

UNIVERSIDAD AUTONOMA DE MADRID  
(UAM)

## **Oil in Sudan**

Facts and Impact on Sudanese Domestic and International Relations

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## **Introduction**

Since its independence of Britain and separation from Egypt in 1956, Sudan has enjoyed only 11 years of relative stability and peace.

The oil discoveries in Sudan, in the late 1970's have additionally aggravated the political and economic situation in Sudan. The oil discoveries played a pivotal role in igniting the second civil war in 1983 and complicated the possibilities for peace between the south and north as it became the central objective for the fighting parties.

This paper investigates the impact of oil on the internal situation in Sudan as well as its impact on Sudan's international relations. The paper will focus on the role of the main two foreign actors whose policies were and still are very influential within Sudan; China and the United States.

The paper argues that oil has had a catastrophic impact on Sudan. It played a key role in igniting the second civil war in 1983 and complicated the possibilities for peace between the south and north as control over it became the central issue for a settlement of the conflict. The civil war made Sudan vulnerable. Internally it depleted the economy and any prospect for development. In addition it rendered Sudan vulnerable to external imperialist aggressive policies. The civil war and The United States imperialist aggressive policies aimed at controlling Sudan's natural resource (mainly oil), in fact has put the country on the verge of collapse as a state.

Although the focus of this paper is on the impact of oil, it should be mentioned here that Sudan has many more valuable natural resources apart from oil. Its mineral wealth includes significant reserves of uranium, copper, diamonds, gold, iron ore, mica, silver, talc, tungsten, uranium, and zinc. Sudan's total land surface amounts to 2.51 million square km. of which about half is cultivable. However, only 170.000 square km. is actually being used for cultivation. Sudan has a strategic position on the Red Sea, with borders with nine countries; Egypt, Libya, Chad, Central Republic of Africa, Democratic republic of Congo, Uganda, Kenya, Ethiopia, and Eritrea. The Sudanese potential for development is therefore vast if a situation would arise in which its resources could be fully used for the benefit of the Sudanese people and the development of the country in general. This fact is perceived as a threat to the interests of the United States and its regional allies as it implies the possibility for the emergence of a strong and independent Sudan.

The outline of this paper is as follows. In the first chapter some background information will be provided on Sudan's oil wealth as well as some details on foreign involvement in the oil exploration and exploitation over the years.

Subsequently, in chapter two, a brief overview will be given on the internal Sudanese developments since oil exploration was initiated in Sudan.

In chapter three the role of the United States and its policies towards Sudan will be discussed followed by a similar discussion on the Chinese role and policies towards the country in chapter four.

In the conclusion I aim to provide a brief overview and interpretation of the described developments as well as a personal perspective on the possible future of Sudan.

# **Chapter 1**

## **Oil industry in Sudan**

### **1.1 Brief history**

Oil exploration in Sudan was first initiated in 1959 by Italy's Agip oil company in the Red Sea area. Several oil companies followed Agip in the Red Sea Area but none were successful in their exploration efforts. After the end of the first civil war in 1972 it became possible to extend the oil exploration to southern Sudan. In 1975 the American oil company Chevron was granted a concession in the south and south-west of the country. The first oil discovery in Sudan was made by Chevron in the south of Sudan in 1979, west of the Muglad. Chevron continued its successful exploration and made more significant discoveries in the so called Unity and Heglig fields. In 1983 Chevron, Royal Dutch Shell, the Sudanese government, and the Arab Petroleum Investments Corporation (Apicorp) formed the White Nile Petroleum Company in order to build an oil pipeline from the Sudanese oil fields to Port Sudan on the Red Sea. The projected costs for this project amounted to US\$ 1 billion. The plans of Chevron could not be implemented as the second civil war erupted in 1983. Chevron suspended its operations in 1984 and entirely ended its 17 year long involvement in Sudan by selling its interests to the Sudanese company Concorp in 1992. Concorp sold these concessions on to the Canadian oil corporation 'State Petroleum Corporation' a few months. In 1994 Arakis Energy Corporation purchased State Petroleum Corporation and started operating in Sudan. Arakis faced difficulties in securing the needed financing to fulfil its exploration and production agreement with the Sudanese Government. In 1996 it sold 75% of its shares to the China National Petroleum Company (CNPC), Petronas (Malaysia) , and Sudanpet (Sudan) with which it jointly formed the Greater Nile Petroleum Operating Company (GNPOC). Arakis subsequently sold its 25% share in the GNPOC to the Canadian company Talisman in 1998. The GNPOC made considerable discoveries, increasing the amount of proven reserves in Sudan. It also succeeded in the construction of the pipeline from the Heglig and Unity fields to Port Sudan on the Red Sea. In 1999 the pipeline became operational and carried the first Sudanese oil exports to Port Sudan.

In this period and as a result of international public pressure over accusations of being complicit in human rights violations through its operations in Sudan, Talisman sold its shares in the GNPOC to the Indian company Oil and Natural Gas Corporation Limited (ONGC).

