



# **Arguments for the Efficacy of Targeted Divestment from Sudan**

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A Report by  
The Sudan Divestment Task Force<sup>1</sup>

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# SUDAN DIVESTMENT TASK FORCE

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## **I. Introduction**

The new millennium's first genocide rages unabated into its third year in the Darfur region of Sudan. For the first time in history, the US government, along with numerous other political and non-profit entities, have declared that an *ongoing* massacre amounts to genocide. While humanitarian groups have courageously assisted the millions of displaced in Darfur, international action has been shamefully underwhelming. The magnitude of the crimes in Darfur, combined with the failure of the international community to stem these horrors, has given institutions across the US impetus to act. Harkening back to the days of Apartheid South Africa, US fiduciaries have explored the option of divesting from companies that either do business in Sudan or with the government of Sudan. Indeed, numerous states and universities have already divested while dozens of others are currently debating this option. Addressing a question on this burgeoning divestment movement at a March 2006 press conference, US Ambassador to the UN John Bolton noted:

“[When American individuals and institutions] look at the government of Sudan, they find it inexplicable that the government of Sudan won't prevent the killing of their own citizens and indeed may be contributing to it, and ask themselves, is there nothing we can do? So I think people across the political spectrum and all geographic locations in the United States are not going to have infinite patience with the international community, and they will take action [including divestment] on their own.”<sup>2</sup>

Critics, however, charge that Sudan divestment is a short-term, “feel-good” action. Over the long-term, these critics argue that divestment from such an impoverished country will hurt the very people institutions are trying to help. Instead, they contend that focus should be geared towards political and diplomatic solutions to the Darfur crisis. The following paper is meant to address these criticisms.

## **II. The link between foreign direct investment and genocide**

Despite an ongoing genocide in Darfur, the government of Sudan's revenue has ironically increased each of the past several years. This growth has been largely sustained by heavy foreign direct investment (FDI), especially in the oil, energy, and construction sectors. Details of this FDI influx and the resulting upsurge in government revenue are available on pp. 26-30 of the University of California Sudan Divestment Taskforce's October 11, 2005, proposal:

[http://www.inosphere.com/sudan/docs/UC\\_Sudan\\_Divestment\\_Proposal.pdf](http://www.inosphere.com/sudan/docs/UC_Sudan_Divestment_Proposal.pdf)

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<sup>2</sup> US State Department Press Release; March 13, 2006. Accessed at: <http://www.scoop.co.nz/stories/WO0603/S00222.htm>

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Where has this increased revenue gone? There have been numerous reports documenting the connection between government revenue, especially oil proceeds, and Khartoum's ability to carry out military-backed atrocities. Among those reports are the following:

Christian Aid Society (2001): *The Scorched Earth: Oil and War in Sudan*.  
<http://www.christian-aid.org.uk/indepth/0103suda/sudanoi2.htm>

Human Rights Watch (2003): *Sudan, Oil, and Human Rights*.  
<http://www.hrw.org/reports/2003/sudan1103/sudanprint.pdf>

Coalition for International Justice (2006): *Soil and Oil: Directly Business in Sudan*.  
[http://www.cij.org/publications/Soil\\_and\\_Oil\\_Dirty\\_Business\\_in\\_Sudan.pdf](http://www.cij.org/publications/Soil_and_Oil_Dirty_Business_in_Sudan.pdf)

The Human Right Report cited above notes on p.59 that since the first barrel of oil was pumped in Sudan in 1999, oil revenue has made “the all important difference in projected military spending.... The president of Sudan announced in 2000 that Sudan was using...[newly garnered] oil revenue to build a domestic arms industry. The military spending of 90.2 billion dinars (U.S. \$ 349 million) for 2001 was to soak up more than 60 percent of the 2001 oil revenue of 149.7 billion dinars (U.S. \$ 580.2 million). Cash military expenditures, which did not include domestic security expenditures, officially rose 45 percent from 1999 to 2001. This was reflected in the increasing government use of helicopter gunships and aerial bombardment in [the North-South civil war].”

Clearly, Sudan has not faced any serious economic punishment for its perpetration of genocide and will continue to thumb its nose at the world unless substantial pressure is brought to bear. Worse still has been the funneling of ever-increasing government revenues into military expenditures. Because the heavily debt-ridden Khartoum regime relies on FDI to fund its genocide apparatus, institutions have increasingly considered the targeting of FDI through divestment as a means for influencing outcomes in Sudan.

