditional beliefs c.35% - Belief in traditional African religions persists among converts to monotheism.

Christian 5-15% - Growing adherence to Christianity is reported among southerners, Nuba and other marginalised peoples in Sudan, as they have been increasingly subjected to second-class citizenship and discrimination on account of their perceived "backwardness". Many are converting to Christianity to resist the forcible imposition of Islam by northerners who regard believers in traditional African religions as having no culture. However, the south can not be considered Christian by culture, since customary practices such as polygamy have long been an intrinsic part of southern cultures, even though they are contrary to Christian doctrine.

Money

- **Currency:** The Sudanese pound (£Sud) was replaced in mid-1999 by the Sudanese dinar, which is worth £Sud10 and had been in circulation for several years alongside the old currency.
- **Exchange Rate:** US\$1 = 250 dinars (September 1999)
- **Gross Domestic Product (1997):** c.\$3.8 billion
- **Real GDP Growth Rate (1997 estimate):** 4.0%
- **Inflation Rate (1997 estimate):** 65.0%
- **Current Account Deficit (1997):** c. -\$807 million
- **Major Trading Partners:** Egypt, Saudi Arabia, Japan, Italy, European Union
- **Exports (1997 estimate):** \$634 million

- **Imports** (1997 estimate): \$1,260 million
- **Trade Deficit** (1997): c. **-\$626 million**
- **Main Exports:** Cotton, livestock, meat, hides, gum arabic, other agricultural products
- **Main Imports:** Arms, food, petroleum products, machinery
- **Total External Debt** (1999): c.\$20 billion
- **Arrears** to the IMF: c.\$1.6bn

Energy Overview

Total Energy Consumption (1996E): 0.0690 quadrillion Btu

Energy Consumption per Capita (1996E): 2.3 million Btu

Energy-related Carbon Emissions (1996E): 1.04 million metric tons (0.017% of world carbon emissions)

Carbon Emissions per Capita (1996E): 0.34 metric tons per person/year (v. 5.5 metric tons in US)

Oil & Gas

- **Oil Reserves:** 262.1 million barrels (proven January 1998). By the year 2015 the total current estimate of recoverable resources of 750 million barrels will have been exhausted unless new fields are found and developed. (Talisman now claims the recoverable reserves may be up to 950 million barrels)
- **Crude Oil Production:** 12,000 barrels per day (1998); 136,000 b/d in September 1999.
- **Oil Consumption:** 30,000 b/d (1998 estimate)
- **Natural Gas Reserves:** 3 trillion cubic feet (1998 estimate)

Electricity

- **Generation Capacity:** 500 megawatts (1996)
- **Generation / Consumption:** c.1.3 billion kwh (1996 estimate)

Sudan OIL & CONFLICT TIMELINE

1955

Beginning of first civil war between north and south.

1956

Independence - end of British-Egyptian condominium rule.

1958

General Abboud's military coup in November overthrows first civilian government.

1960s

Early oil exploration begun by Agip in the Red Sea

1964

October 1964: **Abboud regime toppled by popular uprising**

Port Sudan refinery comes on-stream, operated by Shell and BP (Sudan) Ltd., a company set up in 1962 between Royal Dutch/Shell and BP. Capacity of 20,000 b/d later

expanded to 25,000 b/d in early 1970s. (Shell still owns Port Sudan refinery)

1969

Jaafar Nimeiri becomes president after "May Revolution"; briefly anti-Western.

1970

January 70: Nimeiri nationalises all banks, sequesters many large companies.

March 70: Nimeiri crushes potential Ansar/Umma insurrection - bombs White Nile Aba island base; Imam al-Hadi al-Mahdi killed fleeing towards Ethiopia.

November 70: Nimeiri sacks communists from his government

1971

July 71: Failed communist coup d'etat; Nimeiri kicks out Soviet advisors, opens door to China.

1972

Relations resume with US and West

July 72: Addis Ababa Agreement, with autonomy for the South, ends 17 years of civil war

1973

Large-scale Sudanese emigration to the increasingly wealthy Arab oil states.

March 73: US ambassador C.A Noel assassinated in Khartoum.

August 73: Attempted uprising by Muslim Brotherhood and Umma Party

1974

Chevron begins operations in Red Sea, and near Bentiu, Malakal and Muglad in S / SW. Concession is originally granted to Chevron, with Shell subsequently taking a 25% interest.

Over the next 20 years, Chevron and Shell spend an estimated US\$1bn, shoot "extensive seismic", and drill "52 wells, including 34 suspended oil wells capable of re-completion for production."

1975

Sudan is called potential "**breadbasket of the Arab world**"; large-scale mechanised agriculture expands into southern Kordofan; huge influx of international capital. Loans to Sudan begin accumulating - leading to present day unpayable arrears.

September 75: Attempted anti-Nimeiri coup by "National Front" - an Umma/DUP/Muslim Brotherhood coalition.

1976

Chevron makes Suakin Red Sea gas discovery.

July 76: Failed coup attempt by Ansar (of **Sadiq al-Mahdi's** Umma party) and Muslim Brotherhood

1977

Sadiq al-Mahdi holds "reconciliation" with President Nimeiri (*see photo*) - but doesn't consult his followers.

1977: "OPEN DOOR" FREE-MARKET POLICIES ADOPTED

1978

1978: First Chevron oil discoveries near Bentiu and Heglig. "More than Saudi Arabia - 15m b/d," claims Lebanese newspaper

Joint Sudanese-Egyptian financing project is launched to construct the **Jonglei Canal** through Sudd marshes of the South, employing the **French CCI** company's redundant giant excavator.

Economic crisis - international primary commodity prices plummet and imported oil prices soar. IMF intervenes and negotiates "structural adjustment". First devaluation.

1979

February 79: **US** Secretary of Defense promises to sell jet fighters, tanks and other arms to Sudan. October - US Senate approves \$1.7m in additional military assistance to Sudan (after several previous larger weapons deals).

1980

JONGLEI CANAL construction begins, despite local protests.

Nimeiri embarks on "redivision" of the south from one autonomous unit to three states; a map attached to the Regional Government bill puts the area where oil has been found into northern Sudan. His creation of new "Unity" state around Bentiu to prise it from the south causes political upheaval among southerners, as does presidential decree that oil refinery is to be built at **Kosti**, in the north, instead of Bentiu.

1981

Chevron discovers commercial oil deposits in the "Unity (South)" field north of Bentiu. With neighbouring Heglig field in S. Kordofan, recoverable reserves are estimated at 236m barrels.

