

**THE IMPACT OF CHINA'S NEED FOR SUSTAINED ACCESS TO OIL  
RESOURCES ON POST-COMPREHENSIVE PEACE AGREEMENT  
SUDAN AND SOUTHERN SUDAN**

by

**NICOLAAS JJ OLIVIER  
22195905**

submitted in fulfilment of the requirements for the degree of

**MAGISTER ARTIUM**

in

**INTERNATIONAL RELATIONS**

in the

**DEPARTMENT OF POLITICAL SCIENCES**

of the

**UNIVERSITY OF PRETORIA  
FACULTY OF HUMANITIES**

28 June 2010

**Supervisor: Prof H. Solomon**

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## ABSTRACT

This dissertation focuses on the impact of China's need for sustained access to oil resources in post-Comprehensive Peace Agreement (CPA) Sudan and Southern Sudan. Applying an integrated conceptual framework (a combination of economic nationalism and Daniel Yergin's three themes in which the political narratives of oil are grounded), China's domestic drivers can be identified as the augmentation and security of national power, economic growth and autonomy, modernisation and substantial industrialisation. In order to fulfil these aims, China has a great need for natural resources, especially oil. A prime example of China's pursuit of sustained access to oil resources is its involvement in the greater Sudan. As a result of the vast amounts of oil, as well as the absence of western competition, Sudan became an obvious choice for China. As a result of the signing of the CPA in 2005, China has had to adjust its principle of upholding formal state sovereignty (and its exclusive relationship with Sudan (Khartoum)), which practically means that it can engage with Southern Sudan (most importantly to secure its vast oil interests in the region). Evidence presented in this dissertation would suggest that it is likely that the greater Sudan is descending towards a possible violent breakup - the main reason being that the CPA has not been fully implemented, largely as a result of Sudan's (Khartoum) attempts to stall and/or derail the CPA to continue its control over oil resources and the subordination of Southern Sudan. China is arguably the only state that has positive relations with, and substantial influence in, both Sudan (Khartoum) and (albeit to a lesser extent) Southern Sudan. Taking into account that the establishment of a context conducive to stability and peace in the greater Sudan is in its best strategic interest, China has a responsibility (to itself as well as to the greater Sudan) to bring Sudan (Khartoum) and Southern Sudan to the table to negotiate the most pressing issues. It can use its position as most important investor and importer of Sudanese oil to apply pressure on both sides to reach agreements on key outstanding matters, as well as to establish a framework for the road ahead. Even though China is in some circles regarded as Africa's new colonising power, and even though there are many negative connotations attached to China's *modus operandi* on the continent, it now has both the opportunity and the ability to use its influence to help bring about lasting peace to a country devastated by decades of civil war.

**KEY TERMS:** Africa, Sudan, China, natural resources, energy, oil, foreign policy, Comprehensive Peace Agreement, economic nationalism, secession.

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## LIST OF ABBREVIATIONS AND ACRONYMS

APRM	African Peer Review Mechanism
ATT	Arms Trade Treaty
AU	African Union
BWI	Bretton Woods Institutions
CAR	Central African Republic
CCP	Chinese Communist Party
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
CNPCIS	China National Petroleum Corporation International Sudan
CPA	Comprehensive Peace Agreement
CRBC	China Road and Bridge Company
CRS	Congressional Research Service
DFID	United Kingdom Department for International Development
DRC	Democratic Republic of Congo
EIA	Energy Information Administration
ExIm	Export-Import Bank of China
FDI	Foreign Direct Investment
FFAMC	Fiscal and Financial Allocation and Monitoring Commission
FOCAC	Forum on China-Africa Cooperation
G8	Group of Eight
GDP	Gross Domestic Product
GNOP	Greater Nile Oil Pipeline
GNPOC	Greater Nile Petroleum Operating Company
GNU	Government of National Unity
GoS	Government of the Republic of Sudan
GoSS	Government of Southern Sudan
HRW	Human Rights Watch
ICG	International Crisis Group
ICT	Information and Communication Technologies
IDP	Internally Displaced Person
IEA	International Energy Agency

IGAD	Intergovernmental Authority on Development
IGADD	Intergovernmental Authority on Drought and Development
IMF	International Monetary Fund
IOC	International Oil Company
IPF	IGAD Partners Forum
JIU	Joint Integrated Unit
LRA	Lord's Resistance Army
MDTF	Multi-Donor Trust Fund
MNC	Multinational Corporation
MOOTW	Military Operations other than War
NCP	National Congress Party
NDRC	National Development and Reform Commission
NEA	National Energy Administration
NEC	National Electoral Commission
NEPAD	New Partnership for Africa's Development
NIF	National Islamic Front
NOC	National Oil Company
NPC	National Petroleum Commission
NRF	National Revenue Fund
OPEC	Organisation of the Oil Exporting Countries
ORSA	Oil Revenue Stabilisation Account
PAIC	Popular Arab and Islamic Conference
PB	Political Bureau
PCA	Permanent Court of Arbitration
PDF	People's Defence Force
PDOC	Petrodar Operating Company
PRC	People's Republic of China
RCC	Revolutionary Command Council
RMA	Revolution in Military Affairs
RSPOC	Red Sea Petroleum Operating Company
SAF	Sudan Armed Forces
SANU	Sudan African Nationalist Union
SEZ	Special Economic Zone

SINC	Sudan Interim National Constitution
SINOPEC	China Petroleum and Chemical Corporation
SOE	State-Owned Enterprise
SPLA	Sudan Peoples' Liberation Army
SPLM	Sudan Peoples' Liberation Movement
SPLM/A	Sudan Peoples' Liberation Movement/Army
SPLM-DC	Sudan People's Liberation Movement – Democratic Change
SSCCSE	Southern Sudan Commission for Census, Statistics and Evaluation
SSDF	Southern Sudan Defence Force
SSIC	Southern Sudan Interim Constitution
SSLM	Southern Sudan Liberation Movement
SSU	Sudanese Socialist Union
UK	United Kingdom
UN	United Nations
UNMIS	United Nations Mission in the Sudan
UNSC	United Nations Security Council
US	United States
USIP	United States Institute of Peace
ZDI	Zimbabwe Defence Industries



Map 1: Map of the greater Sudan



Source: MapsOf.net. 2009.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 DEFINITIONAL ASPECTS PERTAINING TO SUDAN**

For purposes of this dissertation, the geographical areas concerned are defined as follows:

- Sudan: the geographical area of Sudan, which obtained its independence in 1956 (inclusive of all its then constituent parts, e.g. Darfur and the current Southern Sudan).
- Sudan (Khartoum): the post-Comprehensive Peace Agreement (CPA) Sudan (with Khartoum as its capital), excluding the geographical area referred to in the CPA as Southern Sudan.
- Southern Sudan: that part of Sudan, which, in terms of the CPA, enjoys a defined degree of autonomy from the Sudan (Khartoum) government with Juba as capital, and which has the option to decide by means of an internationally supervised referendum to either secede from Sudan (Khartoum) and become a fully independent state, or to fully reintegrate into Sudan.

### **1.2 BACKGROUND TO THE RESEARCH THEME**

China's African foreign policy has rapidly advanced over the last twenty years. It is motivated by both political and economic necessities, which creates ample opportunities for Africa's development, but in some incidents also poses severe challenges for African states. China foresees Africa as a partner in the accomplishment of its strategic goals, especially with regard to geopolitical interests, trade, and, importantly, natural resources (including oil). China's foreign policy in Africa is changing the environment for development, peace and security. China is significantly increasing its aid, investment and economic support to Africa (provided with few conditionalities), just as other donor countries and international financial institutions increasingly link disbursements to specific requirements, including good governance and democratic consolidation.

To many observers China's intentions are unambiguous: its emergent domestic industries require new energy and resource providers; its exporters require new markets; and its diplomats need support in international organisations. Its thriving economy, averaging a 9 per cent annual growth rate for more than twenty years, highlights China's need for the extensive availability of natural resources in order to maintain growth. China was totally self-contained with regard to oil up to 1993. From 1993 onwards, China's gross domestic product (GDP) has increased three fold, and its oil requirements more than doubled. China now imports more than 3 000 barrels daily, accounting for approximately half of its total demand. The current share of China in the global oil market is around 8 per cent, while its share of total demand growth since 2000 has been more than 30 per cent (Yergin 2006b:19). China has been successful in adapting its foreign policy objectives to its domestic modernisation and development strategy by supporting national companies to search for oil, gas, and other natural resources in resource rich countries.

Oil is clearly the main motivating factor in China's increasing links with Africa. China now occupies the second position as world oil consumer, only outranked by the US. Around 30 per cent of its oil is now imported from Africa, with Angola, the Republic of Congo, Equatorial Guinea, Gabon, Nigeria and Sudan being the main exporters. China has gone to great lengths to secure drilling rights and sign exploration deals with these countries, based on China's explicitly declared principles and objectives for its involvement in Africa, namely:

- "Sincerity, friendship and equality;
- Mutual benefit, reciprocity and common prosperity;
- Mutual support and close coordination; and
- Learning from each other and seeking common development" (PRC 2005a).

The above aims form part of China's overarching framework for all its international relations, which are referred to as the Five Principles of Peaceful Coexistence, namely:

- "Mutual respect for sovereignty and territorial integrity;
- Mutual non-aggression;
- Mutual non-interference in internal affairs;

- Equality and mutual benefit; and
- Peaceful coexistence” (Shin 1996:269).

Observance to the above Five Principles of Peaceful Coexistence creates a mutual relationship when China invests in states like Sudan – no questions about the other’s governance or human rights records are asked. China has been able to dramatically increase its presence into Sudan, on account of the fact that many international oil companies (IOCs) have been pressurised by their respective governments to withdraw. This is in light of the civil war and allegations of persecution against citizens of Southern Sudan, Darfur and regions with significant oil production (Leyman 2005). In fact, Sudan is perhaps the most lucid case of how China engages Africa with a ‘complete package’ consisting of money, arms and technical expertise. China’s investments in joint exploration contracts in Sudan are worth more than US\$8 billion, with more than 10 000 Chinese citizens employed in Sudan in 2007 alone (AsiaNews.it 2007). In addition, China’s authority in organisations such as the United Nations Security Council (UNSC) protects Sudan from international sanctions.

Even more worrying are the consequences of China’s relationship with Sudan on the internationally mediated and supported CPA (GoS & SPLM/A 2005), which was agreed upon after decades of intense fighting between the largely Arab Muslim north and the largely non-Muslim, non-Arab south. The CPA process started with the adoption of the *Machakos Protocol* in 2002, which was based on the premise of ‘one country; two systems’ (relating to divergent systems in Sudan and Southern Sudan). It also provided that six years after the conclusion of the final comprehensive agreement Southern Sudan would, by means of an internationally supervised referendum, decide on either:

- Retention of a unitary structure for greater Sudan (that would include Southern Sudan) – in which case Southern Sudan’s semi-autonomous form of governance would continue until a permanent Constitution is promulgated; or
- Independence as a sovereign state.

During the six year interim period (2005-2011), Southern Sudan is responsible for its own governance (Government of Southern Sudan (GoSS)), and to participate in a predetermined manner in the Government of National Unity (GNU). In addition, an Interim National Constitution of the Republic of Sudan (2005) and an Interim Southern Sudan Constitution (2005) have been enacted in compliance with the CPA.

China stands to lose its thriving oil interests in Southern Sudan should the CPA's scheduled 2011 referendum decide that the semi-autonomous region should become independent from Sudan. As a result, China has repeatedly blocked international sanctions aimed at forcing Sudan (Khartoum) to abide by the CPA's timetable to withdraw troops from Southern Sudan and to assist with the establishment of joint Sudan (Khartoum) – Southern Sudan commissions on energy, border states etc. In addition, China is now the leading weapons supplier to Sudan (Khartoum), providing the government with military trucks, weapons and fighter planes. Military training in the use of heavy military equipment has also been provided. In short then, oil has the capacity to make or break nations (Yergin 1991:780).

More recently though, the Chinese government's enduring principle of non-interference (and the role it plays in Sudan as discussed above) has come under increasing international pressure. The May 2007 appointment of Liu Guijin, as special envoy, seemed to be an attempt to restore China's image, damaged as a consequence of its involvement in Sudan. While it continues "to shield certain states from criticism, China is shifting its actions from obstructionism to a more nuanced strategy of balancing its short-term resource needs with its desire to be seen as a responsible power" (ICG 2008: 21). Moves such as these also made it possible for the Chinese to advance their own goals, by being more overt in its diplomacy in multilateral fora and proposals on Darfur (Holslag 2008:71). As such, China also started to exert overt pressure on Sudan (Khartoum). In doing so, China convinced Sudan (Khartoum) to allow a UN-AU peacekeeping force in Darfur, and did not veto (as it did in the past) UNSC Resolution 1769 (31 July 2007) that facilitated the peacekeeping operation. Furthermore, China's aid to Darfur has increased, through the provision of humanitarian assistance and subsidising other programmes (e.g. by

providing funds to build some 120 schools in Darfur) (Large 2008b:99-100). From the above it seems apparent that China is attempting to balance its own interests with those of the larger international community.

In addition, China has started a process of rapprochement with Southern Sudan, dating back to 2005. The first significant connection between China and the Sudan Peoples' Liberation Movement (SPLM) was a friendly visit in March 2005 by a SPLM delegation to China. Early 2007, when GoSS faced financial difficulties, China offered the new government a loan of more than US\$300 million. In August 2007, a Chinese government delegation made an official visit Juba, which culminated in a comprehensive aid package consisting of hydroelectric projects and infrastructure construction. Importantly, in late August 2008, China opened a consulate in Juba (Mail & Guardian 2008). In return, the SPLM seems to be willing to deal with China, albeit only as part of several possible financiers.

Cumulatively, this process seems to suggest that China and Southern Sudan is slowly moving toward the normalisation of relations as a result of the changing political reality in Southern Sudan as determined by the CPA. However, it should be taken into account that the increased contact between China and Southern Sudan is based on self-interest above anything else, and specifically the strategic value of China's oil concessions in Southern Sudan (Large 2008b:102-103). China's sincerity with regard to its newfound rapprochement with the SPLM and GoSS continues to be viewed with reservation in Southern Sudan and by the international community. Therefore, it is still uncertain to what extent China's diplomatic repositioning and seeming interest to be a more active player in Sudan (Khartoum) and Southern Sudan will lead to more dynamic efforts to successfully implement the provisions of the CPA.