### **III. Political pressure and diplomacy have been largely ineffective**

Critics might argue that political engagement and diplomacy are better means of influencing Sudan's behavior than divestment. Unfortunately, Khartoum has been largely impervious to political pressure. Despite visiting Sudan more times than any other country last year, Deputy Secretary of State Robert Zoellick returned from his last trip to Sudan with the Darfur situation worse off than before his first trip. Indeed, the genocide has now raged into its third full year, with UN Undersecretary for Humanitarian Affairs Jan Egeland warning in March 2006 that Darfur is returning to "the abyss" of early 2004 when the region was "the killing fields of this world."<sup>3</sup> Faced with increasing pressure at home, the US State Department redoubled its political efforts to end the genocide, starting in February 2006, when it called for:

1. A significant increase in peacekeeping troops to the region

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<sup>3</sup> [http://www.sudantribune.com/article.php3?id\\_article=14528](http://www.sudantribune.com/article.php3?id_article=14528)

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2. Increased NATO support
3. Eventual UN re-hatting of the African Union forces currently on the ground

Despite broad consensus for this position among constituents in the US and diplomats in Europe, Sudan rebuked the proposed UN transition. In an intense lobbying campaign that included government-sponsored protests<sup>4</sup> and targeted threats against the West,<sup>5</sup> Sudan convinced African heads of state and the African Union itself that a UN re-hatting would amount to Western hegemony and a clash between the Judeo-Christian West and the Islamic Arab world. The rhetoric paid off for Sudan; by pressuring the African Union to extend their mission in Darfur for six months, Khartoum has effectively circumvented mounting international pressure to deploy UN peacekeepers in Darfur.<sup>6</sup> More recently, Sudan's Vice-President continued the onslaught against UN troops by rejecting their presence even six months from now.<sup>7</sup>

To complicate the problem of Sudan's unyielding response to US political pressure, several important players in the international community have stymied coherent international action on the Darfur issue. Both Russia and China, who continue to sell arms to Sudan and have numerous commercial interests in the country, have afforded Sudan significant protection on the UN Security Council. Indian businesses (especially para-statal companies like Oil and Natural Gas Company of India (and its publically-traded subsidiary ONGC Videsh) and Bharat Heavy Electricals) have also made extensive connections with Sudan. These Chinese and Indian business ties have allowed Sudan to obtain stipulation-free loans from both China and India- loans that Sudan could never obtain from Western countries and institutions concerned with the country's human rights record. There have been a series of recent articles on the concerning influence of Russia, China, India, Malaysia, and others on Sudan and how these bilateral relationships are impeding international action against Khartoum.<sup>8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23</sup>

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<sup>4</sup> <http://news.bbc.co.uk/2/hi/africa/4785066.stm>

<sup>5</sup> <http://www.arabnews.com/?page=4&section=0&article=78450&d=27&m=2&y=2006&pix=world.jpg&category=World>

<sup>6</sup> [http://today.reuters.com/news/newsArticle.aspx?type=worldNews&storyID=2006-03-10T224652Z\\_01\\_L10378228\\_RTRUKOC\\_0\\_US-SUDAN.xml](http://today.reuters.com/news/newsArticle.aspx?type=worldNews&storyID=2006-03-10T224652Z_01_L10378228_RTRUKOC_0_US-SUDAN.xml)

<sup>7</sup> [http://www.sudantribune.com/article.php3?id\\_article=14549](http://www.sudantribune.com/article.php3?id_article=14549)

<sup>8</sup> <http://www.tnr.com/doc.mhtml?i=w060227&s=forsyth030106>

<sup>9</sup> <http://www.washingtonpost.com/wp-dyn/articles/A21143-2004Dec22.html>

<sup>10</sup> <http://www.taipeitimes.com/News/bizfocus/archives/2006/03/12/2003297027>

<sup>11</sup> <http://washingtontimes.com/world/20050426-120652-1122r.htm>

<sup>12</sup> [http://www.rfa.org/english/features/lilyveld/2006/01/25/china\\_africa/](http://www.rfa.org/english/features/lilyveld/2006/01/25/china_africa/)

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[http://www.jamestown.org/publications\\_details.php?volume\\_id=408&issue\\_id=3491&article\\_id=2370720](http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3491&article_id=2370720)