August 81: White Nile Petroleum Corporation is formed by Chevron and Sudan government. There are no southerners on the board.

1982

January 82: Petrol shortages spark serious disturbances. For the first time, Nimeiri's army command voices disapproval of the situation in the country and the corruption of his cronies.

September 82: Kosti refinery project "frozen" in favour of pipeline plan.

1983

Nimeiri completes "redivision" of South; sacks vice-presidents **Abel Alier** and **Joseph**

Lagu.

April 1983: Civil war re-ignites after mutinies by army commanders Arok Thon Arok, Kerubino Kuanyin, John Garang and others lead to formation of the Sudan People's Liberation Army (SPLA).

September 1983: Nimeiri introduces "*sharia*" laws - used by his regime to terrorise and humiliate, with indefinite detention, public floggings, amputations - and death penalty for "heretics".

White Nile Petroleum Company (owned by government, Chevron, Shell and Apicorp) created to build 1,420-km export line from Unity and Heglig via Kosti to Red Sea terminal between Port Sudan and Suakin; projected cost US\$1bn.

1984

Nimeiri uses southern ethnic Nuer "**Anyanya Two**" militia against SPLA in the oilfields.

March 1984: SPLA attacks oil fields in the south; Chevron suspends operations. Three expatriate Chevron workers are kidnapped from Rub Kona base, near Bentiu, and killed.

July 84: Government signs deal with Trans-African Pipeline Co. of US to build 1,760-km pipeline across Sudan to Central African Republic. (It was never built.)

JONGLEI CANAL WORK IS HALTED BY SPLA

Adnan Khashoggi is offered all-in oil deal by Nimeiri, making implicit threat to **Chevron** to resume operations.

1985

Fighting in southern Sudan escalates to highest levels yet. Khartoum and other towns fill with people displaced by war in south and famine in west. War spending is double that for education and health.

Anti-Nimeiri alliance of trades unions, professional associations and student bodies co-ordinates opposition, establishes extensive clandestine network of banned political parties, women and youth associations, as well as cells within the army and police.

April 1985: Massive demonstrations precede a general strike that paralyses the country; Nimeiri is overthrown by army after popular uprising. SPLA rejects peace overtures of transitional military junta headed by his former Defence Minister.

1986

April-May - Parliamentary Elections - **Sadiq al-Mahdi** becomes Prime Minister of a series of coalitions. No voting in half the 86 southern constituencies on grounds of "insecurity".

November 86 : Government shelves all contracts for \$375m oil pipeline proposal by White Nile Petroleum consortium (Chevron, Royal Dutch/Shell, Arab Petroleum Investments Corporation, International Finance Corporation and Sudan government), despite complaints from partners.

1987

"Anya-Nya Two" militia breaks up after SPLA's 1986 military successes; senior commanders defect with virtually entire units to SPLA.

1988

Chevron resumes its activities, planning a six-year exploration and drilling program. China buys part of Chevron concession.

Prime Minister **Sadiq al-Mahdi** and his Minister of Defence, Gen (rtd) **Mubarak Osman Rahma**, (Nimeiri's last ambassador to Beijing), sign large arms deal with China. Sadiq does not stay in power long enough to take delivery of the weapons.

1989

January-March 89: SPLA "New Kush" Division enters Nuba Mountains led by **Yusif Kuwa**. advance close to Kadugli, Nuba Mountains, **South Kordofan**, overrunning police posts. Despite SPLA-government ceasefire, SPLA units infiltrate Tulushi in the western hills.

April 89: Government transfers remnants of the anti-SPLA militia "Anya Nya Two" to Kadugli, where they gain a reputation for ruthlessness. Over 200 Nuba in Kadugli are detained, including many members of the Sudan National Party. Several are summarily executed.

30 June 1989: Lt-Gen al-Bashir and Hassan al-Turabi's National Islamic Front (NIF) stage military coup

NIF overthrows Prime Minister Sadiq al-Mahdi's elected government, aborting peace process and upcoming constitutional conference with SPLA. War escalates in the South; large shipments of arms from China (ordered by Sadiq) are paid for by Iran.

November 89: In Upper Nile, "Anya-Nya Two" forces allied with Army against SPLA disrupt guerrilla supply lines between Bahr al-Ghazal and **Ethiopia**.

1990

1990: Chevron finally quits and relinquishes all its concessions, after spending more than \$1billion.

January 90: Khartoum reaches deal with Libya for free supply of 600,000 tons of oil (agreement extended twice until May 1991 but supply proves erratic).

April 90: **Extrajudicial execution of 28 military officers** and unspecified numbers of NCOs and soldiers **follows anti-NIF coup attempt**.

June 90: Garang announces upcoming SPLA talks with Bashir.

August 90: Gulf War breaks out. Khartoum backs **Iraq** and is boycotted by Gulf Co-operation Council. Riyadh suspends supplies.

September 90: **Iran's president Ali Akbar Hashemi Rafsanjani** declares his support for Sudan and describes the war in the South as a "holy war". More than 60 lawyers and judges,

including at least eight from the High Court and the Deputy Chief Justice, are dismissed. Fifteen Nuba NCOs in the Sudanese army are executed for "plotting and collaborating with the SPLA", after 45 officers are arrested.

1991

SPLA peace negotiations with regime sponsored by **Kenya**.

March 91: Visit to **China** by Sudan's military chief of logistics: an arms contract worth US\$300m is reportedly signed, to be financed by the NIF with funds from Iran. Two helicopters, one hundred 1,000-pound high altitude bombs and assorted ammunition are later shipped to Port Sudan. China sends team to instruct Sudanese pilots and aircrews in high altitude bombing. Bombardments of civilian targets in the South increase.

May 91: Overthrow of **Mengistu Haile Mariam** of **Ethiopia**. Weakened by the subsequent loss of logistical support from Ethiopia, the SPLA, which at this point holds 90% of the rural areas and several towns, loses considerable ground to government forces over the next three years.

August 1991: SPLA Commanders Riek Machar and Lam Akol lead unsuccessful "creeping coup" attempt against John Garang; form breakaway "Nasir" faction (later "SPLA-United / Southern Sudan Independence Movement") with allies mainly from Upper Nile's Nuer and Shilluk.

Army seals off the Nuba Mountains (South Kordofan) and begins scorched earth operations.