A consortium made of the French company Total, the American company Marathon, Kuwait Foreign Petroleum Company and the Sudanese company Sudapet was granted a concession in south eastern Sudan ( block B) in 1980. The consortium suspended its operations in 1985 as a

result of the civil war. Unlike Chevron, Total and its partners did not relinquish their concessions as a result of the civil war and they signed an agreement in December 2004 with the Sudanese government to update the contract. As a result of this there is now a dispute between Total and a UK company, White Nile Ltd, who claims that it signed an agreement with the future government of south Sudan for oil exploration in part of the land believed to be within block B and part of the concession of Total and its partners.

In 1997, the Sudanese Government granted another concession in the so called block 5A to the Swedish company Lundin with partners Petronas, OMV (Austrian oil and gas company) and Sudanpet. In 2001 the same consortium was granted a concession over block 5B. In 2003 Lundin sold its interest in block 5A to Petronas and OMV sold its interests in Blocks 5A and 5B to the Indian company Oil and Natural Gas Corporation Limited (ONGC).

**1.2 Oil reserves and production**

**1.2.1 Reserves:** according to BP statistical review of world energy 2006, Sudan has a proved oil reserve of 6.4 thousand million barrels. The oil exploration has been limited to the central and south central regions. It is estimated that the country holds vast potential reserves in the east, north-west and south of the country.

**1.2.2 Production:**

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Thousand b/d	2	5	9	12	63	174	211	233	255	325	379

Source; BP statistical review of world energy 2006

In 1999 the construction of an export pipeline, that connected the Heglig oil fields in central Sudan to Port Sudan on the Red Sea, was completed. This led to a considerable increase in oil production, and the first oil export in the history of Sudan. Since then production has increased steadily.

In April 2006 another 1400 km pipeline, from Upper Nile in Sudan’s south-east to the eastern Port Sudan became operational. This pipeline will raise production to 500,000 b/d in 2006 and it is estimated that it will double the production in 2007.<sup>1</sup>

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<sup>1</sup> Reuters, “Sudan opens oil pipeline able to pump 500,000 bpd”, April 10 2006, [http://www.sudantribune.com/article.php3?id\\_article=14988](http://www.sudantribune.com/article.php3?id_article=14988)

### **1.3 Overview of interests of foreign oil companies currently operating in Sudan:**

China National Petroleum Corporation (CNPC).CNPC is involved in several projects in Sudan. It has a 40% share in the Greater Nile Petroleum Operating Company (GNPOC), which owns the rights in blocks 1,2 and 4 (Heglig and Unity fields), a 92% interest in block 6. In addition CNPC has a 41% share in the Petrodar Consortium which owns concessions in blocks 3 and 7 and 35% in block 15.

Petroliam Nasional Berhad (Petronas), a state owned Malaysian company has a 30% interest in GNPOC, a 40% interest in the Petrodar Consortium (blocks 3,7), a 68.875% in block 5A, 39% in block 5B, 77% in block 8, and 35% in block 15.

Oil and Natural Gas Corporation Limited (ONGC), a state owned Indian company has a 25% interest in GNPOC, 26.125% in block 5A and 23.5% in block 5B.

Lundin Petroleum, a Swedish company has a 24.5% interest in block 5B

The French company Total has a 32.5% interest in Block B.

The American company Marathon Oil Corporation has 32.5% interest in block B.

Kuwait Foreign Petroleum Company has a 25% interest in block B.

Cliveden, a Swiss company has a 37% interest in block C.

Express Petroleum of Nigeria has a 10% interest in block 15.

## **Chapter 2**

### **Oil and south-north civil war**

Sudan suffered its first civil war between the 1956 and 1972. It was ended by the signing of the Addis Ababa peace agreement on the basis of which the south became an autonomous region. The second civil war broken out in 1983 as a consequence of the collapse of the Addis Ababa agreement. The second civil war only ended officially in 2005.

The oil discoveries made by Chevron in Sudan complicated the relations between south and north and played a major role in re-igniting Sudanese civil war in 1983.

The oil related disputes started in 1980 when the Sudanese president Numeiri announced a plan to change the borders between the southern and northern provinces and which divided the southern region into three states creating the Unity state around Bentiu where the oil rich areas are located. On the basis of this division plan the Unity State became part of the north. This development was rejected by the leaders of the south who refused to accept it. The leaders of the south perceived the division plan as an attempt by the central government to control the oil areas and deprive the south of the oil revenues. It should be mentioned that under the Addis Ababa agreement the southern regional government had the right to all profits on exports from the region.

Another issue was a dispute over the pipeline connecting the southern fields to Port Sudan. The south preferred a route that would not pass through the north and proposed a route that passed through Kenya to the Indian Ocean. In addition there was a dispute over building a refinery which the south demanded to be in its region. This demand was rejected by the government in the north and the refinery instead was built in the north. These disputes, all related to control over the country's oil wealth, resulted in a deep crisis and an increasing lack of confidence between the two parties. The central government's clear intentions to seize full control of the oil violated the Addis Ababa agreement and increased anger and fear in the south which eventually resulted in the eruption of the second civil war in March 1983. At that time the rebel Sudan People's Liberation Army (SPLA) was founded by the southern army commanders led by John Garang.