<sup>14</sup> <http://www.globalpolicy.org/security/natres/oil/sudan/2002/0122arms.htm>

<sup>15</sup> <http://www.mosnews.com/money/2004/10/22/sudanarms.shtml>

<sup>16</sup> [http://www.sudantribune.com/article.php3?id\\_article=12147](http://www.sudantribune.com/article.php3?id_article=12147)

<sup>17</sup> [http://www.sudantribune.com/article.php3?id\\_article=8780](http://www.sudantribune.com/article.php3?id_article=8780)

<sup>18</sup> <http://www.alertnet.org/thenews/newsdesk/N27393253.htm>

<sup>19</sup> [http://www.sudantribune.com/article.php3?id\\_article=14322](http://www.sudantribune.com/article.php3?id_article=14322)

<sup>20</sup> [http://www.sudantribune.com/article.php3?id\\_article=14041](http://www.sudantribune.com/article.php3?id_article=14041)

<sup>21</sup> [http://www.sudantribune.com/article.php3?id\\_article=14037](http://www.sudantribune.com/article.php3?id_article=14037)

<sup>22</sup> [http://www.sudantribune.com/article.php3?id\\_article=12890](http://www.sudantribune.com/article.php3?id_article=12890)

#### **IV. Sudan has been historically responsive to economic pressure**

While political pressure and diplomacy with Sudan have been, by and large, fruitless, there is clear evidence that Khartoum responds to the economic “stick.”

The government of Sudan is an authoritarian regime formed by an alliance between the military and the National Congress Party (NCP). As an integral part of Sudan’s governing alliance, the Sudanese military has resorted to strong-armed tactics, including the genocide in Darfur, to help maintain control over a diverse population.<sup>24</sup> Because Sudan’s overwhelming debt forces the military to rely on foreign direct investment for needed government revenue<sup>25</sup> and because the military is critical to Khartoum’s control over its disaffected populace, Sudan has demonstrated a clear historical susceptibility to economic pressure. Two recent examples point to this:

- In 1997 the Clinton administration imposed sanctions on Sudan because of its sponsorship of terrorism. Since then, the country has made an almost 180° shift in its terrorism policy, including detainment of Al Qaeda suspects, transfer of evidence recovered in raids on suspected terrorists’ homes, expulsion of extremists, and interdiction of foreign militants moving through Sudan.<sup>26</sup>
- A North American divestment campaign that started in the late 1990’s in protest to the human rights abuses committed by Khartoum during its civil war with the South eventually led to the withdrawal of Canadian-based Talisman Oil from the country. Within 6 months, oil giants Lundin Petroleum and OMV also left. These withdrawals closely correlated with Sudan’s decision to finally enter into peace negotiations with the South that eventually ended the country’s civil war.<sup>27</sup>

With US sanctions already imposed on Sudan and with Russia and China impeding further international sanctions, US individuals and institutions are left with divestment as the last major economic tool of influence over Khartoum’s behavior. Already, the burgeoning divestment movement, encompassing dozens of states and universities, has attracted the attention of mainstream asset managers, many of whom are now offering or developing Sudan-free investment tools. For an overview of the State of Divestment across the country and an assessment of emerging Sudan-free investment opportunities,

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<sup>23</sup> [http://www.sudantribune.com/article.php3?id\\_article=11356](http://www.sudantribune.com/article.php3?id_article=11356)

<sup>24</sup> Freedom House. “Country Reports: Sudan” *Freedom in the World 2005*.

<http://www.freedomhouse.org/research/freeworld/2005/sudan05.pdf>

For example, the *Freedom in the World 2005* report notes that in Sudan “arbitrary arrest, detention, and torture are widespread, and security forces act with impunity.” Such undemocratic methods allow the Khartoum regime to suppress opposition and maintain control by force.

<sup>25</sup> UC Sudan Divestment Taskforce Original Proposal released on October 11, 2005; pp. 28-29.

[http://www.inosphere.com/sudan/docs/UC\\_Sudan\\_Divestment\\_Proposal.pdf](http://www.inosphere.com/sudan/docs/UC_Sudan_Divestment_Proposal.pdf)

<sup>26</sup> Silverstein, Ken. “Official Pariah Sudan Valuable to America’s War on Terrorism.” *Los Angeles Times*.

Published: April 29, 2005. p. A1.