### **1.3 RESEARCH AIM AND THEME**

The aim of the study is to analyse the consequences of China's scramble for Sudan's oil reserves for the implementation of the CPA and the future relationship between Sudan (Khartoum) and Southern Sudan.

The research theme falls into the field of International Relations as it involves both two independent states (China and Sudan), and their relationship with Southern Sudan which is an entity recognised by the international society as a semi-autonomous region (which may, on its own, decide on its future status). As discussed below, Yergin's (1991) conceptual framework linked with that of economic nationalism provide an appropriate outline for the description, analysis and understanding of the research theme.

## **1.4 LITERATURE SURVEY**

### **1.4.1 CONCEPTUAL FRAMEWORKS**

International oil politics has been the subject of a growing body of literature. Notwithstanding this fact, few scholars have attempted to provide or use theoretical or conceptual frameworks to analyse oil politics and the relationship between oil importing and oil exporting countries, and even fewer on the relationship between China, Sudan (Khartoum) and Southern Sudan with regard to oil. The integrated conceptual framework<sup>1</sup> that has been identified for purposes of this dissertation is based on key features of Yergin's (1991) themes on the political narratives of oil, and the conceptual framework of economic nationalism.

The conceptual framework developed by Daniel Yergin in his book *The Prize: The Epic Quest for Oil, Money and Power* (1991) identifies three themes in which the political narratives of oil are grounded. Yergin (1991:13) asserts that: "oil is the world's biggest and most pervasive business". Oil has extensive impacts on the international economy, with price movements linked to economic growth and decline, and the rise and fall of inflation. In addition, Yergin (1991:14) deals with access to oil being closely interlinked with national strategic objectives, as well as global politics and power. In this regard, Yergin (1991:14) foresees that economic and resource competition and ethnic rivalry will increasingly become the focus of both national and international conflict. Lastly, Yergin provides an explanation for how the world

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<sup>1</sup> Discussed in Chapter 2.

became a so-called “Hydrocarbon Society”. As described in the background (1.2 above), this certainly seems to hold true for the situation in Sudan: the interplay of China’s quest for oil (economic and resource competition) and ethnic rivalry (continuing animosity between the largely Arab Muslim north and the largely non-Muslim, non-Arab south) is increasingly becoming an obstacle for the successful implementation of the CPA. This, of course, is further exacerbated by the proliferation of weapons supplied by China to Sudan.

Closely linked to Yergin’s first two themes, is the framework provided by economic nationalism. Economic nationalism emphasises the role of the state and the importance of power in achieving desired outcomes within international economic relations. The main goals of economic nationalism are “national unity, autonomy and the augmentation of national power” (Nakano 2004: 224). Contemporary economic nationalism is often a reaction to the uncertainties arising from an increasingly interdependent and globalised world, where countries attempt to insulate themselves from the volatility of the global economy (Heilperin 1963:27). In this regard, economic nationalists believe that states are in competition for a diminishing amount of natural resources in general, and fossil fuels (e.g. oil) in particular, and that market forces alone will not be able to handle resource shortages in the future. In essence, they argue that there may be serious flaws in the alleged efficiency of the market (Weiss 1988:177). Economics is seen as a tool of politics and a basis for political power. Mercantilism, one of the sub-theories of economic nationalism, strongly relates to neorealist thinking on competition between states in an anarchic realm, assuming that the “international economy is an arena of competition amongst states seeking to maximise relative strength and power” (Jackson and Sørensen 2003: 178-179). The aim of every state is to maximise its prosperity and sovereignty, ensuring self-sufficiency in key strategic industries and commodities (Woods 2005: 332-333). More recently, modern mercantilists have started to emphasise the importance of trade and the creation of the largest possible trade surplus as the road to national prosperity. In addition, they stress the significance of industrialisation as the best way to obtain national power (List 1966: 145). Other prominent authors on economic nationalism include Frank (2005); Helleiner (2002); Helleiner & Pickel (2005), Itagaki (2007), Johnson (1968); and Peterson (1984).

#### 1.4.2 SCHOOLS OF THOUGHT ON CHINA'S INCREASING INVOLVEMENT IN AFRICA, SUDAN AND SOUTHERN SUDAN

In practice, China's *de facto* relationship with Africa, with its main focus on Africa's natural resources, has often been described as reciprocal in nature with few or no strings attached (Lyman 2005). Politically, China is regarded as a growing counterweight to Western powers. Lingering resentments associated with colonisation still account for much of Africa's distrust of Western countries. China has a need for securing African votes in the UNSC, but conversely African countries increasingly use China as political leverage when negotiating political or economic agreements with the IMF, World Bank and donors. In addition, aid, assistance and investment are often provided by China to states to keep the *status quo* intact (even in states with repressive authoritarian regimes).

Most scholars are of the view that China's increased involvement in Africa has potential positive and negative implications. Alden and Davies (2006:95-96) argue that the "good governance' agenda, which Western donors have sought to promote, and which indeed is embedded in the New Partnership for Africa's Development (NEPAD), may be under threat from the Chinese approach to business" in African countries. However, they do acknowledge that as Chinese firms become more accountable to shareholders and socially responsible, as well as adhere to good governance principles, their business practices may evolve in a drive that will emulate Western 'best practices'. Davies (2007:8-9) furthermore states that the "key question is how African countries are to make the most of the possibilities and address the opportunities and challenges which China presents for poverty reduction and development at large. This has implications for domestic policies in Africa, for negotiations between Africa and China, as well as for traditional donors who need to attune their policies towards Africa and China and to re-examine their roles as the Sino-African cooperation grows stronger. In this regard also see Africa Research Bulletin (2006b:17000); Draper (2006:3); Eisenman & Kurlantzick (2006); Goldstein et al (2006:9); Lombard (2006); Melville & Owen (2005) and The Economist (2006a).

However, the reciprocal nature of China's engagement with authoritarian regimes, states in transition and states with weak or no governance institutions, has made a number of scholars more pessimistic about China's influence. This is clearly illustrated by its relationship with Sudan (Khartoum), where China in the past blocked UNSC sanctions against Sudan (Khartoum) in order to maintain uninterrupted access to oil (Lombard 2006). Canning (2007:54) argues that it is nearly impossible to separate business and politics when it is financial support provided by China that funded Sudan's two decades of civil war. He continues by stating that China's plans for the future of Sudan are simple when seen against the background of China's overarching energy needs, which overshadows any desire by China to force Sudan (Khartoum) to fully implement the provisions stipulated by the CPA. Chen (2006:48) agrees, stating that "China's efforts to secure foreign oil and natural gas to meet its growing energy demands are contributing to massive human rights violations in Sudan. These human rights conflicts, significantly influenced by abundant oil and gas reserves, have complicated international efforts to create a more effective architecture to address both human rights crises and the management of conflicts" in respect of energy resources. In this regard also see Africa Research Bulletin (2006a: 16696-16697); Draper (2006:3); Leyman (2005); NEPAD (2001); Pan (2006); The Economist (2006b) and Thompson (2006).

The literature survey found that there is a shortage of research focusing on the character of relations between China and Africa, while ensuring that both 'China' and 'Africa' are disaggregated. Consequently there is a need to elucidate the range of different impacts that China has on Africa, and on specific African countries. Alden (2007:59) agrees, stating, "it is best to look at the nature of the individual African regimes in place and the underlying economy of particular countries." In addition, Mohan (2008:162) argues that there is an urgent need for detailed, sustained case studies of China/Africa relations. It is clear that when analysing and explaining China's role in Africa, it is of importance to do this on a case-by-case basis, as there is neither a single impact of China on Africa, nor a single response by Africa to China.

### **1.4.3 CONTRIBUTION OF THE DISSERTATION**

This dissertation attempts to address the above issues by analysing specific states and their relationships with one another. The practical relevance of this study and its contribution to the existing body of literature are explained in the dissertation, and summarised in the evaluative conclusion, which indicates the key implications for China's quest for oil in respect of Sudan (Khartoum) and Southern Sudan. Even though the topic of China's scramble for resources in Africa has received widespread scholarly attention, little, if any, investigation has until now been done to specifically determine the consequences of China's scramble for Sudan's oil reserves for the implementation of the CPA and the future relationship between China, Sudan (Khartoum) and Southern Sudan. Within this context, the dissertation identifies the different scenarios resulting from the CPA mandated referendum on the future of Southern Sudan, and their impact on all three states, especially with regard to oil. This significant niche area forms the framework for the research undertaken for purposes of this dissertation.

### **1.5 DEMARCATION OF THE RESEARCH THEME**

In respect of the conceptual demarcation, this dissertation analyses the relationship between and various driving forces that determine the relationship between China, Sudan (Khartoum) and Southern Sudan. It thus falls into the framework of International Relations.

The research problem is demarcated geographically to China, Sudan (Khartoum), and Southern Sudan. The dissertation specifically excludes Darfur, as its focus is on the relationship between China, Sudan (Khartoum) and Southern Sudan in the context of the CPA and access to oil reserves (particularly in Southern Sudan).

As the focus of this dissertation is on the relationship between China, Sudan (Khartoum) and Southern Sudan following the commencement of the CPA in 2005, the time demarcation of this study is from 2005. The literature survey encompasses publications up to January 2010.

## 1.6 METHODOLOGY

The research method utilised in this dissertation is empirical in nature, analysing existing data in the form of existing literature on the topic (Mouton 2001:57 and Bless & Higson-Smith 2000:41). The dissertation establishes the link between China's scramble for oil and the future of Sudan (Khartoum) and Southern Sudan as envisaged in the CPA. The level of analysis is focused on China's influence with reference for its quest for oil in the greater Sudan, and Southern Sudan specifically, and not on the African continent as a whole.

A number of primary and secondary sources have been consulted for purposes of the study. Primary sources include the *China Africa Policy* (2005); the *China White Paper on Arms Control* (2006); the *Forum on China-Africa Cooperation: Beijing Action Plan* (2006); as well as the following agreements that determine the relationship between Sudan and Southern Sudan: the *Comprehensive Peace Agreement* (signed on 9 January 2005, consisting of the *Protocol of Machakos* (2002); the *Protocol on Security Arrangements* (2003); the *Protocol on Wealth-Sharing* (2004); the *Protocol on Power-Sharing* (2004); the *Protocol on the Resolution of Conflict in Southern Kordofan/Nuba Mountains and the Blue Nile States* (2004); and the *Protocol on the Resolution of Conflict in Abyie* (2004)).

Secondary sources include books, journals, reports (including those from the UN), monographs and articles from reputable newspapers as well as internet sources. Visits to various research institutions for purposes of obtaining access to recent and in-depth literature have also been undertaken, amongst others the African Studies Centre in Leiden.

## 1.7 STRUCTURE

The dissertation is divided into six chapters, which are outlined below:.

*Chapter 1* serves as a general background introduction and outlining the research theme and aim. This is followed by a brief literature survey, the demarcation of the research theme, as well as the methodology and structure.

*Chapter 2* provides an overview of the conceptual scheme and theoretical framework for the study. It consists of an exposition of the conceptual frameworks developed by Yergin (1991) and that of economic nationalism. An integrated framework based on the above is developed, and its relevance to the research problem by assessing its applicability on the importance of oil to China, Sudan (Khartoum) and Southern Sudan is discussed.

*Chapter 3* provides an empirical case study of China's policy towards Africa's natural resources, and in particular oil. It then examines the rationale and reasons for China's scramble for Sudan (Khartoum) and Southern Sudan's oil resources, as well as a discussion of China's access to oil reserves in Sudan (Khartoum) and Southern Sudan.

*Chapter 4* gives an analytical summary of the contents of the CPA. It then outlines the responsibilities of Sudan (Khartoum) and Southern Sudan (as imposed by the CPA, and specifically the *Protocol on Wealth-sharing* (2004)), in respect of matters pertaining to oil reserves (including control, management, and the awarding of exploration and exploitation rights). Attention is also given to the implementation of the provisions of the CPA.

*Chapter 5* critically discusses China's scramble for oil in Sudan (Khartoum) and Southern Sudan and its implications for the current and future implementation of the CPA. In this context, it also provides an overview of possible future scenarios for China, Sudan (Khartoum) and Southern Sudan when Southern Sudan, by means of the internationally supervised referendum (as envisaged in the CPA), will decide in 2011 on either:

- retention of a unitary structure for greater Sudan (that would include Southern Sudan) – in which case Southern Sudan's semi-autonomous form of governance would continue until a permanent Constitution is promulgated; or

- independence as a sovereign state.

The study concludes with *Chapter 6*, in which a synopsis of the main findings are made, a concluding evaluation presented, key recommendations made and future avenues for research highlighted. The chapter concludes with a summary of the contribution of the dissertation to existing literature.

## **CHAPTER TWO: CONCEPTUAL FRAMEWORK**

### **2.1 INTRODUCTION**

To gain an understanding of oil as a strategic driver for relations between states, it is appropriate to identify a suitable conceptual framework to provide a model for both the description and the explanation of the role and importance of oil resources to China, Sudan (Khartoum) and Southern Sudan.

Firstly, a brief overview of energy and the importance of oil is given. Secondly, two interlinking conceptual frameworks applicable to the research problem are discussed, after which an integrated conceptual framework is developed. Thirdly, the role and importance of oil to China and Sudan is discussed. Lastly, the applicability of the integrated conceptual framework is illustrated.

### **2.2 ENERGY AND THE IMPORTANCE OF OIL**

Energy (and specifically oil) plays an essential role in national economies and in relations between states. According to a recent report, resource concerns will be of growing importance on the global agenda. “Unprecedented global economic growth (positive in many regards), will continue to put pressure on a number of highly strategic resources, including energy, food, and water” (NIC 2008:viii). For purposes of this dissertation, energy, with specific reference to oil, will be the focal point.