The eruption of the civil war made it impossible for the foreign companies to continue operating in Sudan as the security situation was deteriorating. The SPLA targeted the oil fields in order to prevent the Sudanese government from exploiting the oil resources. In 1984 the SPLA attacked the oil fields in the south abducting and killing three Chevron workers.

This incident forced the consortium led by Chevron to suspend its operations in Sudan. The consortium led by Total suspended its operations in 1985.

After the overthrow of the Mengistu regime in Ethiopia in 1991, which was a main ally of the SPLA, the SPLA lost considerable ground to the government forces over the following three years. As a result of this the majority of the oil fields once again came under the control of the Sudanese Government and relative security prevailed. This new situation attracted new foreign investments and led to the resumption of the oil exploration and development operations. The oil revenues, especially after 1999, altered the balance of power within Sudan as the Sudanese government gained the financial resources to modernise the army and make it more efficient in fighting the SPLA. This shift in the military balance of power did however not bring the civil war to an end. The SPLA continued to receive support of the United States and its regional allies and continued to attack the Sudanese army and some oil fields.

The civil war only ended officially in January 2005 by the signing of a peace agreement in Nairobi, on the basis of which the south was granted the right to self determination in 2011 after a six year long transitional period. An important element in the agreement was the sharing of oil wealth, which would be divided equally between the two parties.

## Chapter 3

### Oil and Sudanese-US Relations

#### 3.1 Background

The Sudanese-US relations oscillated between two extremes. In 1972 Sudan, under the Numeiri's regime, shifted its cold war alliance from the Soviet Union and became a strategic cold war ally of the United States. Sudan became more important for the United States to counterbalance the Soviet Union influence in the region, in particular after the overthrow of the United States historical ally in Ethiopia in 1977. The Sudanese-US alliance continued until the overthrow of Numeiri's regime in 1985. Since then the Sudanese-US relations deteriorated and eventually collapsed completely in 1989 after the National Islamic Front military coup. The US policy towards Sudan became hostile and aggressive as the new Sudanese regime adopted independent policies that were against the American hegemony in the region. The new Sudanese government to be a client of the United States.

As a result of this, up to 2000, US policies towards Sudan were aimed at isolating and destabilising the Sudanese regime in order to pressure it to comply with US (regional) interests. During this period the United States supported the rebel movement in the south financially. After 2000, the Bush administration adopted a different approach which was based on attempting to bring the Sudanese civil war to an end. This new approach was related to the changing political and economic realities in Sudan.

#### 3.2 1972-1985

During this period Sudan was a key ally of the United States in the region. Besides Sudan's strategic position on the Red Sea and the United States need for allies in the region, Sudan's vast natural resources rendered it important ally for the United States.

The oil discoveries made by Chevron in late 1970's and early 1980's bolstered the Sudanese-American relations further. Subsequently, the United States substantially increased its military and economic assistance to Sudan. By the early 1980's Sudan was the sixth largest recipient of U.S. military aid in the world.<sup>2</sup>

The US support for Numeiri's regime provided it with the confidence that it could provoke the south by changing the internal boundaries between the north and south regions and violation of the Addis Ababa agreement. The position of the US oil company Chevron was in

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<sup>2</sup> Connell, Dan. Sudan Recasting U.S. Policy. *Foreign Policy in Focus*. vol. 5, No. 40. August 2001

favour of the central government with regard to the south-north oil disputes. Chevron signed an unpublicised contract with the Numeiri government to explore areas in the south, with a production-sharing formula with the central government alone.<sup>3</sup> As a consequence of its policies Chevron's relations with the southern Sudanese government worsened over time. The first director of Chevron maintained good relations with the southern regional government but as Abel Alier, a southern judge who was Numeiri's vice president, said "a second Chevron group cut relations with us [the southern Sudanese] and treated us with less respect".<sup>4</sup> Alier also indicated that Chevron was quite comfortable with Numeiri's plans to change the south-north boundaries.<sup>5</sup> It would seem logical that Chevron, in order to protect its interests in the best manner possible, should have maintained good relations with both parties. Chevron's behaviour can however be understood by taking into consideration the economic and political crisis within Sudan, the general US role and interest in it and the related interest of Chevron. At the time that it became evident that Sudan had significant oil reserves, Sudan was suffering a deep economic crisis and Numeiri's regime faced increasing popular anger among the general population. Control over oil was perceived by the regime as well as the United States as a tool to consolidate its position while the political and economic situation in Sudan was deteriorating. The United States interest obviously was keeping its ally, the Numeiri government, in power.

Neither the Americans nor Numeiri regime seemed to expect that their policies would lead to the eruption of the civil war. The civil war forced Chevron to suspend its operation after it had invested more than one billion US Dollars.<sup>6</sup> The civil war further weakened Numeiri's regime which was eventually overthrown in 1985 and obviously had a catastrophic impact on the development and future of the country.