<sup>27</sup> UC Sudan Divestment Taskforce Original Proposal released on October 11, 2005; pp. 31-33.

[http://www.inosphere.com/sudan/docs/UC\\_Sudan\\_Divestment\\_Proposal.pdf](http://www.inosphere.com/sudan/docs/UC_Sudan_Divestment_Proposal.pdf)

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please see the following report released by the Sudan Divestment Task Force on December 24, 2005, and updated on a bimonthly basis:

Resources and Options for Sudan Divestment

[http://www.inosphere.com/sudan/position.asp#12\\_24\\_2005](http://www.inosphere.com/sudan/position.asp#12_24_2005)

There is also evidence that the divestment movement has already altered company behavior towards Sudan. A March 2006 Forbes magazine investigation reported that Xerox “is terminating [its] relationship with its Khartoum distributor in response to the situation in Darfur and specter of divestment” while 3M has “ceased sales [in Sudan] except to UN for relief efforts.”<sup>28</sup>

### **V. Targeted divestment from Sudan minimizes impact on the country’s disaffected**

Since the ultimate intent of Sudanese divestment is to protect the victims of genocide, it is important to tailor divestment to have maximal impact on the government of Sudan’s behavior and minimal harm to innocent Sudanese. Divestment should therefore be targeted to those companies that provide revenue (or arms) to the government, impart minimal benefit to the country’s underprivileged, and have expressed no significant policy regarding the Darfur situation (so-called targeted divestment). Such targeted divestment implicitly excludes companies engaged solely in the provision of goods and services intended to relieve human suffering or to promote welfare, health, religious and spiritual activities, and education. The exclusion of the agriculture sector from divestment is especially important as 80% of Sudan’s workforce is employed in farming.<sup>29</sup> Companies producing general consumer goods are also, by and large, excluded.

What industry sectors in Sudan are most likely to fit the criteria for targeted divestment? As mentioned in Section II above, the oil industry is a top candidate. Besides the vast government revenues afforded by oil exploration, the industry has also been the backbone for cozy bilateral relations between Sudan and China, India, Malaysia, Russia, and others. As demonstrated in Section III, these relationships are providing Khartoum with arms, stipulation-free loans, and huge chunks of foreign direct investment. At the same time, these very same partner countries have blocked assertive multilateral action against Sudan, in the form of an arms embargo, economic sanctions, or a UN-based peacekeeping force.

The Sudan oil industry also lacks significant transparency,<sup>30</sup> allowing the government to easily transfer oil revenues into needed accounts without accountability. In fact, this lack of transparency, along with its accompanying corruption, tends to breed autocratic and unaccountable governments for the vast majority of oil-based economies around the

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<sup>28</sup> [http://www.forbes.com/forbes/2006/0313/042a\\_print.html](http://www.forbes.com/forbes/2006/0313/042a_print.html)

<sup>29</sup> CIA World Factbook: Sudan. Updated September 20th, 2005.  
<http://www.cia.gov/cia/publications/factbook/geos/su.html#Econ>

<sup>30</sup> [http://www.sudantribune.com/article.php3?id\\_article=6061](http://www.sudantribune.com/article.php3?id_article=6061)

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world.<sup>31</sup> Libya, Iraq, Iran, Saudi Arabia, Sudan, Nigeria, Chad, Angola, Russia, Venezuela, and Yemen are all pertinent examples. As a result, very few (if any) democracies have been built solely around oil. Therefore, unlike the broad-based foreign direct investments in the 1970's-90's that led to democratization and increased living standards for the countries such as the Southeast Asian "tigers," FDI in Sudan's oil industry is unlikely to significantly improve economic conditions for the vast majority of the country's poor; indeed, there is a reasonable risk that oil investments will further entrench an already brutal, fundamentalist regime.

Finally, there is an insidious and persistent relationship between oil development in Sudan and government abuses against those forcibly displaced from oil-rich lands. These abuses have been widely documented, including the three reports in Section II.

