

***Against the Asian tide:  
The Sudan divestment campaign\****

LUKE A. PATEY

*Copenhagen Business School & Danish Institute for International Studies,  
Copenhagen, Denmark*

Email: lpa@diis.dk

ABSTRACT

The efforts of American activism to pressure Asian corporations in Sudan have to date resembled a struggle in finding the light switch in the dark or swimming against a strong current. While the impact of the divestment campaign in the United States has been increasingly evident, its effectiveness in producing actual results in Sudan remains suspect. Thanks to China and a trio of Asian national oil companies, oil still flows in Sudan. The campaign's activities have failed to reconcile Sudan's wider international political and economic relations into its strategy. It has rather paradoxically sought to pressure state-owned corporations through financial market divestment. The nature of its Asian targets, reluctant western investors and a distracted American government has obstructed the campaign from having a resounding impact in Sudan.

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## INTRODUCTION

Before settling in for New Year's Eve celebrations in 2007, former President George W Bush penned the Sudan Divestment and Accountability Act into law. The signing was a consequence of a swelling of activism towards the Darfur conflict in the United States. Under the collective Save Darfur banner, a widespread divestment campaign had grown across the country. Led by the Sudan Divestment Task Force, it aspired to apply an economic lever to alter the political behaviour of the Khartoum government in Darfur. It sought to pressure the Asian national oil companies that dominated Sudan's oil sector to suspend their operations and publicly condemn Khartoum (Sudan Divestment Task Force 2007: 24-25). The presidential authorization of the divestment law was a tremendous victory for divestment activists. It signaled further American commitment to end atrocities against civilian populations in Darfur, which Washington and American advocacy groups had declared acts of genocide on the part of the Khartoum government and its proxy militias. However, while the impact of the divestment campaign in the United States and abroad had become increasingly evident, it remained highly divorced from actual results in Sudan. This article explores why the divestment campaign failed to have a noticeable influence on Sudan's oil sector through its targeted Chinese, Malaysian and Indian firms. Anchored in studies of the wider influence of transnational activism in Africa, it contributes to recent debates on the influence of US activism on the Darfur conflict.

The rise of transnational activism has promoted social and environmental change by pressuring governments around the globe. The strategies of activists are seen to be particularly effective in combination with domestic movements within targeted countries (Keck & Sikkink 1998). Activists have also increasingly targeted corporations to induce change by promoting Corporate Social Responsibility (CSR) through the rapid transfer of information and mass mobilization opportunities offered by modern technology (Spar & La Mure 2003). In Africa, the limits of state power have provided transnational groups with a particularly strong influence in shaping local order and authority (Callaghy *et al.* 2001). Facing US sanctions and western isolation, the ruling National Congress Party in Sudan tactfully exploited relations with Asian governments and corporations from the mid-1990s onward to underpin its domestic survival. Not only do Sudan's external relations resemble historical 'strategies of extraversion' in Africa (Bayart 2000), but they also highlight wider consequences of increased engagement from China and other Asian countries on the continent (Tull 2006). The momentum of US activists in Sudan has met this Asian roadblock head on.

The few pieces that have covered the Sudan divestment campaign considered it one of the more effective tools of the wider Save Darfur movement. They have focused on its build-up in the United States and influence on the policy environment (Hamilton and Hazlett 2007). The perspective originates from the idea that building political costs for US policymakers will result in decisive federal government action to end mass atrocities and genocide around the world

(Power 2003). This article argues that despite the Sudan divestment campaign's growth and policy impact in the United States, it was ill-conceived to influence its primarily Asian targets. Rather than scrutinizing the interpretative rationale behind the rise of activism in the US towards the Darfur conflict (Mamdani 2009), it seeks to understand why activism has stumbled to overcome the obstacles barring it from realizing its objectives. US activism has been criticized for representing a detriment to the humanitarian situation and process of finding a political settlement between the Khartoum government and rebel groups in Darfur (Flint 2007; de Waal 2008). A critical eye on the divestment campaign confers that there was a disconnection between on-the-ground realities in Sudan and activist campaigns in the United States. However, analyzing this economic activism in particular contributes to the debate by revealing another detachment, this between the strategies of activists and the Sudan's wider international political and economic ties.

First, some comparative reflection is provided on the relative alignment of strategies with consequences during the anti-apartheid divestment campaign in South Africa. Second, the goals and methods of the contemporary campaign in Sudan are shown to be conducive to mass mobilization in the United States through the utilization of the Internet and strategies of targeted investment. Nonetheless, the third section demonstrates that activists were poorly informed by the belief that they could exert pressure on the Khartoum government through private sanctioning. Indeed, despite a decade of US sanctions and general western isolation, the oil sector soldiers on as Khartoum's main cash cow thanks to heavy Asian investment. Fourth, the state-owned nature of the China National Petroleum Corporation and other Asian national oil companies are seen to nullify strong financial market pressures. Beijing has protected its energy security concerns and general dislike for external intervention by thwarting the possibility of international oil sanctions. Fifth, the divestment campaign has also failed to score victories with major private American investors despite the overwhelming support from public institutions. Washington has haphazardly responded by invoking policy that fails to enforce divestment due to its own wider international interests revolving around Sudan. Together, the emergence of non-traditional targets in Asia coupled with conventional western material and state interests has stunted the ability of financial market divestment pressures. Sixth, in light of the imposing obstacles it faces, recent effort of the campaign to promote a CSR agenda on companies in Sudan continue a misplaced strategy to their Asian targets. Finally, the article offers a new path forward for activists to locate potential levers on the behaviour of Asian corporations. The normative principles forwarded by western activist campaigns in Africa must be equipped with policy instruments and techniques that, albeit less dramatically, navigate opposing material and state interests.