### **3.3 1985-1989**

In April 1985 Numeiri's regime was overthrown by the army after a popular uprising. One year later parliamentary elections were held and Sadiq Al-Mahdi became Prime minister. The new government's foreign policy was neutral, a policy that was not welcomed by the United

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<sup>3</sup> Verney, Peter. Raising the Stakes: Oil and Conflict in Sudan. Sudan Update. 1999. P. 12

<sup>4</sup> Ibid. P 12

<sup>5</sup> Ibid. P 13

<sup>6</sup> Ibid. P 15

States. As a result the United States started reducing its economic and military support to Sudan, and in January 1989 it was totally suspended.<sup>7</sup>

In spite of the deterioration of the United States relations with the Sudanese government, Chevron was willing to resume its operations in the country. It agreed with the Sudanese government to resume its operations in two years or to sell its concessions to other companies.<sup>8</sup> This decision by Chevron was based on the progress of negotiations aimed at bringing the civil war to an end. At the end Chevron could not resume its operations as the hopes for a peaceful solution dashed with the overthrow of the Sadiq Al-Mahdi government in June 1989 by Al-Bashir, the current Sudanese president, and the National Islamic Front led by Hassan Al-Turabi.

### **3.4 1989- 2000**

The new Sudanese regime adopted policies that opposed the American hegemony in the region. Sudan stood with Iraq against the international American led aggression against Iraq in 1991 and started to develop its relations with Libya, Iran and China. Considering these policies as being against the American interests in the region the United States adopted an aggressive policy of isolation, containment and destabilisation against the Sudanese regime with the aim of forcing the Sudanese regime to comply with the United States agenda. This approach was adopted and put in effect by the Clinton administration.

In 1993 the United States put Sudan on its list of states sponsoring terrorism. In 1996 the United States supported UN Security Council resolution 1054 which imposed diplomatic sanctions on Sudan. And in 1997 the United States imposed comprehensive trade sanctions on Sudan. These aggressive policies culminated in August 1998, when the United States bombed El-Shifa pharmaceutical factory in the Sudanese capital Khartoum.

The United States was also actively involved in the Sudanese civil war. In 1996 it provided its regional allies Ethiopia, Eritrea and Uganda with 20 million US\$ of military equipment in order to help the SPLA<sup>9</sup>. At the beginning of the civil war the SPLA received military support of Libya and Ethiopia who were on the side of the Soviet Union, as the SPLA was seen to be fighting against a regime who is a client to the United States. With the regime change in Ethiopia in 1991 the SPLA lost its main ally in the region and this was reflected in the battle

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<sup>7</sup> Sayed A., Asser. Addawr Elamriki Fi Mushkilat Janob Asudan, "The American Role in The Southern Sudan Question". Aljazeera Net. 2004

<http://www.aljazeera.net/NR/exeres/E55B739F-8EC4-4BFC-BDF5-12889A9717AE.htm>

<sup>8</sup> Al-Mahdi, Sadiq. Hal Anqatha Alinqilabion Asudan, "Did the Coup leaders Rescued Sudan". Al-Haqqeq. June 18th 2006. <http://www.alhaqqeq.net>

field. During the 1990's the SPLA started receiving support from the United States regional allies Ethiopia, Eritrea and Uganda. The United States was also involved through the United States Agency for International Development (USAID) which is a very effective instrument in the United States foreign policy as it promotes the American political agenda through humanitarian work<sup>10</sup>. The USAID was very active in the south Sudan region exclusively and paved the way for direct relations between the United States and the SPLA. Through the complementary roles of the United States regional allies and the USAID, the SPLA became heavily dependent on the United States.

Another important aspect of the United States aggressive policies towards Sudan was the prevention of Sudan to exploit its oil wealth. The above mentioned policies played a major role in obstructing the Sudanese government planes to start oil production. The economic and diplomatic sanctions beside the support of the rebels in the south, made it difficult to foreign oil companies to consider working in Sudan both for security reasons and for fear of problems with the United States.

Chevron's decision to sell its concessions in Sudan was mainly related to the United States policies towards Sudan. Insecurity, poor relations with the Government of Sudan and pressure from the American Government finally made Chevron decide to leave Sudan.<sup>11</sup> The United States Government also encouraged Chevron to leave Sudan by offering the company a tax write-off for its operations in Sudan worth an estimated US \$550 million as a compensation for its losses there.<sup>12</sup>

The Canadian oil company Arakis financial problems in raising the funds needed to finance its investments in Sudan were also related to the United States policies towards Sudan. Among other measures the United States Government, which had applied political and economic sanctions on Sudan in 1997, allegedly spread negative information concerning the Canadian company.<sup>13</sup> This made it impossible for Arakis to continue operating in Sudan and it therefore sold its concessions in 1998.