December 91: Iran's Hashemi Rafsanjani heads delegation of 157 officials, 80 from military/intelligence; signs protocols on economic, political and military and intelligence matters. Washington expresses "interest and concern". Iran denies enlisting help in providing new bases for Hezbollah but is willing to train Sudan army personnel: hundreds are being trained in security methods by revolutionary guards. Tehran supplies Sudan with oil and a \$17m loan, and agrees to write off a \$150m loan given to Nimeiri by the late Shah.

1992

Government begins forcible mass relocation of Nuba civilians to "peace villages" - displaced persons' camps.

January 92: Sudan signs Red Sea exploration agreement with Canadian International Petroleum Corporation (now Lundin) to undertake geophysical studies in a 38,400sq.km onshore and offshore concession between Tokar, 180km S of Port Sudan, and Halaib. Minister for Energy and Mines Uthman Abd al-Wahhab says prospecting can start immediately. Initial six-year agreement renewable for 25 years.

February 92: Dispute with Egypt over rights to Halaib area beside Red Sea: Cairo proposes to license a maritime area extending south to latitude 22°N, implying a territorial claim. Visiting Cairo, Sudanese RCC Deputy Chairman and Deputy Prime Minister Brig-Gen **Zubeir Muhammad Salih** raises the issue; Egyptian Oil and Mineral Resources Minister **Hamdi Ali Abd al-Wahhab Banbi** says region belongs to Egypt.

UN General Assembly condemns Sudan's NIF regime for gross violations of human

rights.

Oil production begins to gather pace after government troops seize large areas in the south from faction-fighting rebels.

February 92: Sudan government seeks support for oil from investors including Canada's IPC (Lundin Group)

5 June 92: SPLA negotiations with regime sponsored by Nigeria in Abuja close down in failure. The NIF, believing it is winning the war, is intransigent. It rules out SPLA options of unity under a secular democratic system, or self-determination for South Sudan and marginal areas through a referendum.

30 June 92: On the third anniversary of its military coup, the NIF says it expects to announce the resumption of crude oil production in southern Kordofan. A Sudanese company will be responsible for refining the petroleum, expected to be produced at 120,000 b/d.

7 June 92: Minister of Energy and Mining Dr **Osman Abd al-Wahhab** inspects Abu Jabra oilfield at Muglad in SW Sudan. 'Five wells have been drilled, two of them are productive with a capacity of 1500 and 500 b/d respectively,' reports SUNA.

7-8 June 92: SPLA commando forces enter Juba, largest town in the south. They occupy the HQ of the Southern Military Command for three hours, then withdraw to hold six army garrisons on the outskirts of the town. SPLA claims that hundreds of Southern Sudanese soldiers and officers joined them. 9 June 92: Government radio says attack on Juba has been repulsed, and that life in Juba is 'normal'. 11 June 92: Lt-Gen al-Bashir and senior officials fly into Juba for briefing.

June-July 92: Chevron ends 17-year involvement in Sudan

Sale by TransOcean Chevron Co. of upstream holdings - 42m acres - to Sudanese company Concorp, for a token \$25m.

June-July 92: After SPLA invasion of Juba fails, government forces embark on retaliatory massacre. More than 200 are killed in the streets or executed. Another 232 citizens are arrested and taken to the "White House" (Security HQ) and 'disappear'. Catholic bishops say that the army has "turned on civilians", killing and burning homes of suspected SPLA sympathisers. A quarter of a million homeless people are herded into a stadium, hospitals and church buildings after their camps are razed. Five foreign missionaries are forced to leave; civilian bodies are found floating in the Nile. Present in Juba is **Fatih Erwa**, later head of Sudan Mission to the UN in New York.

mid-1992: The NIF government signs a contract to pay US\$300,000 a year to the Pagolis and Donnelly Group to improve its public image.

28 July 92: Arakis Energy of Canada says London-based Triad International (Pvt) Ltd. is willing to put up \$25m to buy Chevron's Sudan project.

August-September 92: Concorp International - president and owner Mohammed

Abdallah Jar al-Nabi - acquires Chevron's Sudan interests.

Concorp begins commercial oil production and refining begin at Abu Jabra, a small topping refinery near Muglad, South Kordofan, with capacity of 2,000 b/d.. Critics say income from initial sales supports NIF's civilian militia.

September 92: Egypt "annexes" the Red Sea enclave of Halaib

October 92: Chevron sells prospecting rights to Concorp.

October 92: Concorp owner, Sudanese businessman M.A Jar al-Nabi, senior NIF financier, sells Chevron concessions to Arakis Energy Corp. and State Petroleum Corp, a wholly-owned subsidiary of Arakis, headed by Pakistani national Lutfur Khan. State and Arakis say concessions hold potential 3.5-5 billion barrels of oil. Finance and Economic Planning Minister Hamdi says Iraq will provide technical assistance.

7 December 92: Oil field and refinery in Abu Jabra, south Kordofan, officially opened by Lt-Gen al-Bashir - followed by a thanksgiving at the new Khayrat mosque, where Bashir assures worshippers that the Sudanese people have "now broken free from their bonds and will longer be bothered by condemnations from outside organisations."

7 December 92: Arakis signs memorandum of understanding with Sudan government; Concorp International Ltd Khartoum completes purchase of TransOcean Chevron Co's shares of Chevron Oil Co. of Sudan for undisclosed price.

1993

Egypt and Sudan at loggerheads over territorial rights to Halaib, prompted by Sudan granting oil exploration concession. Each accuses the other of harbouring opposition elements.

1993: Sudan fails to pay arrears to World Bank and Arab Fund for Economic and Social Development, who suspend loans.

SPLA's John Garang proposes referendum on Southern self-determination.

1993: US State Department adds Sudan to its list of states sponsoring terrorism.

Talks between government representative **Ali al-Haj Muhammad** and SPLA-United's Dr **Lam Akol** in Fashoda, during coronation of the new Shilluk king: Akol is accused of complicity with the NIF.

12 January 93: Arakis engineering and production team in Khartoum to identify cost of bringing Sudan oil into production at rate of 40,000 b/d in 1995. Arakis says its 75% owned concession contains estimated 1.4-bn bbl of oil of which 280m are proven recoverable, and that concession has potential to develop additional 3.5bn bbl.

Iraqi MiG-23 aircraft that fled to **Iran** in the Gulf War have allegedly been refitted by Iran for use by the Sudanese air force against the SPLA in South Sudan. Lt-Gen **Abdel Rahman Said**, former army deputy chief of staff and now leading the Sudanese opposition Armed Forces Legitimate Command, says Baghdad was a party to the deal, and that the MiGs - 'the

only type of Iraqi plane that Sudan can maintain' would go back to **Iraq** after an unspecified period. He claims Iran has delivered "between 60 and 90 tanks" to Khartoum, as well as long-range howitzers, ammunition and lorries.