#### MEMORIES OF SOUTH AFRICA

The organizers and supporters of the Sudan divestment campaign found motivation in the success of financial pressure against apartheid. But there are considerable domestic and international contextual differences between the South Africa and Sudan campaigns. In May 1989, Shell Netherlands Director Van Wachem remarked that the company was safer in South Africa than at home. Saboteur groups had slashed over 150 pump hoses and adulterated underground storage fuel tanks at company stations around Holland in response for its operations in apartheid South Africa (Africa Analysis 1989). Outside of these violent incidents, it was a simply act for western consumers to pressure western corporations by refraining from banking at Barclays, fueling up at Shell, and eating Capespan apples. Since there is little integration of Asian national oil companies in western markets, the Sudan divestment campaign has utilized financial markets and share divestment to pressure its predominantly state-owned Asian targets. Its strategy did not fit well with the international context of Sudan's Asian political and economic relations. It would exhibit a tremendous ability to harness the build-up of US activism towards Darfur, but fall short of having a strong influence in Sudan.

In South Africa, transnational activism drew on strong domestic support from internal resistance under the ANC with race, colonialisation, Cold War politics among some of the other significant influences. It is the relative success of anti-apartheid divestment activists in linking their strategy with corporate targets that stands out for the purposes of this article. From the early 1960s onward, the South Africa divestment campaign in the United States was part of the wider anti-apartheid movement that brought together diverse religious, rights and labour groups in the United States and abroad. They called for political, economic and social sanctions to put an end to Pretoria's system of brutal racial discrimination and regional aggression (Crawford & Klotz 1999). A demonstration by the Students for a Democratic Society in front of the headquarters of the Chase Manhattan Bank in 1965 sprung the South Africa divestment campaign into life. It would go on to pressure university endowments, pension funds, public and private institutional investors and corporations to either improve their labour practices in South Africa, under the Sullivan Principles, or divest (Voorhes 1999). The grassroots calls for ethical investment gradually evolved into outright divestment as political turmoil in South Africa grew in the mid 1980s.

The major CSR push of the South Africa divestment campaign came in the form of the Sullivan Principles. The codes of conduct directed towards labour practices in South Africa helped to promote the divestment campaign, but failed to ultimately aid in the fall of apartheid (Mangaliso 1999: 153). Indeed a wholehearted supporter of sanctions on Sudan, the Anglican Archbishop of Cape Town, Desmond Tutu, said in the late 1980s: 'our objection to the code is on the basis that it does not aim at changing structures. The Sullivan Principles are designed to be ameliorative. We do not want apartheid to be made more

comfortable. We want it to be dismantled.’ (Schmidt 1987: 399). It was not until this third stage when the campaign called on western companies to completely pull out of South Africa that its efforts began to connect with its intended targets. President Reagan had to be overruled by a Republican controlled senate to authorize the Comprehensive Anti-Apartheid Act of 1986, banning new US investment in South Africa. While strategic mineral resources were either not sanctioned by the US and other western nations or ways were found to circumvent punitive measures, the divestment campaign did leave an economic imprint on apartheid.

Similar to Sudan, South Africa’s economy is resource-rich and highly dependent on mineral exports. Nonetheless, the diversity of the South African economy in addition to its primarily western investors allowed divestment activists to exploit the country’s international relations in their favour. South Africa’s reliance on western multinational corporations for capital goods in electronics, petrochemicals and automobiles proved to be the lynchpin for the divestment campaign when companies began to withdraw *en masse* in the mid 1980s (Mangaliso 1999). Its foreign investment originated from where the divestment campaign grew strongest: 38% from Britain and 32% from the United States. While South Africa’s trade with Japan made up some of the difference, increasing by 20% in 1987, trade with the US fell by 40% in the same year and Britain and Germany 15% and 25% respectively in 1986 (Crawford 1999: 12). The South Africa campaign nonetheless would wait 20 years to consolidate its influence on opposing western interests. The modern campaign on Sudan would be ill advised to think time is on its side. If the first decade of Asia’s prominence in Sudan does not offer enough confirmation, the second surely will.

#### THE CALIFORNICATION OF SUDAN

The Sudan Divestment model was more designed towards success in the United States than influence in Sudan. Unlike divestment efforts against apartheid South Africa the Sudan campaign in the US matured into federal policy in less than three years. This remarkable achievement was spurred on by the wonders of Google and YouTube, employing sophisticated methods of divestment targeting. Nonetheless, the campaign failed to properly consider the nature of its Asian targets. Ideals of human rights motivated CSR have certainly found plenty of opportunity to expand rapidly through communication possibilities of modern technology. But this does not imply that activist strategies can operate effectively in isolation of the international economic and political context of their targeted country. Despite the formidable odds these constraints present, they must be considered pragmatically rather than merely smothered under a mountain of electronic rhetoric.

The emergence of the Sudan divestment campaign is tightly linked to the

extraordinary union and growth of the wider Save Darfur movement in the United States. In the summer of 2004, when the Save Darfur brought US activism under a common banner, it would achieve much in instilling a clear image of the conflict and its perpetrators into the minds of the American public. Although its formation did not occur until much after the worst periods of violence had transpired in Darfur, it rapidly became the strongest voice calling for an end to the ongoing atrocities. In addition to the anti-apartheid campaign, it followed in the foot-steps of previous Sudan human rights activism and anti-slavery campaigns. However, unlike past movements, Save Darfur's speed of formation and the campaign's size stood out. It managed to overcome the conventional disinterest attached to previous and other ongoing African civil wars among the American and wider western public. While Amnesty International and other human rights groups spearheaded initial advocacy efforts on Darfur, Save Darfur was responsible for most fervently broadcasting the issue throughout the United States. It would amass over 1 million activists from 180 faith-based, advocacy and humanitarian organizations, with conservative and evangelical Christian and Jewish grassroots groups representing the cornerstone of the coalition (Save Darfur 2008). Its immense size and ability to develop existing channels in the US Congress as well as conjuring up the ghosts of Rwanda and 'genocide' as a powerful rallying point were critical in giving Save Darfur a significant voice on Capitol Hill (Hamilton and Hazlet 2007). Propelling from the growth of Save Darfur, the divestment campaign reinforced and provided new weapons of coercion to activism.