Energy sources are divided into two main strands: fossil and non-fossil energy. Fossil energy includes oil, coal and natural gas; and as such is of limited supply. Non-fossil fuels are mostly of renewable or re-usable nature, and include hydroelectricity, nuclear energy and solar, tidal, and wind power. Table 1 indicates fossil, non-fossil and total world energy consumption in 2007:

**Table 1: World primary energy consumption in 2007**

<b>Fossil energy</b>	<b>Million tons of oil equivalent</b>	<b>% of total world primary energy consumption</b>
Oil	3952.8	35,6%
Coal	3177.5	28,6%
Natural gas	2637.7	23,7%
<b>Total fossil energy</b>	<b>9768</b>	<b>87.9%</b>
<b>Non-fossil energy</b>	<b>Million tons of oil equivalent</b>	<b>% of total world primary energy consumption</b>
Hydroelectricity	709.2	6,5%
Nuclear energy	622	5,6%
<b>Total non-fossil energy</b>	<b>1331.2</b>	<b>12,1%</b>
<b>Total world primary energy consumption</b>	<b>11109.2</b>	<b>100%</b>

Data obtained from BP (2008)

There was a 2,4 per cent increase in global energy consumption in 2007. In this regard the Asia-Pacific region was responsible for two-thirds of global energy consumption growth (BP 2008:2). According to OPEC (2006:208), “Fossil fuels will continue to provide around 90 per cent of the world’s total commercial energy needs, accounting for 95 per cent of the growth in demand over the next twenty years. Oil has been in the leading position in supplying the world’s growing energy needs for the past four decades, and there is a clear expectation that this will continue for at least the next two decades.” Furthermore, the continued importance of oil as a strategic catalyst for economic growth cannot be underestimated - forecasts indicate that until 2017, oil is likely to remain the most important global energy source, accounting for between 30 and 40 per cent of global energy consumption (Denisov et al 2007).

OPEC (2006:203) forecasts that the demand for oil is likely to increase by more than 30 million barrels daily over the next two decades. Demand for liquid fuels will be led by the transportation sector, with liquid transportation fuels increasing by 17 per cent from 2006 to 2030 (attributable to growing fuel use for light duty vehicles, trucking, and air travel) (EIA 2008: 58). Another significant reason for the envisaged increased in oil demand is global population growth, which is set to grow by 1,4 billion people to nearly 8 billion in the next 20 years – with 90 per cent expected to

come from developing countries. Accompanying this will be a swift increase in urbanisation. As such, demographics will in all likelihood have an increasing effect on economic development, and the concomitant increase in energy demand growth (OPEC 2006:207).

Consequently, growing resource constraints will provide a challenge for the international system, which will simultaneously have to cope with the impact of emerging economic giants, including China and India. Should countries maintain their current policies, global energy needs are set to increase by more than 50 per cent by 2030 - with India and China combined accounting for 45 per cent of demand increases. Inevitably, this will lead to the sustained escalation in carbon-dioxide emissions, as well as to increasing dependence on gas and oil imports by consuming countries (IEA 2007:3).

The International Energy Agency (IEA) states that “Rapid economic development in China and India will inevitably push up global energy demand, but it will also bring major economic benefits to the rest of the world: for example, economic expansion in China and India is generating opportunities for other countries to export to them, while simultaneously increasing other countries’ access to a wider range of competitively priced imported products and services.” Increased global demand for oil and other commodities will lead Sub-Saharan Africa to become a major supplier (NIC 2008:vi), with the regional oil producers enjoying several advantages:

- Sub-Saharan Africa holds substantial oil reserves, which are largely untapped and have the potential to make a significant contribution to world oil supply;
- Most of Africa’s oil is of low-sulphur high quality; and
- The location of most oil fields is convenient for shipment to almost all major consuming regions.

Given these characteristics, Africa is increasingly attracting huge investments from international oil companies (IOCs) (Bahgat 2007: 95).

As a result of increased pressure on energy resources (including oil), energy security is of utmost importance to all states (Calder 2006:63). According to Ahearne (1985:9), energy security is achieved when adequate supply is sufficient to support a

healthy national economy; allies of the state concerned also have access to these supplies; and the state and its allies have the means to protect vital energy supplies if threatened. Stringer (2008:122) is of the opinion that energy security has three vital objectives: “the availability of energy needed for stable economic and social development; freedom from interruption of the energy supply; and the affordability of energy prices”. The safeguarding of a country’s global and regional energy interests is increasingly important in a globalising world where a country’s economic interests naturally expand into the global market (Wenmu 2006:22). In addition, energy security cannot stand on its own; it is located in the greater construction determining international relations and interactions (Yergin 2006:69-82).

## **2.3 CONCEPTUAL FRAMEWORKS**

Two interlinking and complementary frameworks will be used in this dissertation. Daniel Yergin’s (1991) framework provides the overarching framework applicable to both China and the greater Sudan. The framework of economic nationalism, closely linked to Yergin’s framework, further elucidates China’s scramble for oil reserves. These frameworks will, for purposes of this dissertation, be integrated in order to provide a basis for the description, analysis and evaluation of the driving forces that underpin the relationship between China, Sudan (Khartoum) and Southern Sudan around the issue of oil.

### **2.3.1 YERGIN’S FRAMEWORK**

Daniel Yergin (1991) identifies three themes in which the political narratives of oil are grounded, namely (a) oil’s role in the rise and development of capitalism and modern business, (b) oil as a commodity intimately intertwined with national strategies and global politics and power, and (c) oil as an explanation for how the world became a “Hydrocarbon Society”. Yergin analysed the central role oil played throughout the twentieth century: during the first and second World Wars, the Cold War, the rise of OPEC, the 1973 oil crisis, and the first Gulf War of 1990.

Despite focusing on the twentieth century and published in 1991, Yergin's work maintains its relevance, and is still cited by a host of key modern scholars, including Bridge (2008), Glomsrød & Osmunsen (2005), Helm (2005), Hendricks & McAfee (2006), Kunstler (2006), Peet (2007), Podobnik (2006), Schaeffer (2005), and Shelly (2005).

**(a) "Oil's role in the rise and development of capitalism and modern business"**

Yergin (1991:13) states that "oil is the world's biggest and most pervasive business, the greatest of the great industries that arose in the last decades of the nineteenth century". Oil was among the world's first and largest multinational enterprises, and the development of the oil industry witnessed in the twentieth century represents the development of technological change, corporate strategy, markets, and national and international economies.

The invention of the internal combustion engine and popularisation of motor vehicles by Henry Ford, turned oil (in the form of petroleum) into an increasingly valued product. In just twelve years, US vehicle sales increased from 8 000 in 1900 to 902 000 in 1912. In addition, other new markets opened up for fuel oil in boilers of ships, trains and businesses. With such demand increases, new oil companies and refiners appeared, overseas markets were increasingly targeted, while the US began being targeted by overseas oil firms. Oil transformed the landscape of the US and changed the face of its economy - it played an ever-increasing role in the ascendance and expansion of capitalism and modern business, firstly in the US and subsequently in other states (Yergin 1991: 78-95).

Yergin argues that oil will continue to be an extremely influential commodity, and that it will remain an immense generator of prosperity. In addition, oil has the potential of boosting economic growth (with secure, uninterrupted supplies of oil) on the one hand, or starting recessions (connected with price shocks and the effect of oil embargoes) on the other.

**(b) “Oil as a commodity intimately intertwined with national strategies and global politics and power”**

With the advent of the internal combustion engine, oil in the form of petroleum also became an element of power in the two World Wars. In World War I petroleum developed into an “element of national power” with the move away from horse and coal-powered locomotives as the main forms of war transport (Yergin 1991:13).

As a case in point, Yergin (1991) describes the central strategic role that the necessity for uninterrupted access to oil played in Japan’s decision to go to war during World War II. The chief aim of Operation Hawaii was to secure the oil fields in the West Indies. Strategically, the Japanese attacked Pearl Harbor in World War II to protect its oil interests: while the operation safeguarded the invasion of the Indies and the rest of South East Asia by putting a large part of the US fleet and air force out of action, it also protected the tanker routes from Sumatra and Borneo to the Japanese islands. In essence then, Operation Hawaii was part of Japan’s larger strategic mission – securing sustainable oil supplies (Yergin 1991: 326).

Oil also played a significant part in the decolonisation process and emerging nationalism of developing countries (Yergin 1991:13). The 1970s oil crisis pushed certain marginal states into positions of great power, for example in the early 1980s China became a significant exporter of oil (Yergin 1991:717), while creating a crisis of confidence in industrialised states as to interruptions in the continued provision of oil from previously trustworthy suppliers.

Yergin (1991:14) argues that “even if economic competition, regional struggles and ethnic rivalries replace ideology as the main source of conflict, oil will remain the strategic commodity of national strategies and international politics.” This is echoed by a recent report by the NIC that states that the Middle East and oil producing regions in Africa “will remain geopolitically significant regions in 2025, based on the importance of oil to the world economy and the threat of instability (NIC 2008:64).

### (c) “Oil as an explanation for how the world became a “Hydrocarbon Society””

In the twentieth century, oil and natural gas replaced coal as the preferred power source. It fuelled the suburbanisation movement after World War II, and today its pervasive significance is often taken for granted.

Yergin (1991: 524) argues that by the end of the 1960s the industrial nations were enjoying living standards unforeseeable just twenty years earlier, all related to the rapid economic growth and related increases in incomes brought on by the surge in oil use. Outside the US, the sales of motor vehicles increased from 45 million in 1949 to 119 million in 1972, all built by factories fuelled by oil. In addition, the growth in oil consumption and production led to the upgrading of existing, and the construction of new, infrastructure on a scale not witnessed before.

The world’s growing dependence on petroleum was seen as a symbol of human progress, but with the rise of the environmental movement the use of oil and other fossil fuels is increasingly criticised and opposed on grounds of pollution and global warming (Yergin 1991:14). Notwithstanding this, the contemporary “Hydrocarbon Society” is dependent on oil, especially in light of the world’s extraordinary population growth.<sup>2</sup>

#### 2.3.2 ECONOMIC NATIONALISM’S FRAMEWORK

Closely linked to Yergin’s (1991) first two themes, “oil’s role in the rise and development of capitalism and modern business”, and “oil as a commodity intimately intertwined with national strategies and global politics”, is the framework provided by economic nationalism.

Economic nationalism is one of three central ideologies of modern international political economy (together with Marxism and economic liberalism) (Nakano 2004: 211). This school of thought emphasises the state’s role, as well as the importance of power in achieving desired outcomes within international economic relations. It

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<sup>2</sup> As discussed in 2.2.

has been described it as "the force that aims to maximise and develop the economic resources and potential of the nation and the well-being of its people" (BIC 1970: 312). Nakano (2004:224) describes the main goals of economic nationalism as "national unity, autonomy and the augmentation of national power."

Viner (1958:258) states that most economic nationalists share the following beliefs:

- Wealth is an absolutely essential means to power whether for security or for aggression;
- Power is essential or valuable as a means to the acquisition or retention of wealth;
- Wealth and power are each proper ultimate ends of national policy; and
- There is a long-run harmony between these ends, although in particular circumstances it may be necessary for a period of time to make economic sacrifices in the interest of military security, and therefore also of long-run prosperity.

In addition, Nakano (2004:224) states that: "Military security and economic prosperity are mutually reinforcing - military power is essential for securing the national territory as the main arena of economic life and advantageous positions in the international economy, while the achievement of industrialisation, national wealth and economic autonomy are necessary for national security and meaningful participation in international politics."

Two forms of economic nationalism can be identified. Cohen (1991:47) makes the following distinction: "malign nationalism seeks national goals relentlessly, even at the expense of others; benign nationalism, by contrast, is prepared to compromise national policy priorities where necessary to accommodate the interests of others. The difference between these two types of nationalism lies in the willingness of a country to identify its own national interest with an interest in the stability of the overall international system. Benign nationalism acknowledges a connection between self-interest and systemic interest; malign nationalism ignores or denies it."

Contemporary economic nationalism is often a reaction to the uncertainties arising from an increasingly interdependent and globalised world, where countries attempt to insulate themselves from the volatility of the global economy. Along these lines Heilperin (1963:27) states that “economic nationalism [can be thought of] as a body of economic policies aimed at the loosening of the organic links between economic processes taking place within the boundaries of a country and those taking place beyond these boundaries”. In this regard, economic nationalists believe that states are in competition for a diminishing amount of natural resources in general, and fossil fuels (e.g. oil) in particular, and that market forces alone cannot handle resource shortages. Essentially they argue that there may be serious flaws in the alleged efficiency of the market (Weiss 1988:177).

There are a diverse set of sub-theories within the conceptual framework of economic nationalism, including mercantilism. Classical mercantilism states that “economic activity is and should be subordinated to the primary goals of building a strong state. Economics is therefore seen as a tool of politics and a basis for political power” (Fields 2006:18). Economic competition is viewed as a zero-sum game – material accrued by a state serves as a basis for military-political power which can then be used against other states. These views are strongly related to neorealist thinking on competition between states in an anarchic realm (Jackson and Sørensen 2003: 178-179), assuming that the world economy is an arena of competition amongst states seeking to maximise relative strength and power. The aim of every state is to maximise its wealth and independence, ensuring self-sufficiency in key strategic industries and commodities (Woods 2005: 332-333).

In line with the above-mentioned forms of economic nationalism, two different variants can be identified: defensive/benign mercantilism where “states look after their national economic interests as it is an important ingredient in their national security (which need not have negative effects on other states)”; and aggressive/malevolent mercantilism, where “states attempt to exploit international economy through expansionary policies” (as was the case with colonialism) (Gilpin 1987:32).

More recently, modern mercantilists have started to emphasise the importance of trade and the creation of the largest possible trade surplus as the road to national prosperity. In addition, they stress the significance of industrialisation as the best way to obtain national power. One of the main proponents of mercantilism, Friedrich List (1966:145), developed the mercantilist theory of productive power – emphasising that the ability to produce is more important than the results of producing. In other words, “the prosperity of a state depends on extent to which it has developed its powers of production” (Jackson and Sørensen 2003: 180-181). The importance of industrialisation is hereby highlighted. This approach underpins China’s recent focus on massive industrialisation.

### **2.3.3 INTEGRATED CONCEPTUAL FRAMEWORK: LINKING YERGIN AND ECONOMIC NATIONALISM**

As indicated above, the conceptual frameworks of Yergin and economic nationalism need to be integrated in order to provide a basis for the description, analysis and evaluation of the driving forces that underpin the relationship between China, Sudan (Khartoum) and Southern Sudan around the issue of oil. The integrated framework consists of three interlinked main components, namely elements pertaining to domestic sphere, the resource sphere, and the international relations sphere.