25 January 93: **Lutfur Rahman Khan** of Arakis says State chose it as a partner because of its ability to raise investment capital. Analysts say State and Arakis are exaggerating the recoverable reserves of the Sudanese fields.

February 93: '**Tiny**' **Rowland**, chairman of the Lonrho group and long-time backroom operator in African politics, reveals that for the last nine years he has been a member of the SPLM/SPLA. He goes on to say: "The war in Sudan is unwinnable and must come to an end." Shuttle diplomacy: Ugandan President **Yoweri Museveni** visits Khartoum; Rowland makes a trip to Sudan at the same time. **Ali al-Haj** goes to Entebbe, Uganda, to meet Garang. Museveni wants to reunite the SPLA. The leader of the Nasir faction, **Lam Akol**, announces that meetings with such a goal could take place in mid-March in Nairobi. But "Entebbe declaration" does not remove any of the current obstacles to the peace talks.

March 93: Fuel shortages and lack of funds to import petrol and diesel and to operate power stations and bakeries. Envoys to **Iran** asking for help include Dr **Ahmed Awad al-Jaz**, Minister of State for Presidential Affairs. Iran, although positive, wants a European country as third-party guarantor; negotiations reach deadlock and Sudan receives nothing.

27 April 93: Peace talks resume in Abuja, **Nigeria**; **Garang** and Machar both absent.

June 93: Arakis Energy Corp (AKSEF) begins trading stock on Nasdaq exchange.

June 93: Government sub-divides Chevron's concessions into smaller exploration blocks; Arakis Energy acquires the portion of Chevron's concession north of the town of Bentiu. Arakis says it has no connections with the Triad company (owned by former arms dealer **Adnan Khashoggi**, who was used as a bargaining chip over oil deals with Chevron by Nimeiri in 1985).

29 August 93: State Petroleum enters into exploration and production sharing agreement with Sudan government. State subsequently spends \$125m to explore and develop project, and discovers Toma South and El Toor fields in Unity exploration area.

September 1993: Ethiopia, Eritrea, Uganda and Kenya establish a committee to resolve the civil war in Sudan, as members of the Inter-Governmental Authority on Development (IGAD).

1994

Terry Alexander becomes president of Arakis

January 94: Row with Britain: Archbishop of Canterbury, his wife and two officials fly to South Sudan for three days and meet rival SPLA faction leaders.

At New Year Independence anniversary celebrations Lt-Gen al-Bashir says the expulsion of Ambassador Peter Streams - in the row over Dr Carey's visit - will teach the British a lesson. Britain expels Sudan's ambassador to London, Ali Osman Muhammad Yasin, who also works for the Attorney-General and is Sudan's ambassador to the UN.

mid-January 94: Representatives of Chinese companies accompany China's Vice-Premier and minister of foreign affairs to Khartoum. Agreements signed on banking, oil exploration and mining, light and heavy industry, agriculture, fisheries and pharmaceuticals..

end January 94: Unprecedented build-up of government forces in Southern Sudan: soldiers and supplies moved by rail and barge to Wau and Juba. Clashes with SPLA-Mainstream are reported on the road parallel to the Aweil-Wau railway; in southern Bahr al-Ghazal; between Yei and Morobo, and between Juba and Kit. The government claims to have taken Nasir, Waat and Ayod from SPLA-United.

January 94: In **France**, ministers **Salah al-Din Karrar** (Energy and Mining), **Ali al-Haj** (Federal Affairs, ex- Investment and Planning) and **Abdullah Hassan Ahmed** (Finance) said to have talked to Iranex (French gum arabic co.), BTP (construction), **Total** and Airbus. Senior intelligence officers from the Nimeiri days who frequently visit Paris include US-trained **Hashim ba'Saeed** and **Fatih Erwa**.

end January 1994: Repeated aerial bombing forces over 1,000 Equatorian refugees daily into Uganda.

end January 94: Fighting on three fronts in Nuba Mountains, South Kordofan. Mass killing, burning and rape reported from Bangili and Tagoma, east of Dilling. In Delami, crops are burned in the fields and wells are poisoned by the NIF's Popular Defence Force. Displaced women and young children are taken by security forces to the Rahmaniyya "Peace Camp", reportedly a "breeding camp" to "Arabise" future generations. Older boys are taken to special camps for religious indoctrination and military training.

February 94: Machine-gun attack on minority Ansar al-Sunna al-Muhammadiya mosque in Omdurman - 19 dead. Two men are later shot dead and two wounded and arrested after a shooting incident outside the house of Saudi tycoon **Usama bin Laden** in Khartoum. The regime links the incidents.

February 94: New opposition Sudan Federal Democratic Alliance launched in London by ex-Darfur Governor **Ahmed Ibrahim Diraige** with Nuba spokesman **Suleiman Rahhal**.

10 February 94: Seven security officers and Iranian advisor found dead in al-Hufra, eastern Sudan. Khartoum retaliates by confiscating 360 trucks from the Rashayda people of the area. Subsequent water shortage - some were used to carry water - is blamed for the deaths of seven children.

12 February 94: Sudan accuses Britain's Parliament of supporting "rebellion" after MPs' meetings with the Sudanese opposition are held at Westminster.

12 February 1994: In Nairobi, Riek Machar calls for UN intervention in Sudan and an oil and arms embargo on Khartoum.

March 94: After Washington's directive ordering US banks not to endorse Sudanese letters of credit, Sudan orders its banks to stop dealings with the US.

Lam Akol dismissed from SPLA-United; challenges Riek Machar and claims to command

forces in mid-west Upper Nile under the name SPLA-U. SPLA-United commanders Faustino and Kerubino advance into Wunrok, northern Bahr al-Ghazal. Thousands die in faction fighting.

March 94: 14 years after gaining exploration rights over 120,000 sq.km in Bahr al-Ghazal province, **French oil company Total suspends all activities and withdraws because of escalation of civil war.**

March 94: Lundin family buys 8.2 percent of Arakis stock through their holding in Swedish company Sands Petroleum AB.

11 May 94: Arakis acquires State Petroleum, gains control of the Sudan concessions in Unity and Heglig.

(All of the issued and outstanding common stock in exchange for 6,000,000 Arakis shares + finder's fee of 150,000 shares with aggregate deemed value of \$13m, according to Arakis 1996 report)

May 94: **Malaysian** telecommunications company signs memorandum to take shares in Sudatel, the privatised Sudan Telecommunications Company.