Students from colleges and universities across the United States were a driving force in forwarding the agenda of Save Darfur. They would take on an even larger role in regards to divestment. The campaign gave American youth an opportunity to break free from the lethargic, apolitical bonds attached to them since the widespread campus demonstrations against the Vietnam War and apartheid. The divestment movement was the brainchild of a group of students from the hallowed-halls of Harvard University in the autumn of 2004. It would however find its common message in California. The efforts of students at the University of California, Los Angeles (UCLA) expanded on Harvard's initiative, with other universities, cities and states taking on divestment policies. This would lead to the eventual formation of the Sudan Divestment Task Force (Sudan Divestment). A project of the Genocide Intervention Network and under the wider Save Darfur movement, it would provide the main organizational thrust to divestment activism.

The divestment campaign saw current US government action on Sudan as only going so far. While most American companies are restricted from operating in Sudan due to long-standing unilateral sanctions, the divestment campaign envisioned a further opportunity. It sought to target foreign companies active in Sudan linked to American and international financial markets. This targeted model aimed to promote a coordinated strategy among the existing but diverse divestment policies. While universities often chose to divest just from a select few

companies in Sudan's oil sector, individual states largely employed blanket wide divestment on all non-humanitarian ties. The targeted model called for divestment from foreign companies operating in Sudan through a ranking of companies close to the Government of Sudan, imparting little benefits to disadvantaged Sudanese populations and failing to lobby Khartoum to alter its destructive practices in Darfur (The Sudan Divestment Task Force 2009a: 2). As a result, the list is comprised of companies originating from the oil, mining, power and military sectors.

Corporate, shareholder and legislative initiatives are utilized by the group to pressure companies warranting divestment. The three-pronged strategy strives to push foreign companies to exit Sudan or significantly alter their behaviour through implementing social projects and placing pressure on Khartoum to change its political stance on Darfur.<sup>1</sup> The corporate scheme involves direct interaction between activists and foreign companies, while shareholder and legislative pressure boost the position of Sudan Divestment in such negotiations. In partnership with Amnesty International USA, the shareholder initiative lobbies major American and international financial institutions, such as Berkshire Hathaway and Fidelity Investments, to in turn demand companies to engage Khartoum to work to improve conditions in Darfur. Finally, the legislative initiative promotes targeted divestment policies among state and federal institutions in the United States and increasingly abroad. The meticulous attention paid to the design of the targeted model – two years in the making – was critical in the expansion of the divestment campaign in the United States.

Rather than broad divestment against all industries, the targeted model was utilized to address historical concerns over economic sanctions. The objective was to maximize pressure on the Khartoum government while at the same time minimize the potential harm to civilian populations in Sudan and more shrewdly, the financial return of investors (Sudan Divestment Task Force, 2008a). First, a country-wide blanket divestment was seen to potentially lead to more hardship for Sudan's civilian populations, which divestment had been prone to cause in other cases such as Haiti, Iraq and the former Yugoslavia (Weiss *et al.* 1997). Those companies active in the agriculture, consumer goods, education, and humanitarian sectors were thus excluded from divestment calls (Sudan Divestment Task Force 2008b: 4-5). The other major concern of Sudan Divestment was to overcome voices of dissent among investors in the United States. History was on the divestment campaign's side with a decade of US sanctions ensuring the campaign would face little resistance at home from the targeting of American companies. Furthermore, since the targeted model only amounted to a focus on a few dozen foreign companies, the act of eliminating any tied financial holdings from a larger fund portfolio could be done without significantly threatening the value of the whole. Accordingly, a company such as PetroChina could easily be replaced by a similar valued one in the same sector. Furthermore, if divestment amounted to more than 0.5% of the total original value of the fund, the targeted model allowed

restrictions to be relaxed (Divestment Senior Field Organize 2007 int.). Altogether, it was highly unlikely that divestment would profoundly threaten the current value of US investments.

Sudan Divestment would be kick-started in the fall of 2006 after Californian Governor Arnold Schwarzenegger flanked by Hollywood actors George Clooney and Don Cheadle, adopted its targeted model in the state's public employees and teacher retirement systems. In only a few years, divestment spread rapidly with over 27 states, 61 universities and 23 cities imposing restrictions on their investments linked to Sudan (Sudan Divestment Task Force 2009b). The campaign would also garner federal support. It scored a landmark victory on December 31<sup>st</sup>, 2007 when then President George W Bush signed the Sudan Accountability and Divestment Act (SADA). The Act allows US state and local governments as well as asset managers to divest under the legal protection of the federal government. Normally the fiduciary duty of investment managers demands they perform in the financial and legal interests of their clients, excluding social concerns. The Act also prohibits federal and state contracts with those foreign companies active in Sudan's oil, mining, power, and military sectors (*New York Times* 1.1.2008). By the end of 2008, the campaign asserted that 13 foreign companies operating in Sudan ended their activities or significantly altered their behaviour since the advent of the divestment movement. Sudan Divestment further painted these results as having an impact on the ground, promoting ethical investment (*Reuters News* 12.8.2007). However, notwithstanding the upbeat message, the campaign has been ineffective in coercing the Khartoum government. Oil still flowed in Sudan.