As regards the domestic sphere, the importance, augmentation, and security of national power are paramount. National unity and autonomy are key factors. There is a close link between power and wealth. Economically, economic growth, economic autonomy, modernisation, and wealth creation are important features. In this regard, special emphases are given to industrialisation, modernisation, and the importance of uninterrupted access to the necessary resources (including oil) to fully comply with the domestic needs of the state concerned. Importantly, economics is seen as a tool of the politics of state-building and state power, and is therefore subordinate to the main goal of the augmentation of national power.

In the resource sphere, uninterrupted access to the necessary strategic external resources (e.g. oil) is imperative for any state (to augment the state’s power and to

further its domestic objectives). In similar vein, the security of such foreign resources is essential. Economic competition in respect of diminishing domestic and foreign natural resources may force a state to revise its reliance on the open market, and to rather adopt policies of insulation to prevent volatility and shortages in the flow of necessary natural resources (especially in strategic areas like oil). Insulation can take on a number of forms, including bilateral agreements with other states, and/or agreements with states under sanctions from other potential buyers.

The international relations sphere explains the link between the domestic environment and the international system. A clear link can be identified between a state's national strategies and its foreign policy. In this regard foreign policies are adopted to advance a state's domestic priorities. In addition, there is usually a relation between a state's national interest and the solidity of the international system. Likewise, a link connecting the nature of a state's national power (malign or benign) and its international economic relations can be identified. The importance of trade, a positive trade balance, and access to overseas markets are accentuated.

This dissertation will utilise this integrated framework with its three interrelated components, for the exposition, investigation, and assessment of the motivating forces that inform and guide the relationship between China, Sudan (Khartoum) and Southern Sudan in respect of oil.

## **2.4 THE ROLE AND IMPORTANCE OF OIL TO CHINA AND SUDAN**

As this dissertation focuses on the oil relationship between China, Sudan (Khartoum) and Southern Sudan, it is important to analyse the role and importance of oil to these states before the applicability of the two frameworks can be illustrated.

### **2.4.1 CHINA AND OIL**

Concerted efforts of the Chinese government to shift its economy away from energy-intensive industries, as well as enacting measures to enhance energy efficiency, meant that until 1992 China was an oil exporting state. However, with a change of

focus (to construction and heavy industries), China has since secured itself as the 'factory to the world', and inevitably there has been a consequential rise in the demand for energy (Rastin 2006:2). China is now officially the world's second largest energy consumer (Anon 2010a) and, if current trends persist, will surpass the US after 2010 (IEA 2007:6).

It is forecast that China will in future increasingly "act as an engine of world growth" (OPEC 2007:207). To facilitate the continuation of its high growth rate (11,9 per cent in 2007 (CIA 2008)) and its government policies in respect of industrialisation, energy demand will continue to expand in the following two to three decades, at a rate almost double that of the global economy's projected rate (IEA 2002: 58 & 249). In addition, China's primary energy demand are set to "rise to 2,7 percent annually for the 2000-2030 period, with global energy demand likely to grow at only 1,7 per cent per year" (EIA 2008:57).

Chinese energy consumption increased by 7,7 per cent in 2007, and was accountable for almost 50 per cent of global energy consumption growth (BP 2008:2). China's industrial production growth rate was 13,4 per cent in 2007, with industry making up 48,6 per cent of its GDP (CIA 2008). Forecasts indicate that its economic growth is expected to continue to increase rapidly, as a result of "high rates of capital formation and large prospective increases in factor productivity", a government-induced boom in construction and heavy industries, as well as the weakening of economic incentives supporting energy conservation (Rastin 2006:7). Heavy industry (e.g. aluminium smelters, cement kilns and steel mills) is responsible for approximately two thirds of China's energy demand (ICG 2008:3). In addition, the growth rate promises to become even more energy intensive – especially in the consumer sphere where vehicle sales as well as the utilisation of energy-intensive equipment have been gradually increasing. In all likelihood, oil demand for transport will quadruple between now and 2030, which is set to contribute in excess of two-thirds of China's demand for oil - with vehicle sales increasing seven-fold to around 270 million (IEA 2007:6). China's surging petrochemical production sector will further contribute to the increasing demand for oil (Calder 2006:50). Lastly, Chinese

urbanisation (and the subsequent need for more energy) is forecast to increase from 572 million in 2005 to 926 million in 2025 (Anon 2008:20).

China has proven oil reserves of 15,5 thousand million barrels, which makes out 1,3 per cent of total world reserves. From 1997 to 2007 China increased its oil production from 3 211 thousand barrels/day to 3 743 thousand barrels/day, an increase of only 16 per cent. China's oil consumption, however, increased from 4 179 thousand barrels/day in 1997, to 7 855 thousand barrels/day, consuming 9,3 per cent of global oil output. In 2007 alone, China imported 3 277 thousand barrels/day (BP 2008). The above clearly illustrates the importance of imported oil in China's economic growth.

According to a recent report, the Chinese energy industry requires reform amidst the global financial downturn. The downturn has a depressing effect not only on the Chinese economy, but also on its energy sector. However, forecasts indicate that in the near future "China's energy industry can still expect vast development potential, because the huge population dictates a huge demand" (People's Daily Online 2009). In spite of the global financial downturn, China's economic growth far outpaces that of other major economies (Reuters 2009). The Chinese Government has pledged US\$146 billion as part of a larger economic stimulus package (totalling US\$586 billion) aimed at sustaining growth amid the global financial crisis (CCS 2008:11). In addition, China dramatically cut its lending rate, extending efforts to prevent an economic slump. In addition, China has cut fuel prices for the first time in two years, to help stimulate economic growth (CCS 2009b:12). July 2009 figures indicate that China's GDP growth rate quickened to 7,9 per cent to the second quarter of 2009. Goldman Sachs even estimates that China's GDP grew at an annualised rate of 16,5 per cent in the second quarter compared to that of the first quarter of 2009. Car sales increased with 48 per cent and house purchases by nearly 80 per cent in the first half of 2009 (Economist 2009: 49). Recent statistics indicate that Chinese exports increased by 17,7 per cent from the year before, and that imports climbed 55,9 per cent – clearly illustrating a rebound in Chinese trade figures (West 2010). China is now the world's biggest exported, having recently overtaken Germany (Anon 2010b). In addition, China's net crude oil imports rose to 20,9 million in

December 2009 (the first time ever), up almost a quarter from November 2009 (Anon 2010a).

Ding (2008:1) states that: “With such dramatic reliance on oil, it is understandable that energy security has been given enormous emphasis in the making of China’s foreign policy, and it is believed to be one of the most important components of China’s foreign policy in the 21st century.” Convergence of China’s foreign and energy policies can potentially create tensions of a strategic nature. The competition posed by Chinese energy companies have been perceived ‘unfair’ by Western counterparts, because of the extensive diplomatic and financial support extended by the Chinese government (Evans and Downs 2006). China’s international energy relations have been based on the driven by the principle that China cannot become too reliant on the international open market for energy. The fear that there might come a day when China is denied access to energy, led to China’s decision to attain interests in equity oil.<sup>3</sup> This is based on the possibility that when such an event occurs, China would be able to rely on its national oil companies (NOCs). China has recently revealed its apprehension about the international price determination of commodities, and the fact that the price mechanism is determined by exchanges in northern markets (Naidu 2008). According to Naidu & Mbazima (2008:756), “it would seem that the Chinese government is contemplating disengaging from the international commodity pricing mechanism by seeking to set up an alternative commodity exchange mechanism ... Therefore by acquiring strategic assets over the next 10-15 years predictions are that China is seeking to create an alternative commodity exchange mechanism which pundits claim will be bigger than the current mechanism and may offer African commodity producers competitive prices. This will certainly offset the current exchange mechanism and hold important considerations for Western governments and large MNCs.”

China is also worried about US influence in international markets, and the US navy’s presence in shipping lanes. More “control over resources would provide China with a more decisive role in fixing market prices and shaping trends” (Meidan 2006: 89).

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<sup>3</sup> Oil derived from a company’s share of an oil field concession that is developed together with other oil companies.

Owning foreign oil resources and infrastructure may, in times of crisis, allow China “to ship resources directly to its shores, thereby lessening the cost and impact of physical disruption – a strategic judgement that greater security can be attained through vertical integration” (Meidan 2006:88). This involves the possession of production infrastructure on the one hand, to transport tankers<sup>4</sup> on the other. In addition, such a system should be able to supply oil to below international market prices (Jacobsen & Daojiong 2006:67). This oil could then also be sold on the open market in return for foreign exchange earnings in order to buy oil on the international markets.

In addition, the role of the Chinese government in directing the financing, production, and transportation of foreign energy supplies has been emphasised (Ebel 2006: 40). In strategically important oil supplier countries such as Iran, Kazakhstan, Russia, Saudi Arabia and Sudan, the Chinese government (and the PLA)<sup>5</sup> has been playing a leading role behind Chinese oil companies. In other countries of less strategic importance, the Chinese government still plays an important supporting role (Ebel 2006:40). In order to secure access to gas and oil, China is likely to continue to reinforce its market power by cultivating political relationships with oil producing countries (NIC 2008:51). It is also forecast that disagreements over resources are likely to escalate as sources of conflict between major powers, especially between China and India (NIC 2008:76).

Of concern to the West is the fact that China has been willing to have close energy ties with countries such as Sudan, Turkmenistan, Iran and Venezuela, which the West has chosen to boycott politically and economically – in order to force these countries to respect human rights and to entrench democracy. This is linked to China’s policy of non-interference in the domestic affairs of other countries - a key cornerstone of its foreign policy (Rastin 2007:4).

To secure sustained access to oil, China has implemented a number of strategic measures, such as purchases of oil fields and reserves around the world (often at

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<sup>4</sup> China has fifty-two oil tankers that can store up to fifty days’ worth of crude oil.

<sup>5</sup> See discussion in Chapter 5.

prices much higher than market value), investments in oil exploration and exploitation abroad (also in order to mitigate the risks involved in being too dependent on Middle East supplies and the open market), the construction of pipelines, the creation of military and merchant fleets to protect its supplies (Constantin 2007:8), and the protection of its oil interests abroad. Importantly, China provides reciprocal package deals to exporting states (which include political support, infrastructural developments, development projects and technical support) in order to secure uninterrupted oil supplies. Importantly, the 2006 Chinese Defence White Paper identified access to energy and resources as a major security concern for the first time: “Security issues related to energy, resources, finance, information, and international shipping routes are mounting” (Yoshihara & Holmes 2008b: 124). Strategically then, oil is of the utmost importance to China.

#### **2.4.2 SUDAN AND OIL**

Sudan has a population of around 35 million people, and can be classified as a least developed country. Like many other African countries, it is reliant on the manufacture and export of primary products. It also has to endure international sanctions and are affected by regional conflicts – which inevitably place a severe strain on financial and human resources essential for development. While Sudan has taken some steps towards economic liberalisation during the last two decades, it is Sudan’s relatively recent ascendance to an oil exporting country that has allowed the country to start modernising its own economy and integrating into the world economy (Shafaeddin 2007:3)

Sudan had a real GDP growth rate of 10,2 per cent in 2007, and now has one of the fastest growing economies in Africa (CIA 2008). Sudan has a relatively new status as a significant oil producer (EIA 2007:2), with oil exports being the country’s main source of income. Sudan has proven oil reserves of 66 000 million barrels - 0,5 per cent of the world total. In 1997, Sudan produced 9 000 barrels/day, which increased to 550 000 barrels/day in 2009 (African Business 2010:44), approximately 0,6 per cent of global oil production (CIA 2008). This makes Sudan the third largest oil producer in sub-Saharan Africa, only surpassed by Angola and Nigeria (Afrol News

2006). Sudan itself currently consumes 80 000 barrels/day (BP 2008). Growth in its oil sector is likely to increase with the refurbishment of the country's infrastructure, which has seen no improvement since the civil wars which started in the mid-1950s (EIA 2007:1).

There was a significant increase in oil exports since the 1999 completion of the oil pipeline between central Sudan and the Port of Bashair (Afrol News 2006). In 2006, Sudan exported 320 000 barrels/day, with the main clients being Asian countries. Sudan's main export partner is China, which accounts for 67,8 per cent of all exports (CIA 2008). In 2006 China imported approximately 99 000 barrels/day – a considerable portion of Sudanese crude oil exports. Other importers include South Korea, Japan, India and Indonesia. OPEC has invited Sudan (as observer) to its meetings since 2001, demonstrating Sudan's rising importance as oil exporting country (Anon 2003: 46). Further growth of the oil industry and exports are expected for the entire period to 2030 (OPEC 2008:79).

It is often argued that oil has become the central ingredient of Sudanese politics and conflict in the past 25 years, exacerbating political mobilisation on all sides (Woodward 2008:117).<sup>6</sup> US and European companies (with the exception of British, French and German companies), have been discouraged from investing in Sudanese oil resources on account of widespread human rights abuses by the Sudan (Khartoum) government. In addition, oil exports by Sudan (Khartoum) have generated wealth for arms purchases (mainly from China and Russia), and investment in arms production facilities. Oil revenues have allegedly been used for the alleged sponsorship of terrorism and the perpetration of state violence against civilians. Lastly, Sudan (Khartoum) has been accused of not abiding with the CPA's timetable to withdraw troops from Southern Sudan and not facilitating the establishment and/or full implementation of the CPA agreed upon Sudan (Khartoum) – Southern Sudan commissions on energy, border states etc.<sup>7</sup>

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<sup>6</sup> Discussed in Chapter 4.

<sup>7</sup> The US imposed economic sanctions on Sudan in 1997 during the civil war, and additional sanctions in May 2007.

Importers of Sudanese oil on the other hand, especially China with its permanent seat on the UN Security Council, provide political cover for Sudan's atrocities and international critics in a reciprocal manner<sup>8</sup> (EIA 2007:4). Not bound by Western sanctions, Asian oil companies carried out exploration and development operations in Sudan. The main companies involved are the China National Petroleum Corporation (CNPC), Malaysia's Petronas, and India's Oil and Natural Gas Corporation, with all three signing joint venture agreements with Sudan's national oil company, Sudapet.

Oil exports are crucial for fast tracking growth and investment in Sudan (Shafaeddin 2007:2). In light of the above circumstances, oil (and overseas investment in the oil sector) is of immense strategic value to the government of Sudan in Khartoum, providing much needed revenue for, importantly, its military operations, but also for development projects.