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<sup>9</sup> Hoile, David. *Farce Majeure: The Clinton Administration's Sudan Policy*. The European – Sudanese Public Affairs Council (ESPAC). London. 2000. P 86

<sup>10</sup> The real role of the western aid agencies in conflicts areas as an executive arm of its governments interests could be manifested through the example of the governmental agency Norwegian People's Aid (NPA) in Sudan. The NPA was involved in providing weapons to the SPLA. For more informations see: the European-Sudanese Public Affairs Council report *Perpetuating Conflict and Sustaining Repression: Norwegian people's Aid and the Militarisation of Aid in Sudan* on the link:

[http://www.espac.org/norwegian\\_pages/norwegian\\_aid.asp](http://www.espac.org/norwegian_pages/norwegian_aid.asp)

<sup>11</sup> Patey, Luke A. *A Complex Reality: The Strategic Behaviour of Multinational Oil Corporations and the New Wars in Sudan*. Danish Institute for International Studies. 2006. P 16

<sup>12</sup> *Ibid.* P 16

<sup>13</sup> *Ibid.* P 18

Another Canadian oil company which faced pressures from the American Government to leave Sudan was Talisman. Talisman faced several problems related to its operations in Sudan. The declared intentions to extend the American sanctions imposed on Sudan in 1997 to include those corporations borrowing from American capital markets put the Canadian firm in jeopardy of losing a broad segment of its shareholders base and the ability to raise funding in the United States through its NYSE listing. There was also pressure from the American government to exclude the company from U.S. capital markets.<sup>14</sup>

Talisman was attacked fiercely by human rights and other NGO's who accused the company of being complicit in human rights abuses in Sudan. They lobbied the shareholders in order to force the company to leave Sudan. This campaign was not isolated of the US Government's influence. Human rights group and other lobbies in the United States are selectively active with regard to human rights issues around the world. It is not a coincidence that they become actively involved in areas and issues that are only in accordance with the United States interests. These factors in which the American Government played a decisive role led Talisman to leave Sudan.

In spite of the American aggressive policies Sudan managed to develop and eventually start producing oil in 1999. This achievement was realised mainly through the investments made by Chinese and Malaysian oil companies since 1996. The Sudanese oil reserves were key to the eventual failure of the US sanction regime. Despite of this regime potential revenues were so great that apart from Asian oil companies also European ones invested in it. Countries subsequently resumed diplomatic relations with Sudan. These developments among others brought about a tactical change in the United States approach towards Sudan.

During this period several negotiation rounds were held between the SPLA and the Sudanese Government but with no results. The main peace initiative which was supported by the United States was made by the Intergovernmental Authority on Development (IGAD) in 1994 and resulted in the IGAD Declaration of Principles. The IGAD is a regional grouping of seven African countries Sudan, Ethiopia, Eritrea, Djibouti, Kenya, Somalia, and Uganda. It is clear that the initiative was a move made by the United States through its regional allies. The Declaration of Principles for the first time addressed the right of self determination for the south through a referendum. This practically meant the fragmentation of Sudan even if it prioritised national unity. The Initiative was an indication of what the ultimate objective of the United States was and this is why the United States refused or neglected all other proposals which did not include the right of self determination of the south, especially the Libyan-

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<sup>14</sup> Ibid. P 24, 25

Egyptian initiative in 1999. The SPLA signed the Declaration of Principles while the Sudanese Government refused to sign it in 1994. It eventually accepted it in 1997 with no changes. The Declaration of Principles became the basis of the negotiations between the Sudanese Government and the SPLA which led to the signing of the final agreement in 2005 on the basis of which the south has the right to self determination through a referendum that will be held in 2011.

### **3.5 2000-2006**

The United States policy towards Sudan during this period was mainly based on a report published by the Centre for Strategic and International Studies (CSIS)<sup>15</sup>. The report highlighted the changes that had occurred in Sudan during the last years and highlighted the need to change the American Government policies towards Sudan. It recommended that the Bush Administration concentrate its policy on the objective of ending Sudan's war on the basis of the IGAD Declarations of Principles. And to do so, the Bush Administration should resume full diplomatic relations with Sudan and appoint a high level fully empowered envoy. These recommendations were implemented by the Bush Administration who assigned Senator John Danforth as the president's envoy for peace in Sudan.

The change in the American policy towards Sudan was mainly related to the oil related developments in Sudan. The United States attempted to reign in China's growing influence in Sudan who had benefited of the sanctions imposed on Sudan during the 1990's. Also the significant oil discoveries made in Sudan by the Asian oil companies made the American oil companies pressure the American Administration to change its policy so they could operate in Sudan and benefit of a lucrative oil industry with a promising future. The United States main objective however remained reaching an agreement that would end the Sudanese Civil war and would secure the separation of the south.

Under pressure of the United States the Sudanese Government and the SPLA signed the Machacos protocol in July 2002. In October 2002 the American president signed the Sudan Peace Act, in which the American administration threatens the Sudanese Government with punitive measures if it obstructs the negotiations, does not negotiate in good faith or if it is not in compliance with the terms of a permanent peace agreement. The Act also pledges US\$ 100 million of assistance for each of the years 2003, 2004, and 2005 to areas outside the Sudanese Government's control. The terms of a permanent peace agreement were set up by the United

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<sup>15</sup> CSIS. US Policy to End Sudan war, Report of the CSIS Task Force on U.S.-Sudan Policy. CSIS, Washington DC 2001.

States. The Act makes it clear that the United States wanted the Sudanese Government to sign the agreement that the United States wanted. In effect that meant the agreement should guarantee the right of self determination of the south which would pave the way for separation.