#### OIL FOR NOTHING?

Sudan Divestment has exhibited a substantial impact in the United States, but in its early years, the pledge to leverage foreign companies to alter the Khartoum government's politics in Darfur remains unfulfilled. Sudan continues to churn out crude exports. In Sudan and elsewhere, the mix of armed conflict with the development of petroleum and other natural resources has fed violence, corruption, and poverty (Ross 2008). The connection drawn between foreign companies and the ability of Khartoum to wage war is evident, but transforming the link from a theoretical exercise to a practical tool of coercion continues to frustrate. The campaign made a grievous error in its assertion that the Khartoum government 'has a well-documented history of responsiveness to economic pressure.' (Sudan Divestment Task Force 2008a). Rather US sanctions since 1997 have produced few clear results (see O'Sullivan 2003). This is largely because economic ties between the US and Sudan have been minimal since the beginning of the 1990s. Asian investment gave continual life to Sudan's oil sector.

Civil war existed long before oil development in Sudan, but the revenues earned have taken on a central role in the country's economy and politics since the first

exports were sent out from the Red Sea terminal at Port Sudan in August 1999. While the Sudan divestment campaign was reaching its peak in Google news article listings in May 2007, the Khartoum government recorded close to \$2 billion US in oil exports riding a surging international oil price.<sup>2</sup> Oil windfalls amounted to an average of over \$4.2 billion US a year since 2004 from exports and sales to local refineries (IMF 2008: 16). Oil-led growth buoyed an average real GDP growth in Sudan of 7.9% between 2004 and 2008 stimulating pocketed, industrial and service sector expansion (EIU 2009: 20). The oil sector is the centre piece of the economy and main cash cow of the Khartoum government.

Sudan is the third largest oil producer in sub-Saharan Africa, behind Nigeria and Angola respectively. While production levels measured 464,000 barrels per day in 2008 (*ibid*: 22), its main oil fields are in decline and the poor quality of the Dar blend of crude from new fields depress export revenues. Nonetheless, the oil sector has cemented the Khartoum government's hold on power in the past decade. Although the industry is shrouded in political turmoil with the upcoming referendum in the south, where the majority of the crude is found, oil will remain a key facet of the economy at least for the next 20 years. Potential new major discoveries could push its longevity further. Agriculture continues to employ two-thirds of the workforce but no longer brings in 80% of the country's export earnings as it did in the mid-1990s. Oil has represented on average roughly 90% of total exports in the past five years. Since 2002, China has taken in 56% of Sudan's exports with Japan accounting for 11%. Sudan draws upon Asian and Middle Eastern capital goods, close to 28% from China and almost 8% from Saudi Arabia in 2007 (*ibid*: 28). Financial loans also largely originate from Asian sources, particularly China, in stark contrast to South Africa which was dependent on Britain for loan capital (Nerys 2000). While Europe, notably Britain, maintains economic ties with Sudan, the United States has ceased to be a major trade or investment partner since the National Congress Party, formerly the National Islamic Front, came to power in 1989. This included a dramatic drop in military ties that existed between the United States and the Nimeri government in the late 1970s and 1980s (O'Sullivan 2003: 260). Altogether, it has been the Asian block of corporations from China, Malaysia and India along with economic relations with the Middle East, Japan that have kept Sudan's oil economy afloat.

US sanctions and the divestment campaign have certainly deflated Sudan's economic growth, particularly through financial transaction restrictions on US dollars and limiting western investment (*Fortune Magazine* 6.8.2007). Furthermore, a larger influx of American technology may have helped Sudan avoid some of technical difficulties that have slowed down oil production and the lack of recent discoveries (Oil Official 2007 int.). Nonetheless, the political power of the Khartoum government has been solidified by the strong and steady economic growth brought on from oil production due to the investment of the Asian national oil companies. Sudan is not only dependent on Asian companies to develop and market its oil, but oil income dominates total government revenues.

During the North-South civil war, various western human rights groups called on oil companies to suspend their operations. The eventual exit of several western oil companies in 2003 on account of activist pressure with the support of the American government led to a solidification and expansion of the Asian national oil companies (Patey 2007). Since the western exodus, oil production has barely missed a beat. It was projected to comprise an average of 58% of Khartoum government revenue over the last five years (IMF 2008: 16).<sup>3</sup> The large proportion that oil revenues comprise in the central government's budget naturally filters into most of its expenditures, including those for military activities in Darfur, as during the North-South civil war (Human Rights Watch 2003: 458). Official World Bank figures indicate the central government spends roughly 40% of its budget on defence, national security, public order and safety (World Bank 2007: 23). This makes the oil sector a worthwhile target for activists seeking to cut-off Khartoum's military capability.

#### ASIAN OBSTRUCTION

The divestment campaign has struggled to bring the consequences of its pressure home for the Asian corporations. One long-time Sudanese analyst of China's historical relations with Sudan during times of western isolation and condemnation has commented that 'the dog barks, but the camel goes on its way' (Ali 2008). The growth of Sudan's economy in the past decade has been steered by a variety of multinational corporations and investors from Asia, the Middle East and Europe. A trio of Asian national oil companies led the pack due to tremendous upswings in their own home economies. Subsequent energy security concerns have driven the state-owned companies to replenish their inadequate oil production and reserve levels from overseas sources. The interests of the Chinese government take centre stage, ensuring continued oil production in Sudan. Indian and Malaysian act as a strong supporting cast, and European and Middle Eastern investors stagehand the wider global interests that sustain Sudan's oil sector. This pecking order is observed in Sudan Divestment's rankings of companies warranting scrutiny.

Similar to the television show *America's Most Wanted*, the Asian national oil companies occupy the position of 'highest offenders'. CNPC of China rests at the premiere position with Petronas from Malaysia and India's OVL rounding out the top three. Starting in 1995 with China's initial oil investment in Sudan, CNPC, Petronas and OVL would come to dominate the African nation's oil sector as western companies departed in the early 2000s. CNPC controls a majority stake in Sudan's top producing oil consortiums, the Greater Nile Petroleum Operating Company (GNPOC) and Petrodar, while Petronas took over principal ownership of the White Nile Petroleum Operating Company (WNPOC) in 2003 when Sweden's Lundin sold out. In the same year, OVL would enter Sudan in a big way through the purchase of shares in GNPOC and WNPOC after the withdrawal of the Canadian oil company Talisman and Austria's OMV. These projects

continue to represent the cornerstone of the industry. Together, the three Asian Nationals control over 90% of the crude oil produced in Sudan (European Coalition on Oil in Sudan 2007: 2). In the process, the Asian national oil companies have bolstered the political power of the Khartoum government.