The CPA, signed in 2005 (which includes provisions on oil revenue sharing between the government of Sudan in Khartoum and Southern Sudan) and the establishment of GoSS, made it possible for much needed oil revenue to start flowing to Southern Sudan<sup>9</sup> (as well as to deprived areas in Sudan (Khartoum)). With between 75 and 80 per cent of oil reserves situated in Southern Sudan (Clarke 2008:201), it enabled GoSS to start the process of establishing new government structures, repairing and constructing infrastructure, as well as providing essential services to the people of Southern Sudan. US oil sanctions have also been lifted in Southern Sudan, enabling US firms to invest in the region. This is an important development, as it would be extremely difficult for China to persuade GoSS to award them exploitation rights, as China supported Khartoum in the protracted civil war<sup>10</sup> (Alden 2007:61-63), even though China is increasingly seeking rapprochement with Southern Sudan.<sup>11</sup> It is therefore clear that oil also has significant strategic importance for Southern Sudan.

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<sup>8</sup> Discussed in Chapter 3.

<sup>9</sup> The CPA and its provisions will be discussed in more detail in Chapter 4.

<sup>10</sup> Discussed in Chapter 5.

<sup>11</sup> See discussion and examples in Chapter 1.

## **2.5 APPLICABILITY OF THE INTEGRATED CONCEPTUAL FRAMEWORK**

As illustrated below, the integrated conceptual framework proposed above provides a suitable structure with which to analyse the role and importance of oil in the relationship between China, Sudan (Khartoum) and Southern Sudan. It is clear from the above that for both China and Sudan, oil plays an important role in the development of capitalism and modern business, and as a commodity it is closely linked to national strategies, global politics and power.

### **2.5.1 APPLICABILITY OF THE FRAMEWORK ON CHINA**

For China, oil provides the fuel to continue its national projects of intense industrialisation and construction. With a growth rate of 11,9 per cent and a per capita GDP of US\$ 5400 (CIA 2008), China's middle class is growing at an unprecedented rate, leading to increased demands for motor vehicles and energy-intensive appliances. A definitive move towards capitalism and modern business can thus be identified.

To maintain this momentum, it is strategically important for China to keep China's oil suppliers in tact, and as such, China supports its overseas energy companies diplomatically as well as financially. China has long adopted a state-centred approach to development and often views economic issues as subordinate to interests of the state. However, domestic conditions of the energy sector have increasingly been playing a crucial role in China's unwillingness to fully embrace world energy markets, and have resulted in China reliance on bilateral deals involving purchases of oil fields and reserves around the world and investments in oil exploration and exploitation abroad (taking into account the risks involved in being too dependent on Middle East supplies and the open market). This strategy also provides China with more control over its oil suppliers. In addition, China deals with many states boycotted by the West, ensuring that Chinese oil companies have free reign when it comes to oil exploration and production.

The domestic conditions referred to above, centre on an inefficient domestic energy sector. Chinese leaders also recognise that continued economic growth is their key to staying in power and that the energy sector is one of the areas that has the potential to derail this growth. Therefore, the leadership began to "push oil companies to search aggressively for new oil supplies overseas" through its 'go-out' policy (discussed in Chapter 3) (Epstien 2004).

The integrated framework suggests that "economic activities are and should be subordinate to the goal of state building and the interests of the state" (which includes rapid industrialisation and economic growth) (Gilpin 1987:31). As such, it provides a useful theoretical tool to help explain the driving forces behind China's purchases of foreign oil fields and reserves, often at prices much higher than market value. The needs of the population (for sustained economic growth and further modernisation) and the legitimacy of a government are strong internal pressures influencing economic decisions. These pressures can often force governments to adopt foreign policies that may cause governments to act in a manner that conflict with the interests of other countries (Jones 1986:122). In this regard, one can refer to China's past protection of Sudan (Khartoum) in the UNSC, which is in conflict with the views shared by other members of the UNSC. While this type of zero-sum mentality does not apply to the majority of Chinese economic activities, it is directly related to the approach underlying many of China's foreign energy policies. China's further economic development (based to a large degree on the import of oil) is seen as the key to realise the augmentation of national power, as well as many other national priorities (Zhimin 2005: 52). According to Pan (2006), "China has been able to adapt its foreign policy to its domestic development strategy to an unprecedented level by encouraging state-controlled companies to seek out exploration and supply contracts with countries that produce oil, gas, and other resources" (Pan 2006). Its focussed approach in obtaining long term uninterrupted access to oil is seen as the basis for maintaining the expansion of its domestic economy.

## 2.5.2 APPLICABILITY OF THE FRAMEWORK ON SUDAN

Oil exports are the main mechanism through which the socio-economic development needs of the population and the augmentation of national power of both Sudan (Khartoum) and Southern Sudan are addressed.

Sudan (Khartoum) needs China, India and Malaysia to buy its oil in order to augment its national power, to keep the current regime in place, to provide funding for ongoing military operations in Darfur and elsewhere, and to retain China's political backing in the UNSC. In addition, oil exports provides the funding framework for increased investments in development projects, which in turn contributes to economic growth.

For Southern Sudan, oil income provides the means to rebuild a country devastated by civil war. It allows Southern Sudan to expand its newly-found national power, to build new infrastructure, to foster a business-friendly environment, to raise quality of life of its citizens (through economic growth and wealth creation), and to eventually move on to becoming a modern state that can take its rightful place in the nation of states. In addition, oil will most certainly play a central role in the decision whether Southern Sudan will secede or re-unify with northern Sudan - with its vast oil resources, GoSS will have to strategically reflect on possible outcomes in the longer term, while Sudan (Khartoum) will strive to keep Southern Sudan from seceding.<sup>12</sup> With its sights set on the possibility of eventual independence, both national unity and national and economic autonomy are key elements. The 2005 signing of the CPA led to most sanctions on Southern Sudan being lifted, resulting in opportunities for Western companies to invest in Southern Sudan's vast oil reserves – promising increasing income for both Sudan (Khartoum) and Southern Sudan. The strategic importance of oil to Southern Sudan should therefore not be underestimated.

## 2.6 CONCLUSION

The integrated conceptual framework with three interlinked spheres (domestic, resource and international relations) that was developed, proved to be successful in

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<sup>12</sup> Discussed in Chapter 5.

explaining the role of oil in the countries concerned. China imports oil to maintain and further stimulate its domestic growth rate. Oil is imported from a host of countries, mostly through bilateral deals instead of from the open market. This provides China with a marked degree of security, by avoiding international price fluctuations and other uncertainties. With regard to the greater Sudan, oil exports are the main mechanism through which the socio-economic development needs of the population and the augmentation of national power of both Sudan (Khartoum) and Southern Sudan can be addressed. In this regard, Sudan (Khartoum) needs China to purchase its oil in order to augment its national power, to keep the current regime in place, and to provide funding for ongoing military operations in Darfur and elsewhere. For Southern Sudan, oil income provides the means to rebuild a country devastated by civil war, as well as to expand its newly-found national power, to build new infrastructure, to foster a business-friendly environment, and to promote economic growth. In addition, oil will most certainly play a central role in the decision whether Southern Sudan will secede or re-unify with Sudan (Khartoum). Within the context of its possible independence, the quest for internal unity and economic autonomy are key elements for Southern Sudan. Oil is therefore central to the politics of Sudan's (Khartoum) and Southern Sudan's relations with China.

## **CHAPTER THREE: CHINA'S GLOBAL, FOREIGN AND AFRICAN POLICIES**

### **3.1 INTRODUCTION**

This chapter firstly provides an overview of China's international policy framework (the Independent Foreign Policy of Peace (2003) and the National Defence Policy (2008)), as well as of its Africa Policy (2006) and its Energy Policy (2007), after which the reality of China's foreign engagement with Africa will be analysed.

### **3.1 CONSTITUENT ELEMENTS OF CHINA'S GLOBAL FOREIGN POLICY**

Before elucidating China's policy, statutory and institutional framework with regard to energy and natural resources, it is important to first give an overview of the policy framework through which China conducts its international relations globally. This framework is comprised of China's Independent Foreign Policy of Peace (2003) and China's National Defence Policy (2008).

#### **3.1.1 INDEPENDENT FOREIGN POLICY OF PEACE**

China's Independent Foreign Policy of Peace (2003) is based on pursuing an "independent foreign policy of peace by safeguarding national independence, creating an international environment favourable to its reform, opening and modernisation efforts, maintaining world peace, and promoting common development." The main features of China's foreign policy include maintaining autonomy by determining China's own position and policies. China strives to maintain world peace by neither participating in the global arms race, nor seeking military enlargement. It resists hegemonism and promotes respect for territorial integrity and the non-intervention in the internal (domestic) sphere of other countries. It fosters friendly relations and cooperation founded on its Five Principles of Peaceful Coexistence, namely "mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence" (PRC 2003).

In addition, China promotes regional peace and stability, the peaceful settlement of border and territorial disputes and regional economic cooperation. It also aims to enhance relations and collaboration with developing states, focusing on “complementary cooperation with other developing nations in the economic, trade, scientific and technological sectors.” Lastly, China’s policy of opening up (to the world) strives to engage in broad international cooperation, based on the principles of equality and mutual benefit in order to promote common development. This is to be realised through multilateral diplomatic activities such as the UN and other organisations (PRC 2003b).

### **3.1.2 NATIONAL DEFENCE POLICY**

China’s National Defence Policy (2008) is “defensive in nature, focusing on the protection of national sovereignty, security, territorial integrity, safeguarding of the interests of national development, and the interests of the Chinese people above all else.” Its main aims are to “uphold national security and unity and ensuring the interests of national development; achieving the all-round, coordinated and sustainable development of China's national defence and armed forces; enhancing the performance of the armed forces with informationisation<sup>13</sup> as the major measuring principle; implementing the military strategy of active defence; pursuing a self-defensive nuclear strategy; and fostering a security environment conducive to China's peaceful development.” China follows a modernising strategy for its armed forces and national defence and within the following framework:

- Promoting the informationisation of China's national defence and armed forces as the goal of modernisation, by pursuing the Revolution in Military Affairs (RMA) with Chinese characteristics;
- Coordinating national development of the economy and national defence, by making use of natural resources to strike a balance between enriching the country and strengthening the military – to ensure that national defence is compatible with China’s strategy for national development;
- Deepening the reform of national defence and armed forces by modernising the organisational form and pattern of the armed forces, in order to develop by

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<sup>13</sup> The development and expansion of information technology (Okuno-Fujiwara & Nakaizumi 2001:1).

2020 a complete set of scientific modes of organisation, institutions and ways of operation both with Chinese characteristics and in conformity with the laws governing the building of modern armed forces;

- Focusing on the combined development of mechanisation and informationisation;
- Implementing a military strategy of active defence - featuring defensive operations, self-defence and striking the enemy only after the enemy has started an attack, within the framework of integrated joint operations. China is committed to the policy of no first use of nuclear weapons, pursues a self-defensive nuclear strategy, and will not enter into a nuclear arms race with any other country (PRC 2006a);
- Increasing China's capabilities to maintain maritime, space and electromagnetic space security and to carry out the tasks of counter-terrorism, stability maintenance, emergency rescue, international peacekeeping and military operations other than war (MOOTW); and
- Subordinating the People's Liberation Army's (PLA) development to overall national construction, supporting local economic and social development, and consolidating the unity between the PLA and the government, and between the PLA and the people (PRC 2009).

As stated in Chapter 2, China's 2006 National Defence Policy for the first time identified access to resources as a key national security concern (Yoshihara & Holmes 2008a:124). The 2008 Policy also emphasises that "struggles for strategic resources, strategic locations and strategic dominance have intensified, and that issues such as energy and food security are becoming more severe" (PRC 2009).

It is evident that China's global foreign policy framework emphasises the main elements of the integrated conceptual framework<sup>14</sup>, by referring to, amongst others, safeguarding national independence, safeguarding the interests of national development, making use of natural resources to enrich the country and strengthen the military, subordinating the PLA's development to overall national construction,

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<sup>14</sup> As set out in the integrated conceptual framework above, referring to China's focus on augmentation of national power.

and promoting both internal and common development (especially with other developing nations). Prominence is therefore given to national security and domestic development, and the strategic importance of natural resources in fulfilling these aspirations.

### **3.2 CONSTITUENT ELEMENTS OF CHINA'S ENERGY POLICY**

As discussed in Chapter 2 above, China has secured itself as the “factory to the world”, and inevitably there has been a consequential rise in the demand for energy (Rastin 2006:2). If current trends persist, China, with four times as many people, will surpass the US to become the leading energy consumer after 2010 (IEA 2007:6). Despite internal measures to help meet its increasing energy needs (such as increasing its domestic coal production by 30 per cent by 2015 (CCS 2009a:11)), China is increasingly reliant on access to foreign energy sources, especially oil.

Such energy needs necessitate the establishment of a policy and statutory framework (to secure energy access and exploitation overseas), an institutional framework (to coordinate and oversee the execution of the policy and statutory frameworks), as well as implementation agencies (to execute and implement all of the above). These frameworks, focusing specifically on energy and natural resources, are outlined below.

#### **3.2.1 POLICY FRAMEWORK**

China's “**Going out**” strategy was announced in 1999 by the Central Committee of the Communist Party, offering investment incentives for companies as well as the reform of financial regimes, regulatory systems and administrative rules in order to be able to invest overseas. China encouraged state-owned enterprises (SOEs) to “explore strategic investment opportunities in oil and gas fields worldwide, marking a shift from a purely export-led growth strategy toward an emphasis on foreign direct investment (FDI), mergers and acquisitions” (ICG 2008:10). With regard to energy and oil, the three main national oil companies (NOCs), the China Petroleum and Chemical Corporation (Sinopec), the China National Petroleum Corporation (CNPC),

and the China National Offshore Oil Corporation (CNOOC) continue to pursue these objectives (although they started investing overseas even before the “Going Out” strategy was officially implemented). The NOCs’ quest for equity oil is based on the belief that such investments provide a more affordable, secure and sustainable supply of energy than the open market.

China’s **Policy on Mineral Resources** was published in 2003. In Chapter IV: Widening the Opening of, and Cooperation in, Mineral Resources Exploration and Exploitation, the Chinese government sets out its policy vision relating to mineral resources, both as regards the import and export thereof. The main elements of this policy include promoting “the development of foreign trade in mineral products by increasing international trade in mineral commodities according to the principles of reciprocity and mutual benefit; encouraging the export of deep-processed mineral products with high added value and the import of primary mineral products [including oil]; changing the situation in which the proportion of the open market spot trade<sup>15</sup> in mineral commodities, including crude oil, is too big, by encouraging the signing of long-term supply contracts with foreign companies, and importing minerals from diversified sources; encouraging domestic enterprises to take part in international cooperation in the sphere of mineral resources, and in exploration, exploitation and utilisation of foreign mineral resources; and promoting and protecting investments in mineral resources prospecting and exploitation outside China” (PRC 2003a).