June 94: Liquidation of the General Petroleum Corporation. Energy Minister **Salah ad-Din Karrar** admits that Sud£238m were stolen by a businessman who was given the money to buy dollars from the black market on the corporation's behalf. Recent petrol shortage was due to one client of the GPC diverting a sum of US\$7m to his personal account and failing to deliver the goods. The deficit in the GPC budget is Sud£9bn.

August 94: Hassan al-Turabi makes clandestine visit to Paris, invites French involvement in oil exploration

September 94: **Peace negotiations:** "Despite reservations", John Garang's Mainstream SPLM/A endorses the Inter-Government Authority on Development (IGAD) **Declaration of Principles** for talks in Nairobi with the Sudan government, **stressingself-determination and separating religion from state.**

September 94: Reconciliation conference in Akobo, Upper Nile, between the **Lou** and **Jikany** clans of the Nuer, organised by local SPLA splinter groups, local chiefs and Presbyterian church. For two years disputes between the clans had intensified, with over 1000 dead. Soldiers in the area supported their own clans, becoming involved in fighting rather than intervening to stop it.

30 September 94: Riak Machar's breakaway SPLA-United "Nasir" faction announces change of name to Southern Sudan Independence Movement (SSIM). Lam Akol, dismissed from the movement earlier this year, had announced separately that he was the chairman of the United faction, and claimed to have deposed Machar.

Arrears with the African Development Bank: Dr **Muhammad Kheir al-Zubair**, Minister of State for Finance, says the near future will see more co-operation with international and regional financial institutions.

September-October 94: **Eritrea accuses Sudan** of training more than 400 'terrorists' with a view to undermining its security. Sudan accuses Eritrea of training 300 Sudanese opposition guerrillas for cross-border raids; Eritrea severs diplomatic relations with Sudan.

October 94: **Foreign Ministry delegation visits Russia, Ukraine, Kazakhstan and Azerbaijan.** Visiting Iranian delegation sees the Construction Jihad of Iran active in agriculture, hospital building and road building in Sudan.

November 94: Foreign Minister **Hussein Suleiman Abu Salih** visits China; his delegation looks at textile and oil industries.

1995

1995: Government begins strategy of "peace from within", wooing smaller rebel groups and individual dissident SPLA commanders.

6-17 July 95: Arakis' Terry Alexander announces deal to sell 40% of Arakis to Saudi investors for \$345m and a line of credit of \$400m. Under the deal, Arab Group International will buy 23m newly-issued shares in Arakis at \$15 per share in four tranches from July 27 to 15 September. The AGI representatives will also get three board seats, with Prince **Sultan Bin Saud Abdullah al Saud** becoming chairman of Arakis. **Abbas Salih** will be vice chairman, Alexander will remain president and Lutfur Khan will remain president of State Petroleum.

mid-1995: Maj-Gen **Salah Karrar**, Minister of Energy, negotiates with Russia, China, Iraq and Iran over oil development.

August 95: Arakis claims to have completed the pipeline design and says construction equipment and materials are being shipped to Sudan. However, Finance Minister Abdallah Hassan Ahmed tells al-Sharq al-Awsat that the agreement between the government and Arakis is due for renewal.

7 August 95: Worries that Arakis' financial agreement with Arab Group International (AGI) are in jeopardy cause the share price to fall 40% in two weeks from a high of \$25.6 in late July to \$16.5.

After announcing a financing deal, Arakis shares reach a record market value of approximately \$1 billion. But the deal vapourises and the company's shares plummet, forcing out chief executive "Terry" Alexander and forcing a major restructuring of Arakis's finances.

15 August 95: Arakis' shares rise to over \$22 amid renewed optimism.

17 August 95: Khartoum government announces Qatari interest in developing two minor former Chevron concessions.

21-22 August 95: Arakis shares drop sharply again to a new low of \$10-\$12. The rapid fall is prompted by Arakis' admission that AGI would put up only \$40m in cash of the anticipated \$345m in equity finance, with the remainder paid in letters of credit, which might include physical assets.

24 August 95 - Arakis delists from Vancouver Stock Exchange and is suspended from trading on Nasdaq for a month.

26 September 95: Bashir in China: his delegation signs agreements on mining, oil, textiles, sugar industry and rehabilitation of Sudan railways. Preferential loan of 150m yuan (US\$20m) is negotiated with Finance Minister Abdullah Hassan Ahmed, and a grant of 1m yuan obtained for "projects for poor families".

December 95: Terry Alexander leaves Arakis and is replaced by **John McLeod**, described as former **Amoco Canada** engineer who was in charge of Sudanese project from 1991. Arakis shares rise three cents to \$3.62 after the news of Alexander's departure is announced. They had peaked in July at \$26.62.

1996

January 96 **China votes against Sudan in the UN Security Council** (it abstains on 26 April).

April 1996: Government's Supreme Council for Peace puts forward its Political Charter, a non-binding general framework for a political solution to the civil conflict.

April 96: President Clinton signs the Anti-Terrorism Act, barring Americans from engaging in financial transactions with governments on the US list of terrorism sponsors, including Sudan.

26 April 1996: United Nations imposes diplomatic sanctions on Khartoum for its involvement in terrorism. In the vote, China abstains.

Arakis begins production from nine wells on the Heglig field. An average of 2,000 b/d is processed and consumed domestically.

Officials from China's CNOEDC meet Arakis Energy executives, including President John McLeod in Vancouver.

Arakis needs around US\$750,000 for the pipeline project. It announces a big new discovery, and pays to take a score of mainly US - but also British - financiers on a junket to Sudan.

June 96: **Arakis / State Petroleum starts limited production of 10-20,000 b/d from Heglig**, transporting crude by truck and river barge to topping plant refinery near El Obeid.

29 July 96: Government troops attack SPLA positions at Delal Ajak, west of the Nile. Lam Akol's SPLA-United warns Arakis Energy and its British financier, Venture Guarantee Ltd to pull out immediately; says it will not allow Khartoum to 'steal' oil. The government aim is to secure the passage on the White Nile of barges to move crude oil from the Adar-1 field from Melut to Kosti further north. From Kosti, the oil would be sent by train to a refinery at al-Obeid.