Outside of oil, several other industries warrant scrutiny for possible targeted divestment, including telecommunications, construction, and power companies. While each of these sectors has the clear potential to build Sudan's infrastructure, most of these projects are only benefiting Khartoum and its supporting power-structure. Independent Sudan researcher Eric Reeves ([www.sudanreeves.org](http://www.sudanreeves.org)) makes a simplistic but powerful analogy: these sectors are operating in a country the size of the US east of the Mississippi River but benefiting a region the size of Delaware. For example, the biggest hydroelectric power undertaking in Sudan, the Merowe Dam Project, will likely serve Khartoum and immediately surrounding areas while largely overlooking the country's poor. The International Rivers Network, a US-based non-profit that evaluated the Merowe Project on the ground in 2005, notes that:

"Historically, power generation in Sudan has always served the large cities, export-oriented agriculture, and the oil sector. Irrigation projects [fueled by power stations] have focused on large, export-oriented agricultural schemes. In contrast, an effective poverty reduction strategy will need to focus on the rural poor. In Sudan, this will require developing small, off-grid sources of electricity... Large, centralized electricity, petroleum and irrigation schemes are controlled by the government. It is questionable whether any benefits of such schemes trickle down to the poor. On the other hand, the negative social and environmental impacts of large-scale projects are massive and tangible... The Merowe Dam is only the latest example of how people affected by such projects are impoverished. In comparison, prioritizing rural infrastructure development will contribute to a decentralization of the control over natural resources and power."<sup>32</sup>

More generally, a recent report by the Coalition for International Justice examines the effect of economic investment in Sudan on the country's human rights record. The report, published in February 2006, details the pervasive link between FDI and entrenchment of a regime guilty of crimes against humanity. The report also describes ways to evaluate if

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<sup>31</sup> Ibid.

<sup>32</sup> International Rivers Network. *A Critical Juncture for Peace, Democracy, and the Environment: Sudan and the Merowe/Hamadab Dam Project*. Published: May 2005.  
<http://www.irn.org/programs/merowe/index.php?id=050428merowe.html>



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and how an investment might entrench the Khartoum regime versus improve the country's neglected infrastructure. That report is available at:

Coalition for International Justice (2006): *Soil and Oil: Directly Business in Sudan*.  
[http://www.cij.org/publications/Soil\\_and\\_Oil\\_Dirty\\_Business\\_in\\_Sudan.pdf](http://www.cij.org/publications/Soil_and_Oil_Dirty_Business_in_Sudan.pdf)

Despite the above admonitions, companies in the construction, telecommunications, or power sectors that have demonstrated a commitment to development of the country's disaffected regions or who have put forth a clear and substantial policy regarding Darfur are clearly not targets for divestment.

Even without divestment criteria that exclude companies developing infrastructure that will help the country's poor, divestment is still likely to disproportionately affect the government of Sudan since Khartoum is stingy on allocating government revenue towards social needs. In contrast to the concordance of increased FDI into Sudan, improved oil revenue, and a growing military budget since 1999, there has been a gaping disparity between increased oil returns and spending on development projects:

“...increase of [government] funding for the [North-South civil war, partially financed by rising, FDI-sponsored oil revenue from 1999-2001, was] not matched by an increase in funding for southern development. In August 2000, Khartoum announced that it had allocated approximately US\$3 million for development in the south. This is the equivalent of one per cent of military spending. When [Taban] Deng, [a former Sudanese Minister of State for Roads turned defector], resigned, he accused the government of investing its oil wealth in the army rather than in development projects for southern areas affected by oil: 'When I was governor I never received a single penny from the oil so I could build a school,' he said.”<sup>33</sup>

While Khartoum's revenue disproportionately funds its military, development programs in Sudan are largely financed by international assistance. For example, a donor conference hosted by Norway in April of 2005 generated pledges of US\$1.9 billion for development assistance over the next three years.<sup>34</sup> Annually, this pledge alone is 44% larger than Khartoum's 2004 social spending.<sup>35</sup> Divestment will not limit the flow of this crucial development aid to the Sudanese people. Indeed, it should be reiterated that while Sudan's oil, which began flowing in 1999, has led to soaring government revenue, the country's disaffected today are largely in the same position (or worse, as in Darfur) as they were in before the oil spigots were turned on.

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<sup>33</sup> Christian Aid Society (UK). *The Scorched Earth: Oil and War in Sudan*. Published: March 2001.  
<http://www.christian-aid.org.uk/indepth/0103suda/sudanoi2.htm>

<sup>34</sup> International Monetary Fund. *IMF Country Report No. 05/180*. June 2005. p.11.  
<http://www.imf.org/external/pubs/ft/scr/2005/cr05180.pdf>

<sup>35</sup> Ibid. p.26. Calculated by converting Sudanese Dinars to USD using the official exchange rate (end of period, SD/US\$) for 2004.