The United States succeeded in forcing the Sudanese Government to sign the agreement in January 2005 on the basis of which the south has the right to self determination through a referendum that will be held in 2011. The outcome of the referendum is expected to be in favour of separation which means that after 2011 the north will not have any rights over the oil wealth of the south.

The main event that dominated Sudan during this period was the eruption of the Darfur crisis in February 2003. The Darfur crisis opened another front against the Sudanese Government. The crisis started a few months after the SPLA and the Sudanese Government signed the Machacos protocol and at a time that the negotiations were under way to reach a comprehensive agreement between the south and the north. These facts beside the split in 1999 between the leaders of the 1989 military coup, the Sudanese president El-Bashir and Hassan Al-Turabi the leader of the National Islamic Front, were the key factors in the creation of the crisis. The crisis put more international pressure on the Sudanese Government and resulted in a threat of possible international intervention in Sudan. The United States exploited the crisis heavily in order to put forward and implement its agenda. The United States qualified the events in Darfur as a genocide, which was an attempt to put Sudan under international sanctions and pave the way for military aggression. But the interests of other permanent members of the Security Council, mainly China, aborted the United States attempts to push the United Nations to adopt the United States position over Darfur. Under the pressure of the United States and the United Nations the Sudanese Government and main rebel group signed the Darfur Peace Agreement on May, 5, 2006 in Abuja, Nigeria. The power and wealth sharing are main points in the agreement, most importantly; however, the agreement states the people of Darfur have the right to determine their status as a region through a referendum to be held by July 2010. The United States is fiercely lobbying for sending United Nations peace keeping troops to monitor the implementation of the Peace agreement. Until now the Sudanese Government refuses to accept such troops, a position that could change in the near future. In the current global political context the Darfur agreement could eventually, and in the best case, lead to the creation of an entity that is officially part of Sudan but will practically be under the “International Community” (the United States) control, if it will not become an independent state. Even though the Darfur crisis was in

essence not related to oil related issues it should be mentioned that drilling for oil in Darfur started in 2005. According to Mohamed Siddig, a spokesman for Sudan's Ministry of Energy and Mining "The drilling was undertaken on the basis of the geological studies and surveys which proved the presence of oil in abundant quantities in Darfur."<sup>16</sup> This fact played a key role in making the United States put heavy pressure on all the parties involved in the crisis in order to end the fighting, so that oil exploitation could be possible.

The policy of the United States towards Sudan during the Bush II administration was a continuation of the policy of his predecessor Clinton; though the tactics were different, the objectives remained the same. At the end the United States managed in forcing the Sudanese Government to comply with its interests. The Sudanese Government agreed to what it totally refused before, and it put the future of Sudan in the hands of its enemies who are now preparing the south for separation and Darfur could face the same faith.

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<sup>16</sup> Reuters, Sudan Says "Abundant" Oil found in war torn Darfur. April 19th 2005.  
[http://sudantribune.com/article\\_impr.php3?id\\_article=9147](http://sudantribune.com/article_impr.php3?id_article=9147)

## Chapter 4

### Oil and the Sudanese-Chinese Relations

Oil is the main interest of China in Sudan and it has bolstered the Sudanese-Chinese relations which started in 1959, substantially.

The state owned oil company China National Petroleum Company, which is China's arm in securing oil overseas, was granted its first concession in block 6 in 1995, but only started operating in Sudan in 1997 as a member of the GNPOC. Since then the CNPC expanded its operations and acquired more concessions in Sudan. It holds a 40% interest in the Greater Nile Petroleum Operating Company (GNPOC), which owns the rights in blocks 1,2 and 4 (Heglig and Unity fields), 92% interest in block 6, 41% interest in Petrodar consortium which owns the rights of blocks 3 and 7, and has a 35% interest in block 15.

The Chinese company provided the Sudanese oil industry with the required investment to built the oil pipeline and consequently converted Sudan to an oil exporting country in 1999. Among the countries in which CNPC operates, Sudan is the most important. Even though Sudan's share of China's imports for 2004 was 4.7%<sup>17</sup>, the importance of Sudan is in its share of the total oil imports from the wells owned by CNPC. Sudan accounted for 16 million of the 30.1 million tons of overseas oil the firm pumped during 2004<sup>18</sup>. This share is expected to increase due to the increasing oil production in Sudan and the expansion of the CNPC exploration and development operations in unexplored areas.

As a consequence China has become the main trade partner of Sudan. In 2003, China was the destination of 24% of the Sudanese exports and the origin of 19.2% of the Sudanese imports<sup>19</sup>. Also, China has expanded its economic activity in the country through banking, light and heavy industry, agriculture, fisheries and pharmaceuticals<sup>20</sup>. The military co-operation between the two countries goes back to 1985, and has been further stimulated by the increasing Chinese interests in Sudan.