Unlike the South Africa divestment campaign, which opposed the investments of publicly-held western corporations, Sudan Divestment must cope with a simple fact: Asian Nationals are almost completely state-owned enterprises and therefore largely resilient to divestment pressures. Only portions of each corporation are available on international financial markets. CNPC is targeted through its publicly-traded subsidiary, PetroChina and its listings in New York, Hong Kong, and recently Shanghai. But CNPC is nonetheless 90% owned by the Chinese government, while OVL and Petronas are respectively 74% and 100% state-owned, not counting cross-holdings by other government-owned companies (Mitchell and Lahn 2007: 5). The Asian national oil companies through their high levels of state-ownership simply cannot be influenced in the same manner as western companies, which are typically prone to divestment pressures through their capital positions and consumer reputations in home markets. As Sanjeev Kakran, vice-president at OVL remarked in early 2005, 'the shadows of Darfur don't affect us' (Sudan Tribune 2005). A warning from the California Public Employees' Retirement System (CalPERS) indicating that it would not invest any of its over \$200 billion US portfolio in corporations involved in Sudan's energy sector were similarly met with disregard by OVL officials. Then ONGC Director of Finance RS Sharma responded by saying: 'we do not care if CalPERS will invest with us or not. We have more than 300 FIIs (Foreign Institutional Investors) as our investors. We will continue our operations in Sudan.' (*The Indian Express* 19.5.2006) Since the Asian corporations are responsible for extracting and bringing the majority of Sudanese crude to market, filling Khartoum's coffers in the process, the divestment campaign is caught in a tight position. The largest potential corporate levers on Khartoum's political behaviour continue to be the least susceptible due to their governmental handlers. This does not imply that Asian corporations are not adjusting to social standards of the international oil industry, just not in the manner desired by the divestment campaign by suspending their activities in Sudan. In a similar fashion the Asian capitals have refused to reel in their corporations and walk the line of activism pressure.

Beijing has been the Save Darfur and divestment campaign's largest target outside of the American government due to its considerable influence in Sudan. There have been some noticeable shifts in Chinese policy towards the Darfur conflict in the past two years. But Beijing's exit from the apolitical closet on Darfur has not necessarily resulted in the economic juggernaut and rising global political player falling into line with the demands of western activists. Across Asian capitals Darfur is largely regarded as an internal conflict in which the territorial integrity of Sudan should not be overtly breached by outsiders (Large 2008a). Beijing rapidly enhanced its historical ties with Sudan in the mid-1990s

establishing itself as the largest investor in the oil industry, a major arms supplier and guardian of the maverick Khartoum government on the UN Security Council by delaying and diluting potential strong multilateral sanctions. But the initial noninterference stance reasoned by China to stay on the political sidelines would not last long. Although China began to augment its position in Sudan before western activists exploited the 2008 Olympic Games as a pressure point (*Wall Street Journal* 7.10.2007), Beijing is certainly aware of its image in the West. In the summer of 2007, China continued to loosen its position by supporting western efforts to gain Khartoum's acceptance of the UNAMID peacekeeping force in Darfur, albeit with a weaker mandate than western countries would have liked. The Chinese government maintains the need for a Sudanese solution to the conflict, and one that does not include international oil trading sanctions (*New York Times* 18.9.2004); perhaps the most worrisome threat to Khartoum outside of direct military intervention. China also demanded western governments do more to get rebel groups to join peace talks, rather than putting most of the focus on Khartoum, although it made a seemingly conciliatory step in meeting with a main Darfur rebel faction in May 2009 (*International Herald Tribune* 28.2.2008; *Sudan Tribune* 2009). Altogether, despite the subtle reforms, the bond between China and Sudan still holds its essential economic link, masquerading as half-hearted noninterference but nonetheless empowering the Khartoum government (Large 2008b). China continues to forge a path that first and foremost protects its vital interests in the African continent's oil resources (Alden 2005). Altogether, the Asian block in Sudan has made its position known by rejecting calls for strong sanctions. However, even in the United States the campaign has been unable to translate its mobilization to effective action against its Asian targets. Despite its successes in building divestment among public institutions, it faces an exceedingly difficult task as it moves to broaden its influence in major financial institutions and garnering the outright support of the American government.

#### THE BATTLE ON THE HOME FRONT

The Sudan divestment campaign has been unable to reconcile with a continual lack of support from US investors and the American government in pressuring the Asian national oil companies. American and other international private investors remain keen on protecting the constant that their decisions should be made on their financial and legal merits alone. The campaign has been hampered by the high demand in the very few publicly available shares in the Asian national oil companies that do exist. The value of the targeted foreign companies of the divestment campaign is not only determined through investments in Sudan. Wider international activities are also taken into account. Perhaps the most publicized case has been that involving the legendary American finance guru Warren Buffett. Before taking a major hit from the global economic downturn, as CEO and Chairman of the holding group Berkshire Hathaway, Buffett invested heavily in the divestment campaign's number one target, CNPC's subsidiary, PetroChina. Between 2002 and 2003, as the Darfur conflict slowly fell under the international

spotlight, Buffett bought \$488 million US in PetroChina shares on the Hong Kong Stock Exchange. Berkshire held 1.3% of the entire company and was the largest shareholder after CNPC. In the years to follow, pressure mounted on Buffett to sell Berkshire's shares or at least coerce the Chinese firm to augment the behaviour of CNPC in Sudan. Given his renowned status as a financial investor, it was felt that Buffet's withdrawal would lead to a tidal wave of divestment from companies active in Sudan's oil sector.

