SUDAN DIVESTMENT
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Testimony of Adam Sterling
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United States Senate Committee on Banking, Housing, and Urban Affairs
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Thank you, Mr. Chairman; it is an honor to testify today on behalf of the Sudan Divestment Task Force and Genocide Intervention Network in support of HR 180, the Darfur Accountability and Divestment Act.

As the director of the Sudan Divestment Task Force, the organization at the forefront of the Sudan divestment movement, I will be addressing the importance of foreign corporate interests, specifically oil companies, in Sudan, how targeted divestment has already proven successful in encouraging foreign companies to use their enormous leverage to address the crisis in Darfur, and how HR 180 will serve to encourage and expand these efforts.

By any account, Sudan is a poor country. The average yearly income is under $650 and the country's foreign debt exceeds it gross domestic product. Shockingly, and despite these statistics, Sudan produces over 500,000 barrels of oil per day and has at least 6.4 billion barrels in proven reserves. In 2006, oil provided the Sudanese government with over $6 billion in revenues and accounted for 90% of the country's revenue from exports.

The extraction of oil requires reserves, capital and technical expertise, and while Khartoum effectively controls Sudan's reserves, the government relies on foreign companies to translate those reserves into revenue. In fact, Sudan's national oil company, Sudapet, maintains no more than an 8% equity share in any of the country's producing oil blocks, yet the government receives a majority of the revenue generated from Sudan's oil fields. Unfortunately, revenue from Sudan's oil has not been used for debt relief or development. In fact, since the first barrel of oil was extracted from Sudan, Khartoum has allocated the majority of its revenue for military expenditures. According to a former Sudanese finance minister, interviewed by the New York Times, over 70% of the government's share of oil profits is spent on its military.

The bottom line is that Sudan's oil industry serves as a financial lifeline to Khartoum, and the foreign companies that support this industry have massive leverage to engage Khartoum and contribute to a peaceful and sustainable solution in Darfur. Targeted Sudan divestment, a policy authorized and encouraged by HR180, provides an effective tool to pressure companies to use this leverage in an effective, responsible and sustainable manner.

The targeted model surgically focuses only on the roughly two to three dozen problematic companies that are helping to exacerbate the situation in Darfur without providing benefits to any marginalized populations. It is critical to note that targeted divestment does not broadly force these companies to leave Sudan; it encourages them to use their enormous leverage in a constructive way to contribute to a solution in Darfur and only utilizes divestment if the companies fail to respond.

Furthermore, if companies do fail to respond to engagement within a given timeframe, and divestment takes place, there is evidence to show that divestment from this very small set of companies will have an extremely minimal impact, if any, on investment returns. For example, a historical analysis by the Sudan Divestment Task Force shows that the top peer replacements for these companies have consistently performed better over time (see enclosed chart).

While targeted Sudan divestment significantly minimizes any potential harm to investment portfolios, the movement has already proven to have a tangible impact on targeted companies. La Mancha Resources, a Canadian mining company, and the primary foreign player in Sudan's mineral extraction industry, recently took extraordinary steps in response to the situation in Darfur, even though all of its operations take place on the other side of the country. After weeks of engagement with the Sudan Divestment Task Force, the company publicly committed to refraining from new investment in the country until a peacekeeping force consistent with United Nations Security Council Resolution 1769 has been deployed in Darfur with the full compliance and cooperation of the Sudanese government and to increase its funding of humanitarian efforts in Sudan by contributing to projects in Darfur. This contribution comes in addition to the existing humanitarian efforts the company has been supporting for several years in the area of its operations. Additionally, the company's President recently met with Sudan's Minister of Energy & Mining, Dr. Awad Ahmed al Jaz, to discuss the situation in Darfur and to encourage the Government to fully comply with the implementation of UNSCR 1769. With their substantial leverage in the country, corporations have an extraordinary potential and responsibility to contribute to a solution in Darfur, and to encourage sustainable development and long term peace in Sudan. La Mancha provides a perfect example to demonstrate the power of targeted divestment to generate the pressure necessary for corporations to recognize the urgency in Darfur and act on this responsibility.