## **VI. Targeted divestment's influence on countries blocking multilateral action on Darfur**

While targeted divestment is likely to influence government behavior and minimize impacts on ordinary citizens, there are other important benefits to this form of economic coercion. For example, section III above detailed the extensive involvement of companies from Russia, China, India, Malaysia, and other countries in Sudan and how these associations have allowed sale of arms to the Sudanese military and provision of stipulation-free loans to the government while creating roadblocks to effective international action on Darfur. Such companies operating in Sudan tend to hold similar “business and politics don’t mix” views as their home countries, flaunting their growing business ties with Khartoum while ignoring the political environment on the ground. These companies are therefore most likely to meet the criteria for targeted divestment outlined in Section V. As a result, targeted divestment sends a strong and pointed signal to home countries of these companies that it is unreasonable to so blindly protect economic interests (including arms dealings) in the face of outright genocide. In remarks directed to the University of California Board of Regents, Princeton Lyman, former Assistant Secretary of State and current director of Africa Policy Studies at the Council on Foreign Relations, noted that:

“China is not impervious to public pressure and criticism of its role in Sudan. It has given way slightly in allowing passage of the UN Security Council resolution last March [2005] opening the door to sanctions and to initiating the role of the International Criminal Court. Divestment targeted at Chinese companies doing business in Sudan would therefore add to China's recognition that its position in Sudan is costing it in American public and political opinion. India is also a significant investor in Sudan's oil industry and, as a democracy, should also be sensitive to the human rights implications of its role there. If divestment can touch India's companies, that would also send a message.”

Many of the Chinese, Indian, and Malaysian companies operating in Sudan are state-owned enterprises- for example, PetroChina and Sinopec (from China), Bharat Heavy Electricals and Oil & Natural Gas Company Videsh (from India), and Petronas (from Malaysia). Nevertheless, several of these companies have found themselves in critical need of capital. As a result, Petronas has issued public debt obligations while PetroChina, Sinopec, and Oil & Natural Gas Company Videsh are all publically-traded subsidiaries of larger state-owned enterprises. Clearly, then, these companies are susceptible to ever-narrowing sources of available capital as divestment spreads.

## **VII. Targeted divestment and implementation of the North-South Comprehensive Peace Agreement (CPA)**

The CPA, signed in January of 2005, ostensibly brought Sudan’s 20+ year civil war between the Islamic North and the Christian/animist South to an end. Critics of divestment may argue that removing investments from Sudan, especially the oil industry, threatens the process of rebuilding a South utterly decimated by the civil war. It should

first be noted that the Darfur region was completely left out of the Comprehensive Peace Agreement, meaning that implementation of the CPA will provide no economic benefit to Darfur's devastated population or infrastructure. Secondly, as independent Sudan researcher Eric Reeves notes, implementation of the CPA has not been carried out in good faith by Khartoum. Despite wealth sharing provisions in the CPA, oil revenue is not distributed equitably. Khartoum provides minimal transparency in the distribution of oil revenue, and is assisted by China, Malaysia and others in creating opacity around oil production, locations, and revenue. After signing of the CPA in January 2005, "Khartoum [has] adamantly refused to grant either the Finance Ministry or the Ministry of Mining and Energy to the SPLM (South Sudan) in the new Government of National Unity. Without control of the bureaucracies and records in these two key economic ministries, there is no way for the SPLM to untangle the snarl of concession contracts, royalty contracts, construction and maintenance expenses, and other essential elements of the larger oil revenue picture. Southern Sudan will receive only what [Khartoum] chooses to share."<sup>36</sup> Furthermore, Khartoum refuses to create the boundary commission (once again, despite CPA provisions) that will allow for a reasonable division between north and south in oil-rich Upper Nile Province. Khartoum is claiming as "northern" oil production that historically is clearly "southern". China and Malaysia are again instrumental in making the north/south distinction unclear. Reeves concludes that available research demonstrates revenue from the oil and energy sector is not visibly benefiting development of the South (personal communication of authors with Reeves).