31 July 96: Arakis chief executive John McLeod says company is taking the threats seriously.

August 96: US Treasury issues regulations to block deals that would help

government-backed terrorism. The "Oxy loophole" (certain business transaction exemptions theoretically enabled Occidental Petroleum to pursue an interest in Sudan).

1 August 96: Arakis statement says its 25-year agreement with the government of Sudan is still valid and that it has spent more than US\$100m developing Sudan concessions.

"Recruited through an agency known as Executive Outcomes, mercenaries will be employed directly by Arakis and will operate independently from the Sudanese authorities," alleges *Sudan Democratic Gazette*

Two renegade SPLA commanders, **Riek Machar** and Kerubino **Kuanyin Bol**, agree with regime to set up a buffer zone between SPLA forces and the government forces directly protecting the oil fields. Kuanyin moves his forces out of Gogrial town and heads towards Twic county in late August, but is ambushed by the SPLA. Splintered SPLA no longer has large numbers of forces in the Nuer territory of the Bentiu area.

October 96: In Upper Nile's Adar Yale field, private Qatari-Sudanese consortium Gulf Petroleum Company drills and reopens existing wells.

October 1996: Opposition claims Arakis International is planning to employ "white mercenaries" from South Africa as a security force. Arakis' **John McLeod** says the Sudan military provides protection, and the firm employs its own security and safety coordinators who work as go-betweens between company and army. He says he has never talked to Executive Outcomes.

30 October 96: Arakis / State Petroleum estimates its fields have probable and proven reserves of 600m barrels.

November 96: John Garang warns that SPLA forces will attack Adar Yale oil field.

November 96: Khartoum government excludes Occidental from consortium, angered by Clinton government providing aid to 3 neighbouring countries that help the SPLA/NDA forces. (US provided \$20m in surplus military equipment to Ethiopia, Eritrea and Uganda.)

4 November 96: Arakis subsidiary State Petroleum secures framework agreement with Sudan government on developing concession near Bentiu.

Negotiations start on a "modified production sharing agreement", as it searches for other investors for \$1 billion project for field development and pipeline to Port Sudan.

4 November 96: US sources say Khartoum "looking favourably on a proposal by potential investors" for a security operation mounted by **Executive Outcomes**. UK sources say Bashir has approved initiative and that any private force would report to and be paid by Khartoum government, said to be interested in private training for Riek Machar's men following signing of Peace Charter. EO deny any involvement.

4 November 96: Branch Energy said to be interested in Arakis project.

December 1996: Unable to finance exploration, development and pipeline alone, Arakis enters into a consortium, the Greater Nile Petroleum Operating Company

(GNPOC). It consists of Arakis (25% share and field operator), China National Petroleum Corporation (40%), Petronas of Malaysia (30%) and the Sudanese national oil firm Sudapet (5%).

John McLeod says the Chinese partners "incorporated additional benefits to the Sudan government, which essentially got them their participation." Partners will have to make capital expenditures on the project until they equal Arakis' expenditure to date.

28 December 96: Three Arakis board members quit in row over compensation and are replaced.

1997

1997: Sudan government adopts "Islamic" constitution.

Arakis' Lutfur Khan appoints former Sudanese finance minister **Abdel Rahim Hamdi** to a committee advising the board of directors of Arakis. (Committee no longer functioning by February 1998). Arakis sells its last remaining US asset, a Kentucky natural gas property.

January 97: Arakis announces third major oil find, El Nar2 (after El Toor and South Toma in 1996) .

January 97: *Washington Post* claims **US** government secretly granted exemption to **Occidental Petroleum** interest in Sudan project, says Sudan has estimated 3.5bn bbl. Abolitionist Leadership Council calls on Congress to block Occidental involvement and says "Khartoum is building a security force... to protect [the oil project] from its rightful owners."

February 97: Riak Machar, ex-SPLA head of the South Sudan Independence Movement, officially switches sides and joins Khartoum government against SPLA.

February 97: Khartoum says **Eritrean** and **Ethiopian** troops are fighting alongside the rebel forces.

Sudan faces a 900 million dollar deficit. Oil imports rise to nearly US\$400m/yr, representing more than 25% of the country's total imports, while total exports reach US\$600m/yr.

National Democratic Alliance and SPLA forces open eastern front, seizing patches of territory between the Red Sea and the Blue Nile, threatening the Roseires hydroelectric dam near Damazin.

February 1997: Sweden's IPC / Lundin Oil signs production-sharing agreement for exploration of Block 5A, just south of Arakis' Unity fields. Lundin later brings in Petronas of Malaysia, OMV-AG of Austria and the Sudan government's Sudapet.

27 February 97: Arakis officially enters into Greater Nile pipeline consortium agreement.

February 97: Lundin family buying Arakis stock

March 1997: Bashir inaugurates production from Adar Yale field - 5,000 bl/d, under

consortium led by Qatar's Gulf Petroleum Corporation.

China National Petroleum Corporation begins exploration and development on the Sharaf, Tabaldi and Abu Jabra fields (Block 6).

March 97: Sands Petroleum AB (Lundin) files with SEC to say it holds 8.4% of Arakis

21 April 1997: Khartoum Peace Agreement signed between government and six splinter rebel groups - but mainstream SPLA is absent.

9 May 97:- Arakis adds **Lukas Lundin** of Sands Petroleum AB to its board.

By mid 1997 there had been more "significant discoveries" at Toma South, El Toor and El Nar. The formation of the pipeline consortium resulted in a fourfold expansion of the exploration and development program from the 1996 level, with four drilling rigs in the concession either drilling or being rigged up to drill, and three seismic crews actively acquiring data.

July 97:- Arakis appoints new pipeline manager **David Hunter**, who used to work for Occidental.

17 July 97: Austria's OMV (Mineral and Oil Administration) joins a four-member consortium for oil exploration in Block 5A led by IPC (Lundin), the second consortium to begin oil exploration in Sudan this year.

30 July 97: **James Taylor**, then executive vice-president for international exploration of Occidental Petroleum, joins Arakis board.

July 97: 1,500 km pipeline budgeted at US \$1bn US to build; concession is estimated at 1bn barrels of oil

16 September 97: Ernie Pratt resigns from Arakis after operating responsibility in Sudan is transferred to Greater Nile Petroleum Operating Co.

18 September 97: Lutfur Rahman Khan says government of Sudan is stable and fully able militarily and politically to hold the oil fields...

26 September 97: **Kenneth C. Rutherford** resigns as finance and chief financial officer to undertake private venture and is replaced by **Tom G. Milne**, formerly of Nova Corp. Calgary.

