In South Sudan, oil shutoff is a matter of national pride

The move stems from a dispute over Sudan's oil transit fees. South Sudanese say they are prepared for hardship, but outsiders warn it could mean another war.

By Robyn Dixon, Los Angeles Times

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Reporting from Juba, South Sudan

To outsiders, the move appears suicidal, a recipe for ruining the economy and possibly returning to war.

But on the streets of Juba, the capital of South Sudan, the decision to turn off the flow from oil wells that produce 98% of the government's revenue has triggered bursts of defiance and national pride.

"The oil was shut down because it's our oil. We need our rights," said truck driver Nimeiry Thomas, 30, his face dripping with sweat in Juba's Konyo Konyo market.

One of the world's poorest countries, South Sudan made the move last month in an escalating dispute with northern neighbor Sudan, from which it seceded in July. South Sudan took with it about three-quarters of the former country's oil reserves, but the only route to market is a pipeline that runs across Sudan.

Since the secession, the two countries have continued to quarrel over issues that include borders and the transit fees Sudan charges to get the South's oil to market. South Sudan's decision to shut off the oil seriously damages both countries' economies and has stirred fear of renewed fighting. Both presidents talk openly of war.

None of that appears to have damped the mood in Juba. Among government ministers, citizens and soldiers, the talk is of a willingness to endure what it takes to break the hated economic lifeline through Sudan. They survived a 22-year civil war with the north, they say, and they are prepared to suffer again for what they see as their rightful share of the oil wealth.

"Every time people dismissed us, every single battle, we have won," declared Pagan Amum, the country's chief negotiator on the oil dispute, his eyes flashing.

The country is united, he said. "The South Sudanese will rally around their government. South Sudan is going to emerge as a strong nation in this region with a strong economy."

Outside experts are not so sure. They warn that once the shutoff begins to bite, life will get even worse in a
country where half the people live in poverty and three-quarters are illiterate. There is concern that parents will no longer be able to afford school fees for the trickle of uniformed children plying the dirt roads on their way to class. Food and medicine will be harder to come by.

Alex Vines, an analyst with the London-based think tank Chatham House, said north and south have peered into the abyss and eventually will strike a deal. "But there is a danger that the brinkmanship could result in unintended hostilities," he said.

The African Union, as well as countries such as Britain and energy-hungry China, which gets about 6% of its oil from South Sudan, are trying to broker a settlement. The focus is on setting an agreed transit price for shipping the oil out of South Sudan through the north's pipeline.

So far, they are not even close. Talks foundered last month after Khartoum took over ships loaded with South Sudan oil, seizing $850 million worth, to cover its claim for a $36-a-barrel transit fee. South Sudan, willing to pay $1 a barrel (which is close to the global norm), called the seizures theft.

The two countries signed a nonaggression agreement Feb. 10 that is supposed to keep the peace until a broader solution is found. But the pact was broken within hours.

Estimates of how long the government's monetary reserves will last vary wildly, from a few months to perhaps half a year. Government officials promise to give priority to health, education and the army with the 2% of its revenue that remains.

And the government says it has ambitious long-term plans to overcome the crisis: build an alternative pipeline through Djibouti or Kenya (estimated to cost at least $3 billion and take several years), build its own refineries, develop agriculture, mine other resources, cut government waste, reduce the civil service and collect more taxes.

Riek Reath, a 26-year-old soldier, bristles with the defiance that characterizes the country. He became a bush fighter against the northerners when he was 10; he now has a crisp new uniform, boots that display barely a speck of dust and a private's salary of $215 a month.

"I'd keep working for nothing, even if we don't get our salary," he said. "I'll live like I did when I started, when I didn't have money.

"People can still eat. People can still survive. We can share with people."

One Western observer in Juba questioned how deep that sense of solidarity actually goes.

"It's one thing to say with a lot of bravado that 'We have gone without in the past,'" the observer said. "In the past, they lived off the people and if the people didn't give willingly, they took it."

The long civil war killed more than 2 million people, traumatized survivors and left much of South Sudan in ruins. A peace agreement reached in 2005 set the country on the road to independence, but many questions went unresolved. Still, it held a referendum on independence in January 2011 and seceded months later.

The new country relies on aid organizations to run clinics and its few schools. The United States contributed $400 million last year. An international trust fund has disbursed $500 million of a promised $2 billion. Its main economic hope is oil, most of it lying near the dividing line between the two rivals.

Analysts in Juba say that the African Union, Sudan and others underestimated South Sudan's anger over Khartoum's oil seizures and the fledgling country's determination to end long-term interdependence with a
hostile northern neighbor, even at a cost of several years of pain.

The country was nursing other grievances, as well: Juba had watched Khartoum occupy the disputed oil-rich border region of Abyei, ignoring a 2009 arbitration ruling that divided the land. South Sudan also accuses Khartoum of cheating during the five years after the peace agreement, when they were supposed to share oil revenue. Only when it shut down the wells last month did South Sudan realize there were many more pumping oil than Khartoum had said there were.

The World Bank says South Sudan's shutdown will hurt both sides.

Alex de Waal, who advises the African Union mediation team, wrote that the move had set an "economic doomsday machine" in motion, and that the conflict could reignite the civil war.

South Sudan's president, Salva Kiir, warned recently that if the conflict over the border and other issues are not settled along with the oil dispute, a new war could break out. Sudanese President Omar Hassan Ahmed Bashir told state television, "The climate now is closer to a climate of war than one of peace."

South Sudanese journalist Mayom Nyok expressed fear that the north would send militia groups to occupy the oil fields.

Welder Stephen Jada, sitting outside his metal shop as dusk fell and motorcycles buzzed by like mosquitoes, is concerned that with the country's oil income drying up, no one will buy the bed frames he has stacked for sale.

A year ago, on the cusp of independence, he had grand hopes. Now he worries about how he will pay school fees, or anything else. "Who will buy these things?" he asked, gesturing at his inventory.

Yet the decision to shut down production is surprisingly popular.

"We'll have to go back to agriculture to survive," said Sandia Martin, 30, an accounting student and market stall owner. "The people of South Sudan were not really benefiting from the oil, so it's better to shut it down."

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