The Chinese role in developing the oil industry in Sudan has been substantial, it could be argued that without the Chinese investments, Sudan would have remained unable to exploit its oil resources. Chinese involvement in Sudan was instrumental in the (partial) failure of the US sanction regime towards Sudan. Chinese involvement also led to a change in the United

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<sup>17</sup> Zweig, David and Jianhai, Bi. China's Global Hunt for Energy. Foreign Affairs, vol.84 Issue 5, sep/oct 2005.p8

<sup>18</sup> The Economist Intelligence Unit. Country Report Sudan. UK. March 2005. P24

<sup>19</sup> Ibid. P5

<sup>20</sup> Patey, Luke A. A complex reality: The Strategic Behaviour of Multinational Oil Corporations and the New Wars in Sudan. Danish Institute for International Studies. 2006. P 33

States approach towards Sudan. Through Chinese involvement it was proved that the Sudanese oil reserves were much more substantial than was expected. This subsequently made the American oil companies blame the United States policies for depriving them of a lucrative oil market, and consequently put pressure on the American Administration to change its policies so also US companies could operate in the country. The Chinese increasing interests in Sudan and its control of the majority of the oil fields was perceived as a strategic threat to the American interests in the region which also played a key role in the changing US approach towards Sudan. One of the main aspects of the United States approach was to put the vast undiscovered areas of the south under its indirect control thereby preventing China from controlling more areas in the oil rich south.

The Chinese interests in Sudan were reflected clearly in the political support it provided to Sudan in the United Nations. The Chinese interests were the main factor in preventing the United States of obtaining international resolutions that would have imposed economic sanctions, including arms and oil embargo's on Sudan. The Chinese role in obstructing such resolutions was manifested in 1996 when the United States was pushing for the adoption of a Security Council resolution that would have imposed economic sanctions, including an arms embargo. Due to the Chinese opposition the resolution eventually imposed diplomatic sanctions only, which China did not implement. China also supported Sudan during the Darfur crisis and prevented the adoption of resolutions would have included any economic sanctions. In 2004 there was an attempt by the United States to obtain such a resolution against Sudan which was vetoed by China.

China encouraged the Sudanese Government to reach peace agreements (as brokered by the United States) with the south as well as in Darfur which evidently is not in the interest of Sudan as these threaten its unity. China is also participating in the United Nations Mission in Sudan, which was established in 2005 as a peace keeping force to support the implementation of the peace agreement in the south. China is thereby attempting to create good relations with the south which is very important to China in order to protect its oil interests in the south in case of separation.

Chinese relations with Sudan did not reach an alliance it could be called special friendly relations, no more. China's economic interests with the United States led China to adopt a balanced policy that does not jeopardise its interests in both countries. Moreover, the American policy towards Sudan was not opposed totally as China did not want to be under pressure of more instability in Sudan which would be the case if the Sudanese regime did not comply with the United States demands. Stability is of great importance to China in order to

continue operating in Sudan. Thus it could be argued that China played a major role in reaching the peace agreements and thereby making the Sudanese regime comply with the United States policies.

## **Conclusions and Perspectives**

Instead of being a catalyst for development oil has had a devastating impact on Sudan. The main impact of oil internally is the ignition and the prolongation of the civil war. The Numeiri's regime attempts to fully control the oil wealth, supported by the United States, was the straw that broke the camel's back in undermining the Addis Ababa peace agreement. The Sudanese Government who was headed by Sadiq Al-Mahdi was close to bring the north-south conflict to an end in 1989, a possibility that was undermined by the 1989 military coup led by the current Sudanese president Omar El-Bashir. Actually the coup was directly related to the agreement between the SPLA and the Sudanese Government to hold a national conference aimed at discussing the issues of Sudan in order to seek a nationally agreed settlement to solve these issues, the main issue was the south-north relation. Omar El-Bashir's regime did not seek a peaceful solution to the south issue that would have protected the unity of Sudan. On the contrary the regime believed that it could end the civil war militarily. An approach clearly considered the full control of the oil wealth. The civil war was the weakness point of Sudan. It weakened its capacity to resist the United States imperialist policies. The United States relations with the SPLA was an important factor in the prolongation of the civil war. The SPLA vision to tactically benefit from the American pressure on the Sudanese Government proved to be catastrophic. At the end the SPLA has become a client of the United States and it helped substantially in driving Sudan towards division. Both parties of the civil war engaged in short sighted policies to protect themselves without considering the real external dangers facing Sudan.

Oil was one of the main interests of the United States. During the period of good relations the United States sought to exploit the oil wealth and in times of deteriorating relations it sought to prevent the Sudanese Government to exploit it, through economic sanctions and pressures put on the western oil companies operating in Sudan. The failure of the United States policies to prevent the exploitation of the oil, the increasing Chinese control of oil resources, beside the internal weakening of the Sudanese regime and the dependency of the SPLA on the American support led the United States to change its approach towards Sudan after 2000. At the end the United States sought to prevent China from extending its control over the oil resources not through the resumption of its relations with the Sudanese Government but through seeking the division of Sudan. The division of Sudan with client governing elite will make it easier for the United States to control the oil wealth and other natural resources and this will consolidate the American domination in the region and in Africa. The south is heavy

dependent on the international support mainly from the United States a fact that means that the South will ultimately be a client state of the United States in case of separation which the most expected outcome of the referendum in 2011 .