Reeves' conclusions are supported by numerous other sources, including top U.N. envoy to Sudan, Jan Pronk,<sup>37 38</sup> the Minister of Cultural and Social Affairs in the Blue Nile State, Abbas Hamad,<sup>39</sup> members of the South Sudan government,<sup>40 41</sup> a July 2005 report by the International Crisis Group,<sup>42</sup> a March 2006 Human Rights Watch report,<sup>43</sup> and a March 2006 report by Southern Sudanese author Riag Yez Zuor.<sup>44</sup>

### **VIII. Stopping genocide versus long-term economic consequences of targeted divestment**

Even with tailoring divestment from Sudan in a "targeted" fashion and despite evidence that government revenue is rarely funneled into important social/development projects, there is still a chance that divestment will have some impact on Sudan's underprivileged. Because this paper has outlined the numerous reasons that targeted divestment from Sudan is likely to positively influence Khartoum's behavior, it is reasonable to ask whether any negative impact from divestment would be more than offset by the benefits

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<sup>36</sup> <http://www.sudanreeves.org/index.php?name=News&file=article&sid=70>

<sup>37</sup> [http://www.sudantribune.com/article.php3?id\\_article=13863](http://www.sudantribune.com/article.php3?id_article=13863)

<sup>38</sup> [http://www.sudantribune.com/article.php3?id\\_article=14460](http://www.sudantribune.com/article.php3?id_article=14460)

<sup>39</sup> [http://www.sudantribune.com/article.php3?id\\_article=14462](http://www.sudantribune.com/article.php3?id_article=14462)

<sup>40</sup> [http://www.sudantribune.com/article.php3?id\\_article=14348](http://www.sudantribune.com/article.php3?id_article=14348)

<sup>41</sup> [http://www.sudantribune.com/article.php3?id\\_article=14214](http://www.sudantribune.com/article.php3?id_article=14214)

<sup>42</sup> <http://www.crisisgroup.org/home/index.cfm?id=3582&l=1>

<sup>43</sup> <http://hrw.org/backgrounders/africa/sudan0306/index.htm>

<sup>44</sup> [http://www.sudantribune.com/article.php3?id\\_article=14735](http://www.sudantribune.com/article.php3?id_article=14735)

## SUDAN DIVESTMENT TASK FORCE

of influencing Khartoum to halt the most heinous of human rights abuses- genocide. Furthermore, in contrast to the decade-long US-based divestment from South Africa, the targeted divestment campaign from Sudan is intended to be a temporary stop-gap measure for urgently countering wholesale slaughter.

In considering the possible long-term implications for divestment, it is instructive to draw parallels to the most widely recognized genocide of the 20<sup>th</sup> century, the Holocaust. Many foreign firms had business ties with Nazi Germany, including IBM. Given that IBM's products were important both for building Germany's technology infrastructure and for assisting Germany in efficiently categorizing and exterminating Third Reich victims, would any modern institutional investor seriously debate the merits of whether IBM's business in Germany was ethical? Would divestment critics be significantly worried about the effect of IBM divestment on long-term economic growth in Germany when millions of victims were being immediately butchered in the here and now? While the parallels between Darfur and Germany are obviously inexact, reframing the divestment question in the context of the more familiar and famous genocide of WW II Germany clearly offers an alternative perspective.

### **IX. Conclusion**

Ever since the current Khartoum regime, the National Islamic Front, came to power in 1989, Sudan has been in continual breach of basic international norms, including its atrocious human rights abuses during the North-South civil war and failure to implement the Comprehensive Peace Agreement in good faith, its decision to sponsor terrorism, its genocide in Darfur and recent exportation of that genocide to Chad, and now growing concern that it will respond to rising unrest in eastern Sudan with a Darfur-like campaign. In short, this is a regime that will continue to defy basic rules of the international community unless the government is penalized for its actions.

What penalties can be brought to bear? Eric Reeves notes that foreign direct investment helps sustain the genocidal government of Sudan "by means of massive capital and commercial investments. Given Khartoum's overwhelming external debt, these investments are a financial lifeline—the essential supplement, economically, to the oil wealth that the National Islamic Front has devoted in profligate fashion to military purchases and to genocide as a domestic security policy."<sup>45</sup> While Sudan has been largely impervious to political pressure, the regime appears particularly responsive to economic coercion. Targeted divestment by states, cities, institutions, and asset managers is therefore a clear way to reprimand Khartoum and its international collaborators (such as Russia, China, India, and Malaysia) while producing minimal harm to disaffected citizens.

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<sup>45</sup> <http://www.inosphere.com/sudan/divestment.asp#reeves>