Buffett however disagreed with the campaigners on the use of divestment as a political instrument. He felt PetroChina neither held influence on CNPC nor the Chinese government; that each acted individually. Nonetheless, as some shareholders in Berkshire agreed with the divestment campaign's tactics, the CEO allowed a vote to be taken at the Annual Meeting in May 2007 to decide whether or not to sell the holdings (Berkshire Hathaway 2007). The proposal was defeated, although largely due to Buffett's own voting power, personally holding a 31% stake in Berkshire (*Fortune Magazine* 25.7.2006). However, some months after the failed proposal to divest, Berkshire gradually began to unload its PetroChina stock in packets. By October 2007 it would sell all its remaining shares (*Financial Times* 19.10.2007). Berkshire's profit after the sale was an astounding \$3.52 billion US as the stock price of PetroChina had more than doubled since the proposal for divestment was made, and was seven-fold larger since Berkshire's original purchase. Buffett insisted that the divestment campaign had no influence on his decision to sell, which he maintained was made on price alone. In an annual letter to shareholders Buffet remarked that he sold the shares when he felt PetroChina was at a comparable market value to western oil majors after improving its production and reserve levels in a period of skyrocketing oil prices. He added that the IRS tax of \$1.2 billion on the sale paid all the costs of the US government – including defense and social security – for around four hours. Expectations that PetroChina's share price would plummet if Berkshire and other major investors sold out did not pan out (Sudan Divestment Task Force 2007: 19-20). Berkshire's sale had no discernible influence, and Buffett even chided himself on selling too early as afterwards the share price of the Chinese firm continued to rise.

Sudan Divestment has also targeted financial institutions, such as Fidelity and UBS, to use their global investments to put pressure on the Asian national oil companies. But while the advocacy campaign has put the issue on the table at board meetings of American financial institutions, the majority continue to reject the idea of divestment despite the moral punch it delivers (*Boston Globe* 20.3.2008). For instance, the Swiss firm UBS was pushed by activists, along with the symbolic support of former UN Commander in Rwanda Senator Romeo Dallaire, to not 'underwrite genocide' by seeing through the IPO bid of PetroChina on the Shanghai Stock Exchange in late 2007 (*BBC News* 19.10.2007). At the time, the Darfur peace talks were failing yet again, this time in Libya, and with UBS staying on as underwriter, for the moment PetroChina

became the most valuable company in the world (*International Herald Tribune* 5.11.2007). In terms of market capitalization at almost \$1 trillion dollars, PetroChina was worth more than Exxon Mobil, the world's largest publicly-traded oil company, and General Electric put together. After its October 2007 share price high of \$266.81 its value did subside, but it had still grown almost 160% in five years (AOL 2009). It is not upsetting the present monetary worth of portfolios that disturbs those investors that resist the campaign's demands; rather it is the fear of losing the opportunity to reap the rewards of potential financial performance. Behind the incredible growth are the interests of Beijing and its Asian counterparts in not constraining their state-owned enterprises from expanding in all parts of the world where opportunities to exploit petroleum resources exists.

The unwillingness of Washington to put its national interests at risk by going the distance with the divestment law further frustrates the marginal influence activists can put on the Asian national oil companies through market pressures. The potency of Sudan Divestment has been strong in US universities, cities and states but faltered at the federal level. The signing of the new divestment law by former President George W Bush continues a tradition of relatively weak US federal action against Sudan. The announcement of then Secretary of State Colin Powell on September 9, 2004 would characterize the US response to Darfur over the years to come. Washington boldly took the lead on the issue by declaring that 'genocide' had been committed by the Government of Sudan and its Janjawiid militias, but in the same breath emphasized that no new action would be taken based on this determination. Nonetheless, thanks largely to continual pressure from activists, in stark divergence from Beijing and its propping up of the Khartoum government, the United States has done much to reprimand and isolate Sudan. The Clinton Administration had placed Sudan on its list of states sponsoring terrorism in 1993, backed UN sanctions in 1996 and imposed unilateral sanctions in 1997. President Bush would further US engagement in peace efforts to end the North-South civil war through signing the Sudan Peace Act in 2002, and later expanded sanctions to pressure Khartoum to end the violence in Darfur (*Washington Post* 30.5.2007). Washington had settled into a coercive-brand of foreign policy to bring about change, breaking from its traditional reactionary approach with the Khartoum government (Woodward 2006: 93-99). However, Washington's War on Terror following the attacks of September 11<sup>th</sup> added a new dimension to the relationship. The American government awkwardly made moves to maintain a congenial relationship with the National Congress Party in Khartoum in order to gather counterterrorism intelligence on the one hand, but still condemned the African government over Darfur on the other (*Los Angeles Times* 29.4.2005). Both Bush and the new Obama Administrations have pushed increasingly for a diplomatic solution with Khartoum, suggesting a normalization of ties in return for concessions on Darfur (*New York Times* 17.4.2008; *Boston Globe* 27.4.2009). Washington has taken a softer stance with Khartoum than most activists would have liked. Its thirst for

counterterrorism intelligence lathered, albeit more shrewdly, with national interest concerns over the consequences of strong divestment policies in Sudan.