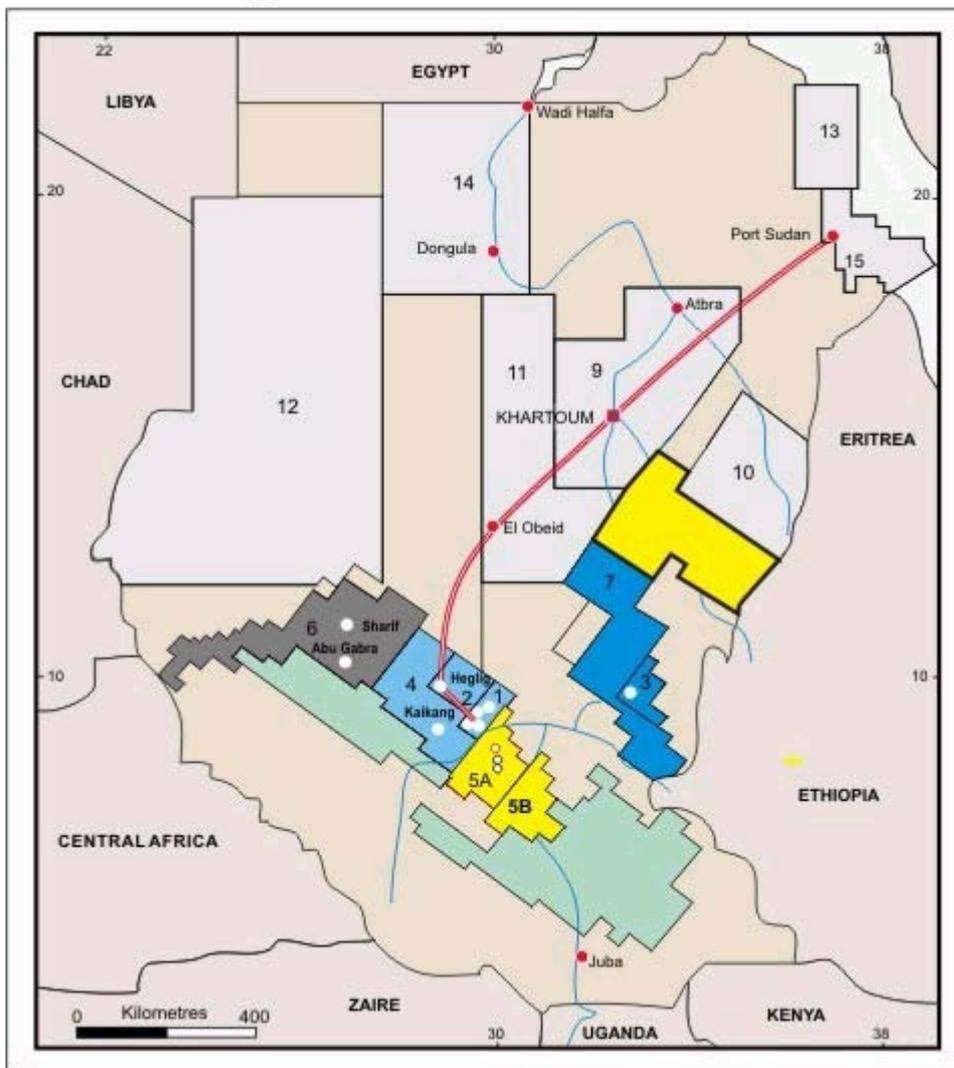
The Chinese interests in Sudan did not result in providing support that would have protected Sudan in the face of the United States imperialist objectives. The Chinese support only served Sudan in the short run and actually China and the United States had the same objective in bringing stability to Sudan and exploiting the oil wealth. At the end China wanted to guarantee its interests through having good relations with all the players in Sudan.

The above analysis does not mean that the future of Sudan will inevitably be as the United States dictates even though the picture is very dark. There is growing anger in northern Sudan against El-Bashir regime and its policies that put the country on verge of division. Based on the Sudanese people political experience it is fair to expect a popular uprising against the regime. The Sudanese people is one who had through two popular uprisings in 1964 and 1985 brought a regime change. Also the future of Sudan now depends on the Southern elite as well as popular classes. It is believed that there are leaders in the south who see the dangers of the separation and that it is not in the interest of the south to become a client state of the United States. This belief stems from the fact that the SPLA and its leaders were not separatists and were looking for a new democratic secular Sudan that respects the ethnic, religious, and cultural diversity of its people. A popular uprising in Sudan that brings a regime with clear national agenda to protect Sudan Unity and to end the historical roots of the south issue, accompanied with the understanding of the south that its interests lie only with a unified Sudan. This is the only way for Sudan to live in internal peace and be able to resist the imperialist interests. Otherwise the popular classes of Sudan will continue to suffer and the divided Sudan will end all the hopes of the Sudanese people in a strong and developed Sudan.

### Map : Oil concessions in Sudan

Source: ONGC Videsh. Operations: Sudan (5A & 5B)

Note: The blocks with green colour constitutes Block B, owned by Total led consortium



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