China’s **White Paper on Energy** (2007) states that “the basic themes of China’s energy strategy are giving priority to thrift, relying on domestic resources, encouraging diverse patterns of development, relying on science and technology, protecting the environment, and increasing international cooperation for mutual benefit. It strives to build a stable, economical, clean and safe energy supply system, so as to support the sustained economic and social development with sustained energy development” (PRC 2007).

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<sup>15</sup> The purchase or sale of a foreign currency or commodity for immediate delivery (i.e. in the open market) (Investopedia 2009).

The White Paper on Energy firstly deals with China's internal energy supply, encouraging foreign investment in China's natural resources, energy conservation and environmental aspects. With regard to the access and utilisation of foreign energy resources, the White Paper states that the international trade in energy will continue to be a key method by which China utilises international energy resources, by pursuing energy imports as well as exports. In this regard China will further decrease its reliance on the spot trade of oil, and rather promote long-term supply agreements with other states and/or companies. The Chinese government will continue to support FDI by domestic companies to engage in international operations, as well as the expansion of Chinese enterprises' role in the "construction of overseas energy infrastructure, cooperation in energy engineering technology and other related services" (PRC 2007).

### 3.2.2 STATUTORY FRAMEWORK

The Chinese government released a **draft Energy Law** in December 2007, containing a framework for the identification and discussion of key energy issues, such as energy security. The draft law aims to: "Standardise energy development, utilisation and management; construct a stable, economic, clean, and sustainable energy supply and service system; enhance energy efficiency; ensure energy safety; accelerate the development of a resource-conserving and eco-friendly society; and promote coordination between energy, the economy, and society" (PRC 2007: art 1).

The draft law's eventual enactment and subsequent implementation will require the drafting and finalisation of regulatory and strategic frameworks, amongst others the drafting of an energy strategy and plan for China. Analysts see the draft law as a considerable achievement, taking into account problems regarding both policy-making in respect of energy and decision-making, within a context of strong competing interests (e.g. between the National Energy Administration (NEA) and the National Development and Reform Commission (NDRC) (ICG 2008:8). With regard to overseas involvement, the draft law authorises activism by the state on behalf of Chinese entities operating in foreign countries, and emphasises the importance of energy security, international cooperation and energy management (PRC 2007).

### **3.2.3 INSTITUTIONAL FRAMEWORK**

From 1993 to 2008, there was no single ministry or other governance entity responsible for the formulation and oversight of an energy policy and strategy for China. It was generally accepted that only a single ministry would be in a position to take responsibility for the effective management of all Chinese industries in the energy field (ICG 2008:6-7). China's new energy industry regulator, NEA, officially started operations in July 2008. According to the NDRC, NEA's main responsibilities include overseeing the oil, gas, coal and electric power industries. It also has the authority to draft industrial policies, supervise energy market development, and manage the renewable energy industry. Although NEA has the power to approve major Chinese investments in foreign energy projects, it is expected that the NDRC (the overall planning body for China) will retain its authority over final decisions for major foreign and domestic energy projects (Caijing Magazine 2008).

### **3.2.4 IMPLEMENTATION AGENCIES**

China's main energy implementation agencies are its three NOCs – CNPC, Sinopec and CNOOC. In 1998, the majority of oil and gas assets owned by the Chinese government, was reorganised into two vertically integrated streams: CNPC and Sinopec, each operating a range of local subsidiaries; and CNOOC, which is mandated to explore and produce offshore energy resources (IEA 2007:2).

Domestically, CNPC is by far the largest gas and oil producer and supplier. In addition, within the international context, it is one of the major global service providers for oilfields and of engineering construction. CNPC's oil production accounts for 57,7 per cent of China's total domestic output. Furthermore, CNPC currently has exploration and production assets in 27 states across four continents. In 2005, CNPC announced that it intended to expand by investing an additional US\$18 billion in oil and gas assets outside China during the period 2005 to 2020 (CNPC 2009). CNPC is a SOE and the sole controlling shareholder of PetroChina, which is listed on the New York and Hong Kong stock exchanges (PetroChina 2009).

Sinopec Corporation was established in 2000 as a publicly traded company by the state-owned Sinopec Group, which controls 67,2 per cent of Sinopec Corporation (ACIR 2006:9). Sinopec's main activities include the exploration, production and refining of energy resources, the manufacturing of chemicals, and the marketing thereof. It also functions as an import/export agency in respect of natural gas, crude oil, refined oil and related products. In addition, it is China's second largest producer of crude oil (Sinopec 2009).

CNOOC is China's foremost offshore gas and oil producer. It is also authorised to cooperate with non-Chinese partners in China's offshore areas in respect the exploitation of gas and oil resources (CNOOC 2009). CNOOC is in the process of expanding its foreign oil exploration and production assets (IEA 2007:5). CNOOC estimated that its crude oil and gas production will increase between 16 and 18 per cent in 2009, as new contracts are implemented (CCS 2009a:12).

As China's oil industry consists of state-owned NOCs, its strategies for building relationships with (especially African) oil-producing states has to be synchronised with its foreign policies. In order to attain this objective, China's global oil strategy has three basic components: Firstly, to distinguish Chinese initiatives from those offered by Western governments and their oil companies by not only purchasing oil supplies or investing in oil production, but to also invest in the economies of African oil producers and help host government to meet their immediate infrastructural or commercial needs. In addition, China attempts not to involve itself in the domestic affairs of host governments (and when it does, it does so using understated, less public forms of diplomacy). Secondly, to promote China's comparative advantages while downplaying its disadvantages by venturing into Africa through team efforts involving, amongst others, the NOCs, China's export-import bank (ExIm), its economic and trade agencies, and key state-run trading companies. This provides China with the opportunity to offer low-cost financing and to invest in a multiplicity of economic undertakings. NOCs have become unusual agglomerations of modern entrepreneurial talent striving for greater profitability, while remaining tools of government focused on long-term energy needs and energy security. Thirdly and finally, to focus on states with high potential oil reserves and states where China can

negotiate arrangements that cater for their long-term energy security. Africa is particularly suitable for such interventions given the continent's general need for capital and investment, as well as an abundance of light crude oil (which is diminishing in other areas) (Lee & Shalmon 2008:111-115).

Taking into account China's increasing reliance on oil imports, the NOCs have embarked on a strategy to acquire natural resources, as well as exploration and production facilities in Africa and other developing states abroad. In general, the NOCs are responsible for the initiation of foreign operations, but before full implementation, approval has to be obtained from either the NDRC and/or the Ministry of Foreign Trade and Economic Cooperation (Meidan 2006:88). Informal consultations take place between the three NOCs in order to determine which of them will submit a bid for a specific foreign project (Hu 2006). Compared to international oil companies (IOCs), profit margins on foreign investments are less important for Chinese NOCs, as dividends are not payable to their shareholders (primarily the Chinese government). It is therefore easier for NOCs to outbid IOCs (Kwan 2006). This advantage in competitiveness results in NOCs taking more risks in less stable foreign areas and to accept lower returns. In addition, Chinese NOCs frequently do business in areas IOCs are not allowed to invest in (on account of uni- or multilateral sanctions) or avoid operating as a result of high political risks. Essentially, oil and related infrastructure acquisitions are seldom awarded solely on considerations related to the open market. The Chinese approach to, in effect, "overpaying" for energy acquisitions by submitting bids higher than those of competing IOCs, coupled to the NOCs' non-avoidance of high-risk investments, facilitates the materialisation of such resource and infrastructure acquisitions (ICG 2008:14).

Essentially China has used two instruments to influence potential host states: "the promise of greater trade across a wider range of investments other than oil, and access to cheap capital through its unregulated and government controlled financial institutions" (Lee & Shalmon 2008:117). In addition to the success of NOCs enhancing national prestige, they also make a significant contribution to tax revenue,

being responsible for approximately 25 per cent of China's central government's fiscal income (Xin & Andrews-Speed 2006:19).

### **3.3. THE IMPORTANCE OF AFRICA IN CHINA'S FOREIGN POLICY AGENDA**

China's links with the developing world started with the 1955 Bandung Conference, where China shared its experiences with other developing nations as regards their sense of humiliation, the need to restore their dignity and their resolve to determine their own future. During the 1950s, China established a strong relationship with the liberation movements in their struggle against oppression and colonialism by providing both material resources and moral support (IRIN 2006a).

Muekalia (2004:5) rightly states that "over the years China has changed its foreign policy from confrontation to cooperation, from revolution to economic development, and from isolation to international engagement." Until the 1990s, China's African involvement was not extensive, in that its diplomats did not possess all the required skills and its aid programmes were limited. Eisenman & Kurlantzick (2006) states that recently, "continued strong economic growth, a more sophisticated generation of Chinese leaders, better scholarship in China on Africa, and a domestic population more confident in their country's role as a global actor, have encouraged China to take a more proactive approach" as regards international relations." In respect of the realisation of China's strategic objectives, Africa is deemed to be an important partner, especially as regards energy and trade matters, as well as geopolitical interests.

The important role that Africa plays in China's foreign policy agenda is evident in three areas – politically, strategically and economically. From the political perspective, China has always perceived Africa as its foremost partner in the international arena. In this regard, the Chinese believe that the encouragement of "south-south cooperation" and the sustainable improvement of the joint prosperity of countries in the developing world would enable China and these states to obtain their rightful part of the benefits that flow from globalisation. This approach has very significant implications for both development and world peace (He 2008:144).

Strategically, China considers Sino-African relations important for strengthening its approach to a world order that should be multipolar, whilst simultaneously promoting both China's and Africa's standing and influence within the world. The adoption of an economic reform path and the implementation of a significant policy shift which allowed for engagement with other countries, have resulted in an improvement in China's international image and position, and an increase in its influence in international affairs (He 2008:145).

Economically, China considers Sino-African relations as a means to assist the implementation of China's intention to bring about its own sustainable development. Africa consists of 53 states, has a population of 850 million, is endowed with significant natural resources, and possesses an extensive market and development potential. However, as a result of long-term colonialist plunder and local conflicts, it remains economically and technologically backwards. Since implementing the above-mentioned domestic and international reforms from the 1970s onwards, China has attained both enormous economic strength and vast expertise. However, China suffers from inadequate resource supplies to maintain its growth path. Considering the above, China and Africa are natural partners as regards capital, expertise, technology, resources and markets. Although China's objectives in respect of Africa are inherently linked to its driving philosophy of (domestic) economic nationalism<sup>16</sup>, China's need for access to natural resources has resulted in a considerable increase in the global commodity price index, which, in turn, has generally benefitted Africa's economic growth level (He 2008:146).

Within this context, China has started to capitalise on its strong relations with the developing world, as evidenced by an increase in the number of China-Africa links, focusing on cooperation, increased trade and official exchanges at a high level. The Forum on China-Africa Cooperation (FOCAC) (comprising representatives from Chinese and African governments and business sectors) was established in 2000. FOCAC agreed on a joint economic and social programme with a developmental and

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<sup>16</sup> As set out in the integrated conceptual framework above, referring to China's focus on augmentation of national power.

commercial focus (Melville & Owen 2005). These events resulted in the publication of an official China's Africa Policy White Paper in January 2006, which covers an extensive range of issues. FOCAC and China's Africa Policy White Paper are discussed below.

### **3.3.1 THE FORUM ON CHINA-AFRICA COOPERATION**

FOCAC was established in 2000, with its main objective the strengthening of the commercial, political and cultural relations between Africa and China. It is seen as a vehicle to “conceptualise, strategise, and project Chinese foreign policy interests into Africa” (Davies 2008:142).

According to FOCAC's website the Forum is “a platform established by China and friendly African countries for collective consultation and dialogue and a cooperation mechanism between the developing countries, which falls into the category of South-South cooperation. The characteristics of the Forum are pragmatic cooperation (to strengthen consultation and expand cooperation and its focus is on cooperation) and equality and mutual benefit (to promote both political dialogue and economic cooperation and trade, with a view to seeking mutual reinforcement and common development” (FOCAC 2006).

At its first meeting in 2000, delegates from China and a number of African countries approved two framework documents – the Programme for China-Africa Cooperation in Economic and Social Development and the Beijing Declaration of the Forum on China-Africa Cooperation. In 2003, FOCAC approved the Addis Ababa Action Plan aimed by the consolidation of trade relations, with China declaring a Special Preferential Tariff Treatment programme, which, in the case of 25 African states, provided for the removal of import tariffs in respect of 190 items. This led to an extensive boost in Chinese-African trade. At the last meeting, in 2006, the Beijing Summit passed the Beijing Action Plan, which included a multibillion-dollar development package consisting of preferential buyers' credit (US\$2 billion until 2009) and preferential loans (to the value of US\$3 billion). In addition, provision was

made for the establishment of a China-Africa Development Fund<sup>17</sup>, with an eventual asset base of US\$5 billion that will be used to fund Chinese enterprises investing in Africa, provide training to 15 000 African professionals, establish 10 African agricultural technology demonstration centres, build 100 rural schools and 30 hospitals, provide US\$37,5 million in support of programmes fighting malaria, dispatch 100 senior Chinese agricultural experts to African states, and increase the number of scholarships for students from Africa to study in China. In addition, China pardoned all interest-free loans, repayable by end 2006, which were owed by the most underdeveloped and heavily indebted African states. China also indicated that it planned to develop a number of Special Economic Zones (SEZs) (between three and five) to serve as special Chinese investment areas in a select number of important African countries (Davies 2008:142).

Recently, Chinese Assistant Foreign Minister Zhai Jun reassured African states that all the commitments that were made at the 2006 Summit will be fully implemented, despite the ongoing global financial crisis. This was affirmed by Chi Jianxin, the China-Africa Development Fund's chief executive, when he announced in March 2009 that China is to pump a further US\$2 billion<sup>18</sup> into the Fund as much as two years earlier than planned, in order to seize opportunities left by the retreat of western investors from the continent due to the global financial downturn (Burgiss 2009).