October 1997: Arakis awards contracts for manufacture of 28" line-pipe to China Petroleum Technology and Development Corporation (1110km) and Mannesmann Handel AG of Germany (500km)

November 97: Canadian Ambassador Gabriel Lessard writes to Arakis asking them to reconsider their presence in Sudan

4 November 97: President **Clinton** signs executive order under the International Emergency Powers Act calling for all Sudanese assets in the **US** to be blocked, and imposes a ban on

bank loans and all US trade with the country. Sudan cuts banking links with US banking establishments in retaliation. US Secretary of State **Madeleine Albright** says sanctions were imposed because of Khartoum's "continued sponsorship of international terror, efforts to destabilise neighbouring countries and abysmal record on human rights." Sudan's ministry of external trade says Sudanese-US trade amounts to only five per cent of Sudan's total exchanges. Future international transfers through American banks will be averted by transacting with other international banks "in foreign currencies other than the US dollar."

Hydroelectric dams on the Nile's second and fourth cataracts are proposed. **China** and Sudan sign initial financial agreement on controversial Kajbar Dam, opposed by Nubians.

December 97: Opposition NDA issues official warning to users of the Khartoum-Gedaref-Kassala-Port Sudan highway that it is now a military target.
1998

1998: Arakis plan to build \$750m, 28", 1,610km pipeline still on track.

13 January 1998.: Arakis awards **Argentina's** TECHINT International the contract for construction work on the Port Sudan marine terminal, pumps and SCADA, Supply contracts for the pumps and drivers are awarded to **Weir Pumps** Ltd of Glasgow, **Scotland**, and for generators to **Allan Power Engineering** Ltd, England. **China Petroleum Engineering Construction Corporation** will build the pipeline and field facilities.

February 98: Two pro-government forces - under Gen **Paulino Matiep Nhial** and USDF leader **Riek Machar** - fight each other in the Bentiu area, "close to drilling operations of the China National Oil Company."

February 1998: Wau, capital of Bahr al-Ghazal, surrounded by Kerubino's forces.

Gabriel Lessard, **Canada's** ambassador to Sudan, warns that Arakis workers are in peril; **Arakis admits "reduced comfort level"**.

February 98: First Vice-President Lt-Gen **al-Zubeir Mohammad Saleh** and ex-SPLA Cdr **Arok Thon Arok** die in plane crash near Ethiopian border.

February 98: Arakis appoints **Raymond P. Cej** as its new president and CEO. Previously chairman and CEO of Kyrgoil Corp. of Calgary, and former senior operating officer with **Shell Canada**, he replaces **Lutfur Rahman Khan**, who was acting president and will remain as chairman.

February 98: Arakis pays insurance company \$3.5m to cap its exposure in US securities lawsuits and pays a \$250,000 penalty to Vancouver Stock Exchange over Arab Group International (AGI) financing farrago.

2 March 98: State Petroleum writes to Sudan government assuring them the structure and management of State and Arakis will not change substantially. Sudan government issues 60-day notice of possible termination of Exploration and Production Sharing Agreement, citing March 2 letter. The notice is subsequently withdrawn.

May 98: Arakis predicts commercial production of 150,000 b/d to start mid-1999 and

completion by same date of 1,500-km pipeline with daily capacity of 250,000b/d

May 98: Arakis says reserves on its Unity, Heglig and Kaikang concessions proven and probable are 428.9m bbl; says proven reserves of 271.3m bbl are sufficient to meet production target of 150,000 b/d subject to additional drilling.

May 98: François Misser in Germany's *Die Tageszeitung* writes that the GNOP consortium wants to hire 3,000 armed fighters from **Iran**, and an additional 600 from Malaysia. The men would allegedly be under the supervision of a South African company. "*Soldier Of Fortune*" magazine guesses that this could be Executive Outcomes, reported to have worked with Arakis before, although Arakis denies this.

4 May 98: Oil pipeline construction begins at eight separate locations along the route

May 98: A 50,000-b/d refinery at al-Jayli begins construction with assistance from China's CNPC.

June 1998: SPLA captures Mabaan, Blue Nile province (on the road to Melut) and the town of **Ulu**, about 150 km SW of the strategic eastern town of Damazin and close to the installation at Adar Yale field.

Violence forces aid workers to evacuate parts of Western Upper Nile

Gulf Petroleum Company increases Adar-Yale production to 10,000 b/d. **Sudan producing between 18,000 and 20,000 barrels of oil a day.**

June 98 - Arakis says its two properties in Sudan may hold about three billion bbl of oil, according to estimates made by Chevron and Shell when they were exploring the property.

June 17: Arakis adds **Ian H. Lundin** and **Fred C. Coles** to board of directors

July 1998-December 1998 Fighting in Leer and Mankien districts of Western Upper Nile (Block 5A) keeps WFP aid workers away for five months.

24 July 98: Take-over offer for Arakis by Canadian firm **Talisman Energy** (formerly **BP-Canada**). Agreement to the deal comes from Lundin Oil AB (newly-formed in merger between Sands Petroleum AB and IPC), which holds 10.8% of Arakis, and State Street Research (which holds 8%).

17-18 August 98: Talisman agrees to purchase Arakis Energy Corp for stock valued at US\$175.7m - \$200m, committing the company to \$760m of capital spending on Sudan project over next 2 years.

20 August 98: US missile attack on Khartoum's al-Shifa chemical plant - doubts raised about the completion of the Arakis purchase.

21 August 98: Talisman's **Jim Buckee**, former BP planning manager, "surprised and concerned" by Shifa attack, and seeking more information.

31 August 98: Talisman announces it is advancing \$22 million to Arakis to meet funding

obligations.

September 98: SPLA offensive produces no significant gains in the south and is successfully repulsed by government forces.

Attitudes in Khartoum harden. Confident of the efficacy of military action against his enemies, Turabi threatens to put Sadiq al-Mahdi on trial.

October 1998: **Sharif al-Tuhami**, Irrigation Minister, resigns his position. Allegations had appeared in the Arabic press that he helped his son Abdul-Rahman obtain a contract for his construction company Maban in the pipeline project.

7 October 98: **Arakis shareholders**, Court of Queen's Bench of Alberta, **Sudan government and members of the Greater Nile Petroleum Operating Company** consortium **approve sale to Talisman**. Talisman completes purchase of Arakis for Ca\$277m, plus advance of Ca\$46.5m to meet capital requirements

December 98: Talisman estimates proved plus probable reserves in Sudan concession at 150m bbl. It says the company is not prohibited by US sanctions from participating in the project and will fund all Sudan activities from non-US sources.