The hard fought road in achieving US federal legislation in the Sudan Accountability and Divestment Act (SADA) is actually part of a longer process of delayed and water-downed government action. There was much speculation whether or not President Bush would veto SADA before it was finally passed into law (*Reuters News* 24.2.2007). When he finally did, it came with the warning that the federal government would choose to intervene in divestment activity if it felt it was not congruent with American foreign policy objectives (*New York Times* 1.1.2008). However, more telling evidence of the Bush Administration's unwillingness to back fully divestment in Sudan was seen five years earlier. This was not the first time that proposed capital measures on US financial markets found their way to Capitol Hill. On account of lobbying efforts from human rights activists during the North-South civil war, the Sudan Peace Act was brought before Congress in 2002. The act would enhance America's humanitarian support in the war-torn South, bring it closer to the peace effort than ever before, and include the provision of barring companies engaged in the country's petroleum industry from raising capital on US financial markets (*Wall Street Journal* 27.8.2001). The latter clause would put at risk the listings of foreign companies operating in Sudan on the NYSE. The threat alone was the final straw for the Canadian flagship oil company Talisman, operating in Sudan at the time, as its stock price was heavily discounted at 24% less than similar companies in the industry due to the persistent activist pressure (*Wall Street Journal* 9.4.2003).<sup>4</sup> The potential legislation would have also prevented the initial public offering of the subsidiary of CNPC, PetroChina. Its bid on the NYSE met strong opposition in the US Congress given Washington's foreign policy on Sudan. But in the end the US Senate dropped the capital market provision out of the presidential approved version of the Sudan Peace Act. The Bush administration took out the restrictions in light of Khartoum's counterterrorism intelligence support (O'Sullivan 2003: 246). As a result, although PetroChina's bid would be highly deflated from an expected \$15 billion to a final result of \$2.9 billion due to the political opposition, it ultimately gained access to the NYSE (Human Rights Watch 2003: 463-67). Washington has only been willing to go so far in taming US financial markets to human rights concerns.

The capital market restriction originally included in the Sudan Peace Act had teeth. Outside of limiting US federal and state contracts, SADA merely facilitates divestment. It does not impose divestment on asset managers, state and local governments in America; it authorizes and protects those that decide to sell. Washington opposed strong divestment laws in order to tap into Khartoum's knowledge on terrorist activities but also to avoid the possible precedent such a stance would entail for other countries where human rights abuses exist. The fear of precedent remains the primary concern of investors approached by the divestment campaign.<sup>5</sup> Altogether, the overall effect of Sudan Divestment has

been restricted by American investors and Washington on account of wider material and security interests. The legislative initiative of Sudan Divestment has certainly been a headline catcher, and has gathered momentum at the state level, but nonetheless fails to produce strong change in Darfur. The campaign's recent turn towards promoting CSR has likewise faltered to engage its Asian targets.

#### THE FULFILLMENT OF FAILURE

The transformation of the Sudan Divestment Task Force into the Conflict Risk Network in early 2009 signalled the campaign's inability to use divestment as a tool of coercion. It now intends to monitor and promote an improvement of CSR activities with local communities in Sudan as well as other conflict zones.<sup>6</sup> But the search for wider significance still fails to rectify its fundamental failure. Rather, the campaign risks becoming ensnared in the diluting dynamics of CSR activities. The development benefits for local communities from enhanced CSR in the oil sector are anything but clear cut; the advantages more evident for companies (Frynas 2005; Blowfield 2007). Corporate capacities to manage what are essentially development projects are weak at best. Similar concerns exist regarding the expansion of socially responsible investment (SRI) funds (Umlas 2008). The Sudan divestment campaign's turn to evolve into a SRI-service is not necessarily a step in the right direction, but a move towards adopting a 'better-than-nothing' approach after failing to find leverage with its Asian targets.

Sudan Divestment has produced ambiguous results through its CSR efforts in Sudan. The campaign offers targeted corporations the opportunity to avoid listing in its divestment calls in return for 'engagement' with the Khartoum government and 'substantial' humanitarian action (Sudan Divestment Task Force 2009c). Western international human rights and CSR-specialist consultancies and law firms monitor the progression of such agreements. But the few results of the divestment campaign in Sudan have provided anything but a clear boon. Asian companies have not been the only corporate targets of the divestment campaign. The onslaught of divestment activism during Sudan's North-South civil war did not persuade all western companies to exit. Lundin of Sweden, a junior-sized oil company, was embroiled in human rights controversy in Sudan for over a decade. In addition, the French oil major Total has slowly reinvigorated its activities in the country, cautious of the country's violent past with oil. As a result, Sudan Divestment has focused on both European oil firms as well as others in the oil and mining industries. In the spring of 2007, growing divestment pressure was part of the reasoning behind the announcement of Rolls Royce of Britain to withdraw progressively from Sudan due to political and humanitarian concerns (*Financial Times* 19.4.2007). It was responsible for power generation along much of Sudan's oil pipelines, heading north to the Red Sea and international markets. However, despite its decision to withdraw, its main supplier the oil operating company GNPOC, led by the Chinese company CNPC, has access to the needed supplies to repair the engines it purchased from Rolls Royce in the past, which typically have

a 20 year lifespan, and the option simply to engage another supplier from a variety of Asian and western options (Procurement Manager, GNPOC 2007 int.). Rolls Royce's departure will certainly decrease the quality of service to the oil industry in Sudan, but fundamentally the company remains replaceable. Just as in the past with the substitute of the Canadian oil company Talisman for India's OVL, less human rights susceptible firms will most likely take the place of Rolls Royce. This was not a victory for CSR in Sudan. Similarly, the successful negotiations with foreign companies by the divestment campaign are isolated from its main Asian targets.