From the above it seems clear that FOCAC is not an “empty talk club”, but is indeed a significant platform and effective instrument for accomplishing cooperative dialogue between China and African states and exchanges in the fields of governance and cooperation (He 2008:153). Naidu & Mbazima (2008:756) rightly states that “FOCAC has cemented and expanded political and economic ties between Beijing and Africa’s leaders and has provided the impetus to be considered an alternative development paradigm of engagement to the G8’s Africa plan and the Washington Consensus.”

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<sup>17</sup> Established in June 2007 (CADfund 2009).

<sup>18</sup> The Fund's initial capital of US\$1 billion was anticipated to be exhausted by 2009.

### 3.3.2 CHINA'S OFFICIAL FOREIGN POLICY ON AFRICA

The purpose of China's **Africa Policy White Paper** (2006) is to identify China's policy objectives towards Africa as well as the mechanisms to realise them. The White Paper indicates that "China will establish and develop a new type of strategic partnership with Africa" (Cheng & Shi 2009:93). China officially views Africa as a continent with vast natural resources and a significant potential for sustainable development. It recognises the fact that various forms of cooperation (economic, bilateral trade and other) have increased, and states "that China has provided assistance to the best of its ability to African countries, while African countries have also rendered strong support to China on many occasions" (PRC 2006c). The general principles underlying, and objectives of, China's policy on Africa are: (a) sincerity, friendship and equality; (b) mutual benefit, reciprocity and common prosperity; (c) mutual support and close coordination; (d) learning from each other and seeking common development; as well as (e) the "one China" principle (encouraging states not to recognise Taiwan) (PRC 2006c). The White Paper furthermore sets out specific cooperation areas which are divided into four fields, namely (a) political; (b) economic; (c) aspects relating to science, education, health, culture and social matters; and (d) peace and security (PRC 2006c).

With regard to natural resources, China's African Policy states that China encourages cooperation and information sharing. In addition, it supports Chinese enterprises to collaborate with African states, based on the principles of common development and mutual benefit, in the rational development and exploitation of their natural resources (PRC 2006c). This will, in turn, assist African states to convert their comparative natural resource advantages to competitive strength, so as to ensure sustainable development. China also recognises and supports the African Union (AU) and sub-regional organisations that endeavour to promote political stability, economic development and integration on the African continent (PRC 2006c).

The White Paper offers some indications as regards China's strategy in respect of Africa. China is significantly expanding its economic and aid support to Africa (which

is provided with few conditionalities), in return for African resources to supply its growing industries.

### 3.3.3 THE ISSUE OF AFRICA'S NATURAL RESOURCES

Africa's trade with China is primarily focused on natural resources. Nearly 80 per cent of China's imports from Africa consists of only four natural resource commodities - oil, iron ore, wood and diamonds (CCS 2008:6). The recent strong GDP growth of Africa as a continent is a result of China's need for natural resources, and high international energy and commodity prices. China has succeeded in bringing about an alignment of its foreign policy objectives with its domestic development strategy<sup>19</sup> by supporting Chinese SOEs (e.g. NOCs discussed above) to enter into exploration and production agreements with Africa states that have significant deposits of natural resources (Pan 2006).

China's growing relationship with Africa is mainly driven by its need for oil. Africa's importance to China gives evidence of an important global change as regards oil production and consumption. Countries with economies that require high energy (especially oil) inputs (e.g. China) have recently started distancing themselves from regions perceived as "unstable" (e.g. the Middle East). African countries have been identified as reliable replacements as regards access to oil (Downs 2007:52). Petroleum and oil account for nearly 80 per cent of China's natural resource imports from Africa (which amounted to US\$22 billion in 2006). China now depends to a considerable extent on Africa for oil (30 per cent), cobalt (80 per cent) and manganese (40 per cent) (Foster et al 2008:ix). China's NOCs have secured US\$10 billion worth of oil sector investment in the form of the right to explore and drill for oil in Southern Africa (Angola), Central Africa (Chad, Equatorial Guinea, Gabon, the Republic of Congo), West Africa (Côte d'Ivoire, Mali, Niger, Nigeria), East Africa (Ethiopia, Kenya, Sudan) and North Africa (Mauritania), as well as São Tomé and Príncipe. In addition, it acquired a number of copper mines in the Democratic Republic of Congo (DRC), Zambia and Zimbabwe. Zimbabwe does not have oil

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<sup>19</sup> As set out in the integrated conceptual framework above, referring to China's focus on augmentation of national power.

reserves; however, it has the second-largest, to a large extent yet unexploited, platinum reserves, as well as extensive deposits of coal and other minerals (such as copper, ferrochrome, gold, silver and uranium) (Eisenman & Kurlantzick 2006). Exploration and mining contracts have also been signed for, amongst others, bauxite (Guinea), chromium (South Africa) gold (Eritrea), manganese (Cote d'Ivoire and Gabon), titanium (Kenya), and uranium (Niger). Many of these contracts are based on the principle of "resources for infrastructure" - exchanging greatly needed infrastructure for mineral resources (CCS 2008:5). China has invested around US\$2 billion in mining and relating ventures, of which, interestingly, only 7 per cent was directly focused on the exploitation of natural resources. By far, the majority of Chinese investments have been made as part of extensive development projects (Foster et al 2008:x).

Africa's vast reserves of natural resources therefore provide a strong inducement for China and, with Africa not being so directly affected as the US, Europe and Asia by the current global downturn and international economic crisis, the continent remains a fertile investment region for China (CCS 2009a:10). It may be concluded that Chinese investors (with the active political and financial support of the Chinese government) are taking a long-term view and pursuing strategic expansion in Africa, continuing to pledge tens of billions of dollars to Africa in loans and investments in order to secure long-term reliable access to natural resources and raw materials to promote national development (Reuters 2009). This has resulted in the alignment of China's foreign policy with its domestic development strategy – a key characteristic of the integrated conceptual framework set out in Chapter 2.

### **3.4 ASSESSING THE REALITY OF CHINESE FOREIGN ENGAGEMENT WITH AFRICA**

The most important features of China's foreign policy framework (as discussed above) through which it (officially) conducts its relations with Africa, is based on that of a 'strategic partnership'. This 'partnership', according to China (PRC 2006b), creates mutual benefits for both China and Africa:

- For China: Encouraging Chinese import of primary mineral products (including oil) as a national security concern and opening new markets for Chinese manufactures; and
- For Africa: Developing and managing the increased exploitation of Africa's natural resources in order to assist African states to convert their comparative natural resource advantages to competitive strength to ensure sustainable development; expanding Africa's infrastructure; contributing to agricultural development and the modernisation of agricultural production; supporting social development in the health and education sector; contributing to peacekeeping missions in Africa under the mandate of the UN and/or the AU; and consolidating the cooperation in the UN framework (Schmitt 2007:3).

China is increasingly being treated as a great power on the continent. In addition, African leaders generally welcome China's outreach, policy of non-interference in their domestic affairs as well as its public stance against US hegemonism. However, discrepancies between China's foreign policy framework (discussed above) and the application thereof in Africa become clearly evident when analysing a number of key issues that constitute both the overarching China-Africa agenda and the bilateral agendas between China and a number of individual African countries.

### **3.4.1 TRADE**

China's increasing economical and political focus on Africa has also led to increased trade with the continent, which has since 2000 been growing at a high rate of approximately 30 per cent a year since 2000. Bilateral trade volume amounted to US\$73,3 billion in 2007, which grew in the first half of 2008 to US\$53,1 billion (CER 2008).

Extractive products related to oil, iron, timber and other raw materials, dominate exports from Africa to China, with cotton and tobacco being the only exceptions. Imports of Chinese goods by Africa are more diversified, comprising mainly consumer products manufactured by Chinese light industries (Schmitt 2007:6). Increased trade has contributed to a consistent growth in Chinese demand for

African commodities (Goldstein et al 2006:9). A good example is the 130 per cent increase in China's demand for iron ore from a South African company, Kumba Iron Ore, during the first half of 2009, in contrast to falling demand from Europe, Japan and South Korea. Kumba Iron Ore now exports 85 per cent of its ore to China (Brown 2009:19). Analysts agree that mineral exports from Africa will increase in volume, whilst simultaneously there is a strong likelihood of more Chinese investment on the continent (to secure its energy supply and other natural resources). The projected sustainability of the envisaged rapid growth of China's economy will stabilise and support the prices of these commodities, thus resolving the challenge faced by exporters, namely a decline in the terms of trade (Draper 2006:1). Furthermore, China's economic take-off has led to a marked rise in raw materials' prices. The announcement in 2006 that Saudi Arabia was overtaken by Angola as the premier supplier of crude oil to China illustrates the strengthening of links between the two high-growth economies (IRIN 2006b). Imports of minerals that are indispensable to the electrical and electronics industries (such as iron, nickel and copper), have also risen considerably since 2001 (Lafargue 2005). In addition, China has developed into a large cotton importer (33 per cent of global consumption), and of capital and intermediate goods (SAIIA 2005:12). China's export of cheap products also brings some benefits to African consumers, as cheap imports mean Africans get access to goods they can afford (Wild 2006).

China's imports of agricultural goods are set to rise as its urban population keeps on expanding. When China became a net importer of food in 2003, food security became a major concern for the Chinese government that has promoted investments in African fisheries, agriculture and related industries (PRC 2009). Joint ventures for the processing of fish been established in Namibia, Mozambique and Gabon. Chinese companies have also been leasing agricultural land in Tanzania, Zambia and Zimbabwe. In addition, China has become increasingly reliant on sourcing Southern African livestock, vegetables and fresh fruit (Naidu & Mbazima 2008:754). At a senior meeting of the Chinese central government held on 12-14 January 2009, it was decided that China would increasingly focus on the importance of food security (China Chemical Reporter 2009:12).

It is clear that there is enormous potential, within the framework of South-South cooperation, for the expansion of existing bilateral trade relations, and the strengthening of economic engagement between African governments and fast-growing economies in the developing world. However, African exports, particularly to China, consist mainly of primary products, such as timber, minerals and oil. According to the UK Department for International Development (DFID) (2005:i), “They are not therefore likely to have a significant positive impact on the poor, who may even be negatively affected as a result of the growth of natural resource-based exports.” Faced with the reality of Chinese expansion in Africa, many analysts fear that Africa may once again be relegated to the status of being a primary products exporter. This may have serious negative effects on regional industrial development trajectories (Zingel 2006:7). Mono-economies are volatile, and dependence on raw material exports usually involves less skill formation, more corruption, and damage to the environment (Goldstein et al 2006:9). Many countries allow the extraction and export of their natural resources without ensuring the accrual of spillover benefits (such as employment creation, housing, better healthcare) to the rest of the economy. Exports of Africa’s natural resources have not managed to lessen the current consistent unemployment, resulting in questions about the possible sources for the much-needed future employment growth. Draper (2006a:2) is of the view that “much depends on the extent to which African governments invest in appropriate supply-side capacities to support minerals and food exports.”

At the same time, the continued existence of labour markets and domestic industries in Africa is threatened by the significant increase in the import of Chinese goods (such as steel and textiles) into Africa. The disparity in trade between Africa and China is increasingly apparent – African exports to China represent a small part (only 3 per cent) of China’s overseas trade (Naidu & Mbazima 2008:759). SAIIA (2005:7) states that “China enjoys a significant advantageous trade imbalance with its top trading partners on the continent – including South Africa, Nigeria and Sudan – resulting from the commodity base of exchange as well as an excess capacity of Chinese industry and its willingness to export goods through third countries to obtain market share in Africa.” Domestic African markets are undergoing significant changes as regionally manufactured items are being displaced by cheap imported

Chinese products. A major challenge in this context is represented by the so-called two-pronged textiles issue, where cheap Chinese exports to Africa and the US result in the undermining of local African textile industries, and limiting African textile export opportunities to the US (Cheng & Shi 2009:107). The textile and clothing industries of Lesotho and South Africa have been decimated by cheap Chinese textile imports, resulting in large-scale employment losses and widespread protests by the trade unions representing textile workers (Wild 2006). In response to these major drops in production and employment losses, South Africa implemented import quotas in respect of a number of Chinese manufactured textile and clothing products at the beginning of 2007. The originally envisaged two year implementation period for the quotas ended in 2008. The South African government requested an extension of these restrictions, but the request was turned down (Van Eeden 2009:1).

In addition, the growing trade imbalance has led to approximately 88 000 Chinese migrant workers settling in a number of African countries, which will probably result in a new Chinese diaspora with these workers remaining in Africa (Schmitt 2007:9)<sup>20</sup>. The resulting displacement of Africans in many African countries by large numbers of Chinese arrivals (e.g. workers, small traders, engineers and executives) has given rise to friction, which may eventually spiral into violent aggression by local populations (Thompson 2006).

### **3.4.2 AID AND INVESTMENT**

Low and no-interest loans, as well as grants, form the major part of China's aid packages provided to African countries (Thompson 2006). In a number of instances, China has granted debt relief as a mechanism to provide aid to the poorest African nations. Within this context, China has, from 2000, implemented initiatives to cancel outstanding debt in the case of 31 states, under the African Humanitarian Resource Development Initiative, totalling around US\$1.3 billion (Naidu & Mbazima 2008:755).

China's cumulated FDI inflow into Africa is estimated to be in the region of US\$6,3 billion, of which US\$1,18 billion was invested in 2006 (Schmitt 2007:6). As indicated

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<sup>20</sup> Figures suggest that there are more than 1 million Chinese living in Africa (Schmitt 2007:9)

above, China has formulated and implemented policies to promote increased Chinese investment in various African countries. In addition, centres for investment and trade promotion have been established, and business consultancy services have been provided to Chinese enterprises operating in Africa (Eisenman & Kurlantzick 2006). In 2006, there were already approximately 900 Chinese financed investment projects in Africa (Africa Research Bulletin 2006b:17000). The China-Africa Development Fund's initial investments include agricultural ventures in Ethiopia, Malawi and Mozambique; a share of US\$450 million in a power station in Ghana; and Egyptian, Mauritian and Nigerian industrial zones (Burgiss 2009).

The Chinese economic boom coupled with the saturation of China's domestic economy are the main reasons for Chinese firms' outward expansion – especially in the infrastructure sector. Naidu & Mbazima (2008:754) state that the “the footprint of Chinese firms investing in the African market can be seen in developing Africa's infrastructure whether it is roads or railways in Ethiopia, Rwanda and Sudan, the reconstruction of Angola's shattered economy, the expansion of telecommunication businesses into 39 sub-Saharan African countries by Huawei Technologies, the rehabilitation of power stations in the Niger Delta, or the construction of a hospital and oil pipelines in Sudan.” Chinese investments have focused mostly on the establishment of productive infrastructure (including power, rail, and information and communication technologies (ICT)) as well as a number of high-profile, politically important, construction projects such as the Presidential Palace in Sudan (Khartoum) (Foster et al 2008:1).