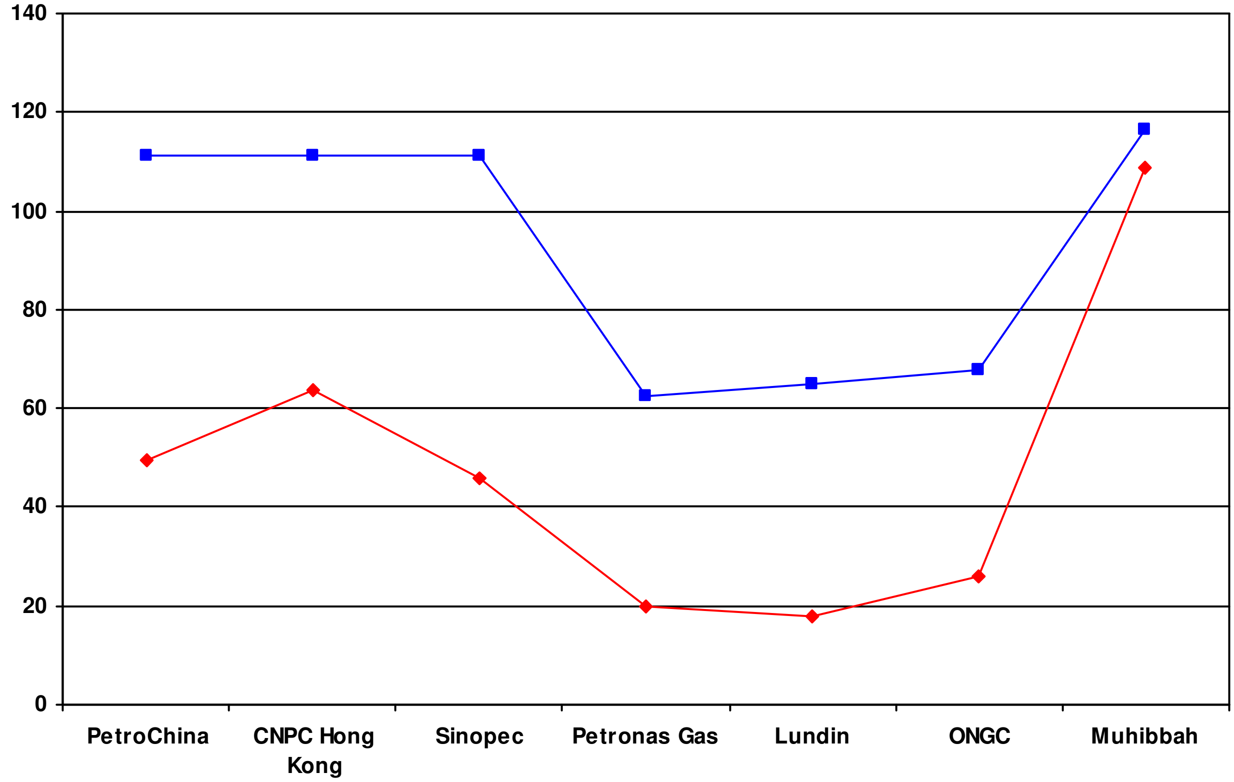
Since 2005, 20 states and over 50 universities have adopted Sudan divestment policies. The movement has rapidly spread through Europe: in July the European Parliament unanimously adopted a resolution calling on European Union members to support targeted Sudan divestment efforts. In addition to La Mancha, six major foreign companies, CHC Helicopter, ABB, Siemens, Rolls Royce, ICSA of India, and Schlumberger, have ceased problematic operations in Sudan or significantly changed their behavior in the country since the proliferation of the Sudan divestment movement.

While the administration has expressed concern that state efforts may conflict with federal ones, HR 180 simply ensures that states and municipal entities move forward with divestment in a unified and targeted fashion that is consistent with and complimentary to federal foreign policy. This includes common carve outs for South Sudan and exemption for companies authorized by OFAC to operate in Sudan. Perhaps most importantly, HR 180 ensures that divestment policies for these local entities all expire under the same conditions, benchmarked to federal actions and statements.

Thank you the opportunity to provide testimony today Mr. Chairman, I am happy to answer any questions you may have.

3 YEAR RETURNS

Highest Offenders in Sudan versus Top Peer Replacements



Highest Offenders   Peers Replacements

5 YEAR RETURNS

Highest Offenders in Sudan versus Top Peer Replacements