The majority of foreign companies that have exited Sudan due to humanitarian, political or moral concerns have not waited to negotiate a deal with divestment campaigners. Nonetheless, some have cooperated with activists. For example, the Canadian gold mining company La Mancha Resources and the French-American oil service provider In May 2007, Schlumberger established an agreement with Sudan Divestment in order to be taken off its list of companies warranting divestment. Schlumberger agreed to expand upon its community development projects in southern Sudan (Sudan Divestment Task Force 2009a: 117-120). However, despite the benefits for local communities in Schlumberger's education and water programmes, the agreement with the divestment campaign also allows the company to continue to offer its experience and expertise in Sudan's oil sector. There has also been little regard paid to the growing issue of environmental degradation caused by the oil sector in southern Sudan that Schlumberger and other service companies could push on their Asian clients to amend.<sup>7</sup> In the end, Khartoum maintains its relationship with the world's leading oil service company and Schlumberger continues to operate and profit. The normative principles of the divestment campaign exist in harmony with ideals of unfettered profit maximization, doing little to invoke any remarkable change. In both the Rolls Royce and Schlumberger cases it is painfully evident that there has been little success in engaging Asian national oil companies in Sudan. The divestment campaign needs to give further emphasis to connecting its results at home with those on-the-ground through the context of Sudan's international relations. This involves determining the more appropriate policy instruments to engage their Asian targets.

#### GETTING TO *SHI*

Western oil majors are no strangers to operating in human rights and environmental sensitive cases. Total and Shell staying the course in Burma and Nigeria respectively despite years of divestment calls. But the Asian national oil companies are much more inflexible than their western counterparts to the social concerns of activists. The lack of remaining opportunities in an international oil industry dominated by Middle Eastern national oil companies and western oil majors leave the Asian newcomers little room to maneuver in meeting growing concern for energy resources back home. Similarly the governing apparatus of the

Ministry of Energy and Mining in Khartoum frustrates what corporate social efforts in Sudan do exist. Nonetheless, as a result of its current impotence, the divestment campaign risks confirming some beliefs in Sudan that view it more as a western conscience clearing exercise than part of the solution to amending longstanding conflict and poverty.

Long-time activists in Sudan have pointed out the lack of connection between the divestment campaign and local civil society in Sudan as one of its largest flaws.<sup>8</sup> Others have underlined that the divestment campaign should work ‘with’ the Sudanese people, not ‘for’ them (European Coalition on Oil in Sudan 2006). Divestment activists have failed to lend their expertise and capabilities to those few local groups in Sudan seeking to change social and environment conditions surrounding the oil sector. Likewise, while the campaign has made some efforts to cooperate with Asian civil society groups, India’s vibrant non-governmental organizations and media offering an excellent starting point, it continues to promote an agenda steeped in the threatening tone of divestment. Avenues to empower local civil society and access Asian power brokers have not been thoroughly explored.

It is certainly a challenging environment that divestment activists have entered. However, there are opportunities for engagement when the domestic and international context of Sudan is taken into consideration. Asian civil society groups will be more receptive to concerns of indigenous displacement and environment degradation than financial market pressures. Furthermore, while Asian national oil companies are early on the CSR learning curve, some Asian oil service companies have demonstrated strong social activities when the terms are stipulated in their contractual obligations.<sup>9</sup> Altogether, there are notable entry points for western activists under the predicament of dealing with the growing presences of Chinese and other Asian interests in Africa.

#### CONCLUSION

When faced with criticism, divestment campaigners often reiterate their role as a small piece of a larger effort of advocacy and diplomacy in Sudan. Under its current approach, however, this article has questioned its usefulness altogether. Non-traditional targets from Asia control the majority of Sudan’s oil sector, and have thus far been unsusceptible to conventional financial market coercion. Discouragingly, western investors and the American government have also failed to fully take up the divestment cause, more concerned with their wider interests. The divestment campaign has not developed a strategy to tactically engage its Asian targets. The road for converting western activism into action among corporations in some of Africa’s most engrained conflicts, such as Sudan and eastern Congo, increasingly runs through Beijing, New Delhi and Kuala Lumpur. Nonetheless, the lesson for human rights activists groups from such staunch opposition is not to push harder. Rather, activists must refocus and retool or

ultimately retire.

Compromise must now replace confrontation in Sudan. Similar to other motivations of western intervention in conflict-ridden countries of the developing world, the convictions of Asian corporations and their governments lie closer to an economic and political mindset than a human rights heart. Protracted conflict in Darfur and the possibility of further violence in the south should be clear indicators for China that it has an interest in ensuring its oil investments avoid not only normative but also literal destruction in Sudan. Western activists face immense challenges and have made tremendous achievements in mobilizing support. But a dearth in critique of economic activism merely prohibits understanding the utility and potential for improving its effectiveness. Transnational activists can raise a large chorus of harmonious voices in the United States and wider West, but they must hit the right tones to compel Asian government and corporate audiences. Cooperation with African and Asian civil society groups offer fresh avenues for corporate engagement in Sudan and elsewhere. The widening sphere of influence of western activists in Africa and the developing world must locate bridges of opportunity in the emerging powers of Asia. If not, the limits of what activists can achieve will continue to be frustrated by the growing Asian presence in Africa.

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#### NOTES

- <sup>1</sup>. Telephone interview with Divestment Analyst and Divestment Senior Field Organizer, Sudan Divestment Task Force, 23.10.2007.
- <sup>2</sup>. 'Sudan divestment campaign' registered over 14,000 listings by June 2009, <<http://news.google.com/archivesearch>>, accessed: 29.5.2009; 'Exports by Commodities', Ministry of National Economy and Finance, Sudan.
- <sup>3</sup>. Since the signing of the Comprehensive Peace Agreement in 2005, oil has composed of virtually the entire budget of the regional autonomous government of southern Sudan in Juba.
- <sup>4</sup>. Telephone interview with company representative, 3.2.2009.
- <sup>5</sup>. Personal communication with Divestment Senior Field Organizer, the Sudan Divestment Task Force, 21.1.2008.
- <sup>6</sup>. E-Mail Message sent from the Director of the Sudan Divestment Task Force to subscribers of Sudan Company Reports, 1.5.2009.
- <sup>7</sup>. Personal communication with international NGO, 20.6.2009.
- <sup>8</sup>. Various interviews with international and local NGOs, Khartoum, 9.2006 & 11.2007.
- <sup>9</sup>. Telephone interview with oil consultant, 15.10.2008.