(Talisman chart shows total yield for five fields 447m bbl, with Talisman share 113m bbl. But company also says it is assuming total of 929m bbl, with its share 232m bbl. Goes on to say mean estimate of undiscovered oil in place is 10 bn bbl, with recovery factor of at least 30%...)

December 98: Talisman says project is 250-500km north of the trouble zones and is well protected.

Pipeline building in South Kordofan, skirting west of Nuba Mountains: SPLA's Ismail Khamis says government used the armed forces to pin down his forces while laying pipe around Lake Keilak.

1999

Pipeline to Port Sudan is 25% complete by mid-January, and more than 110 oil wells have been drilled.

13 January 99: Talisman planning to cut investment in North Sea and Canada to find \$200m needed for Sudan project in 1999, says chief executive **Jim Buckee**. Total Talisman share of Sudan project costs about \$430m, which Buckee says can be met with undrawn credit lines of \$700m and a "commercial paper program" of about \$350m.

February 1999: "Terry" Alexander, former head of Arakis Energy, fined \$804,000 US, including \$335,000 costs, and banned from trading for 20 years.

Alexander admits secret involvement in deals that profited from Arakis's skyrocketing stock price in 1995 after a reported \$750 million financing agreement for the Sudan pipeline, which later collapsed. Alexander unrepentant, saying he was in over his head.

Securities Commission says Alexander controlled Arakis shares held in various offshore

companies and trusts and that substantial trading profits were made by "some offshore companies", and that shares were issued without being fully paid for by these companies.

February/March 99: **SPLA ambushes Red Cross vehicle near oil fields**, seizing 3 local government and security officials (whom it calls "spies") and a Red Crescent officer. All four die; government uses SPLA's refusal to turn over the bodies to delay peace negotiations and block UN relief assessment in SPLA-held Nuba mountains.

1 March 99: **Lundin Oil** 1998 results include **write-off** of SEK156.2m of original investment in Arakis Energy.

3 March 99: **Jim Buckee** of Talisman says first oil exports from Sudan are "less than eight months away." He says acquisition of Arakis required Talisman to spend \$140m (excluding capitalised interest) in the last quarter of 1998, in addition to the financing provided to Arakis between the acquisition bid and close of the purchase. Release also says total exploration and development spending in Sudan was \$305 million in 1998 including \$156m incurred by Arakis prior to the acquisition (Talisman release)

March 99: SPLA 13th battalion under Commander **Malik Agar**, based at Ulu, defeats a government brigade which had been besieging the town of 50,000 since 6 January. The victory brings the Adar Yale oilfield, in Khor Adar, Upper Nile, east of Melut and Malakal, into range of the SPLA's artillery.

April 1999: Completion announced of 1,610 km pipeline linking Heglig oilfield with terminal at Basha'ir Red Sea terminal

Pipeline runs via oil refinery being built at al Jayli, 70 km N of Khartoum, due to become operational at the end of December 1999, which will have an annual capacity of 2.5m tonnes of crude oil.

April 99: Energy and Mining Minister Dr **Awad Ahmed Al-Jaz** visits **China** and **West Germany**. He discusses with the Chinese ways of completing Khartoum oil refinery, and setting up an electrical power station at the refinery.

30 April 99: **The government is building factories to produce tanks and missiles, "to defend ourselves against conspirators," Turabi tells a rally in Ed Damer, and is quoted by Akhbar al-Yom as saying he will use earnings on oil exports as finance.**

May 99: Ministers say Sudan will be self-sufficient in oil production by mid-1999 and be able "to export crude oil for the first time ever in the second semester of 1999. Initially we hope to export 150,000 barrels of crude oil per day which would be increased to 250,000 b/d in the year 2000" - **Awad al-Jaz**

May 99: "Many villages on the eastern edge of Heglig were attacked and burned to the ground by the Sudanese army, causing the displacement of 1,000 to 2,000 civilians," says UN Rapporteur.

May 99: Attempt to put government militias in charge of oil installation south of Bentiu leads to open warfare among allies. Forces of **Riak Machar** are pushed back by Nuer warlord **Paulino Matiep's** government militiamen, who now guard the area. Machar losing

ground .

May 99: Armed forces spokesman Lt-Gen **M.O Yassin** tells *Radio Omdurman* that the SPLA has attacked oil installations in the south and east. One attack in April was at Leer in Unity State (Block 5A, the Lundin/IPC-OMV-Petronas consortium), but Talisman say the \$1.4-bn Greater Nile Oil Project was not a target and the attack was not near the consortium's project area.

end May 99: Former SPLA Cdr **Tito Biel**, based near Bentiu and a government ally since 1997, defects from Riak Machar's group. Clashes continue.

July 99: 1,200 government forces sweep through Ruweng County, in Western Upper Nile, killing scores of civilians, abducting hundreds and burning over 6,000 homes. In a 10-day offensive on the edge of the Heglig oilfields, Antonov bombers, helicopter gunships, tanks and artillery attacked civilians across a 100-km swathe of territory, in violation of a ceasefire signed during last year's famine.

14 July 99: Sudan Government bans all relief flights to people living around the oil fields.

August 99: Talisman Energy says that surging crude oil and natural gas prices helped it pump out a tenfold increase in profit in the second quarter.

September 1999: First shipment of 600,000 barrels leaves Port Sudan. Bargaining ensues over next round of oil deals

September 99: **Kerubino Kuanyin** is killed as **Peter Gadiet** and large numbers of Nuer oil zone militia members defect from government side and seek rapprochement with SPLA.

September 99: Film footage of devastation at Gumriak, Ruweng county, is shown on Swedish TV. It prompts outcry against Lundin.

20 September 99: Explosion near **Atbara**, northern Sudan, holes the oil pipeline. Opposition NDA claims responsibility and warns of further attacks if Talisman does not talk to them.

October 99: Czechs express concern that proposed second military tank consignment to Yemen may end up in Sudan.

21 October 88: Peter Gadiet's forces, aligned with SPLA, reported bombarding Bentiu.

November 99: **Japanese** oil traders agree deal for crude oil purchase

November 99: Talisman hires **Hill & Knowlton** PR company, previously employed by BCCI.

November 99: A trial run on the new 50,000-b/d refinery at Jayli, Khartoum, is postponed until March 2000.

November 99: NIF-Umma accord signed in Djibouti.