There are significant differences between the traditional donor approach to financial assistance and that of China. Financial agreements are grounded in bilateral agreements with individual African countries. Chinese infrastructure finance is channeled through ExIm, and not through development agencies. Given the export promotion priority of ExIm, a typical feature of agreements is to tie financial support to the employment of Chinese contractors. The infrastructure so established, becomes the property of the receiving governments, who then later take over the operation and management of the investments (Foster et al 2008:1). Taylor (2009:29) argues that China “is garnering support from less developed countries by

financing infrastructure construction in these countries through ExIm,” but that infrastructure construction contracts are predictably awarded to Chinese engineering and construction firms. As such, the funding involved in reality reverts back to China. China's policy that new Chinese funded infrastructure must be established using Chinese manpower and materials, with the respective African governments receiving the proceeds of the exploitation of oil reserves and mining operations, works against the principle of developing native African industries (Lagerkvist 2009:129). Such Chinese practices have led to major political tensions and resultant internal pressures for the protection of domestic interests (Draper 2006:2). As many African economies are faced with extremely high levels of unemployment, African governments should take steps to ensure that local labour is used for Chinese funded infrastructure projects and manufacturing ventures. A recent example of such a deal involved a Chinese concessional loan (or soft loan) to Namibia to the value of US\$55,3 million, to finance the purchase of 13 industrial scanners. The loan was provided on condition that the tender for manufacturing the equipment would be awarded to Nuctec, a Chinese company (Grobler 2009:12).<sup>21</sup>

China also utilises international aid to establish a favourable image amongst Africans, by providing financial support to specific infrastructure projects such as school buildings, soccer stadiums, medical facilities and parliament buildings (Ding 2008:200). In Angola, China has made available a US\$2 billion package of aid and loans earmarked for the repair of Angola's infrastructure that was devastated by the civil war. Chinese companies have received the major part of this funding, which is being used for the building of bridges, roads, railways, hospitals, schools and offices, as well as the establishment of a fibre-optic network and the training of Angolan telecommunication workers. In turn, China has secured for itself a major part in the future exploration for, and exploitation of, Angolan oil reserves (Pan 2006). It is also investing in an oil refinery in Lobito and a new airport outside Luanda (Economist.com 2006 & IRIN 2006b). Kenya has also been a beneficiary of Chinese infrastructure investments; examples are the Tambach-Kabarnet road (western Kenya) and the renovation of the Mombasa-Nairobi highway. The regional

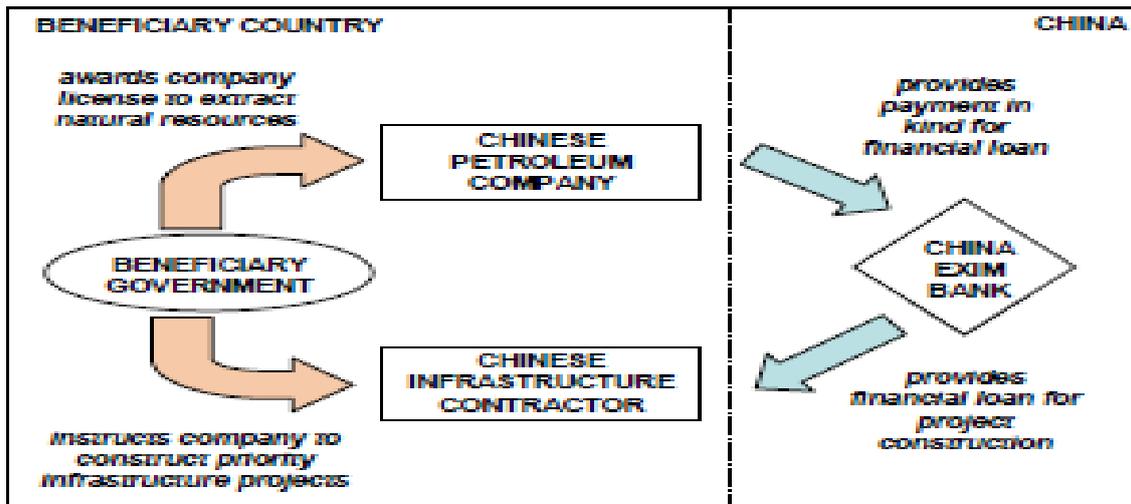
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<sup>21</sup> The deal subsequently degenerated into a corruption scandal involving Hu Haifeng, Chinese President Hu Jintao's eldest son. The case is ongoing (Anon 2009:5).

headquarters of the China Road and Bridge Corporation (CRBC) were established in Nairobi, which it uses as the basis for expanding its activities in the east African region (Lafargue 2005). Several ports on the continent, including that of Mombasa, are being overhauled with Chinese cranes (Economist.com 2006). In Nigeria, China has struck several drilling deals, with part-payment in medicines and rice (Economist 2006). China announced in January 2006 that it had been awarded a significant share (45 per cent) in a offshore gas and oilfield in Nigeria for the amount of US\$2,3 billion (IRIN 2006a). Cobalt and copper mines in the DRC are also targeted by Chinese investments. In addition, it has provided road infrastructure to facilitate exports in the DRC (Roughneen 2006). In Ethiopia, China is helping to build Africa's largest dam; and in Namibia, China provides funding for agro-processing (SAIIA 2005:6). Liberia received US\$25 million for reconstruction (IRIN 2006a), and Ghana received a US\$66 million loan for a telecommunications project. Tanzania received US\$200 million to improve power transmission (Africa Research Bulletin 2006b:17001). In addition, China has also invested in a number of Tanzanian projects relating to agriculture, infrastructure, resort hotels and retail ventures (Roughneen 2006).

China is increasingly adopting a “resources for infrastructure” or “Angola mode” approach, in which the recipient African country pays for infrastructure development by means of natural resource exports (e.g. oil) to China (Foster et al 2008:x). These deals are used by ExIm for African countries that are unable to provide sufficient guarantees to back their loan obligations. In this scenario, a framework agreement is concluded with an African government that covers an infrastructure project. The project is then contracted out to a Chinese construction firm, while, simultaneously, rights to explore for and exploit natural resources (e.g. oil) are awarded to a Chinese company.. This is followed by an instruction by the African government concerned to the Chinese construction firm to start the ExIm-funded infrastructure project. Repayment by the African government concerned for the Chinese-funded infrastructure project is then made by means of the export of oil to China by the Chinese petroleum company that was awarded the exploitation rights (Foster et al 2008:43). The “Angola mode” approach is illustrated below:

**Figure 1: The Angola-mode approach**



(Foster et al 2008:43)

Foster et al (2008:44) identify eight such ExIm-funded infrastructure projects “paid” for by the export of natural resources:

**Table 2: ExIm-funded infrastructure projects**

Country	Year of commitment	Status at the end of 2007	Natural resource to be received in payment	Project Description	Total Chinese Financing (US\$ millions)
Congo, Rep.	2001	Under construction	Oil	Congo River Dam. Backed by crude oil guarantees.	280
Sudan	2001	Completed	Oil	Construction of the El-Gaali (Al Jaily) Power Plant, first two phases with Sudan's oil serving as collateral for the loans.	128
Angola	2004	Completed	Oil	Oil-backed loan to repair damaged infrastructure bombed in the country's civil war (power, transport, ICT, and water portion). China to receive 10,000 barrels of oil per day.	1,020
Nigeria	2005	Under construction	Oil	Construction of gas turbine power plant at Papalanto. PetroChina secured by a deal to purchase 30,000 barrels of crude oil a day from the Nigerian National Petroleum Corporation (NNPC) for a period of one year, renewable.	298
Guinea	2006	Agreement	Bauxite	Souapiti Dam project. Reportedly linked to mining (Bauxite) revenues.	1000
Gabon	2006	Agreement	Iron	Belinga iron ore reserve. Loan is to be repaid via sales of iron ore to China.	not available
Zimbabwe	2006	Agreement, possibly not materialized	Chromium	Construction of new coal mines and three thermal power stations in Dande, the Zambezi valley on the Zambian border. In exchange, Zimbabwe was to provide China with chromium.	not available
Ghana	2007	Under construction	Cocoa	Bui Dam hydro-power project. Part of the loan will be repaid in cocoa exports to China.	562
Total					3,287

Importantly, it must be kept in mind that Africa's undisputed need for FDI is severely compromised by the fact that China (as a global leader) has been extremely

successful in obtaining its own FDI.<sup>22</sup> In addition, the sustainability of China's aid packages to Africa is questioned on the basis of the challenges faced by the Chinese government in respect of both the envisaged healthcare and pension crises, and the increasing economic and social inequalities. In this regard, Naidu & Mbazima (2008:759) argue that China's increasing domestic social development issues are indicative of the fact that Africa should not put itself in a position that it relies solely on China as the one-stop solution to all its development needs.

Chinese authorities do not compel SOEs to function as "model business partners" or to adopt good corporate governance principles on the African continent (Cheng & Shi 2009:110). In a number of instances, resentment has resulted from Chinese investment in Africa on account of discriminatory employment practices (e.g. temporary appointment of staff by means of short term contracts, absence of safety measures in the copper, coalmining and textiles industries, and poor pay). In Zambia, the government had to request Chinese managers in 2004 to terminate the practice of locking up workers during night time at the Zambia-China Mulungushi Textiles factory. In similar vein in 2006, the Zambian government was forced to close down the Collum Coal Mining Industries when it came to light that mine workers were compelled to work without the necessary safety boots and clothing. With regard to wages, Zambian trade union officials complained that mine workers employed at Chambishi Mining, a copper mine, received the lowest wages of all Zambian copper mine workers (with bottom monthly salaries starting at US\$100, compared with a monthly minimum wage of US\$424 in the non-Chinese owned Konkola Copper Mines, the largest producer of copper in Zambia). In 2003 Chambishi Mining was purchased by Chinese investors, and in 2006 it was the scene of violent mineworkers' protests (Cheng & Shi 2009:107). In the case of Angola, corruption and patronage have led to the loss of 10 per cent of its GDP through the siphoning off of oil revenues amounting to approximately US\$4 billion. This was ascribed to the non-compliance with good corporate governance standards (amongst others, deficiencies in the drafting of contracts and the administration of revenue, and lack of transparency) (Asche & Schüller 2008:24).

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<sup>22</sup> China is the most attractive destination for FDI globally; in 2008 it absorbed FDI to the amount of US\$111,17 billion (Qingfen 2009).

In addition, activities related to China's investments often result in irreversible destruction of the environment; this is exacerbated by the fact that the implementation of so-called green policies is currently not part of the operational ethos of Chinese firms (Ding 2008:201-202). Today, China is the largest importer of industrial round timber and tropical timber. While Africa contains only around 16 per cent of global forest stock, it registered more than 55 per cent of the worldwide decrease in forest cover during the period 2000 to 2005. It is alleged that Chinese owned timber companies make contribute significantly to this loss (Asche & Schüller 2008:61). Illegal (unauthorised) Chinese timber imports from Africa is becoming an increasing problem. 80 per cent of timber exports from Cameroon to China are said to be illegal. In Congo (Brazzaville), 90 per cent of timber export is illegal through overt disregard for the law that requires processing prior to export. In Equatorial Guinea, 90 per cent is illegal due to non-compliance with the law determining maximum allowable cuts and concession sizes. In Gabon, 80 per cent of all timber exports to China is in contravention of legislation requiring processing in Gabon. In addition, taxes are not paid for at least two-thirds of Chinese forest concessions in Gabon (Asche & Schüller 2008:63).

China and Africa's thriving relationship has the potential to severely undermine efforts to promote the objective of good governance, which includes more responsible government, transparency and income distribution, as discussed below.

### **3.4.3 GOOD GOVERNANCE**

In many parts of Africa, China is perceived as an increasing strong counterbalance to the so-called major Western countries. Resentments related to the history of colonisation still form the basis of the distrust with which African countries view the West. Within the international arena, the relationship between Africa and China is mutually beneficial, as China needs Africa's votes of support in the UNSC, and Africa needs China's political support when entering into economic and political negotiation with the Bretton Woods Institutions (BWI), e.g. the World Bank and the International Monetary Fund (IMF) (Draper 2006:3).

International human rights advocacy groups have warned that China's unchecked scramble for natural resources has the potential of undermining political reform and respect for human rights on the African continent (Africa Research Bulletin 2006a:16696-16697). As African governments are protected during UNSC sessions by China from having punitive measures imposed, Chinese investments are particularly welcome. These investments do not have the Western donor-driven conditionalities related to fiscal probity and good governance attached (Lyman 2005). China's friendship with, and support of, repressive African regimes such as Sudan, Algeria and Zimbabwe (with their poor records on human rights and good governance) does not promote the expansion of democracy in Africa (SAIIA 2005:7). By establishing business ventures whilst ignoring human rights abuses, African countries and China manage to bypass the international system that requires accountability by member states of international organizations. A recent example is when the Angolan government refused to accept an IMF transparency requirement relating to oil revenue accounting, ExIm offered an interest-free loan without any such requirements. Secondly, in 2006, China on a number of occasions used its UNSC permanent membership to ensure that UNSC resolutions against Sudan (Khartoum) for its alleged role in the Darfur genocide are not passed (Lombard 2006). The Darfur crisis clearly illustrates the negative side of China's increasingly strong role in Africa: its insatiable need for natural resources (and the concomitant support for repressive regimes) often results in the sidelining of humanitarian considerations (Draper 2006:3).

More recently, however, it appears as if China's foreign policy is becoming more nuanced; it is no longer blocking UNSC resolutions that authorise a Darfur peacekeeping mission, and is exerting pressure on Sudan (Khartoum) to support the deployment of UN peacekeepers in Darfur (Hanson 2008). Kleine-Ahlbrandt and Small (2008) are of the opinion that: "Beijing's recent handling of the situation in Sudan shows that it is learning the limitations of noninterference, however much that principle remains part of its official rhetoric and that China has found noninterference increasingly unhelpful as it learns the perils of tacitly entrusting its business interests to repressive governments." However, China still maintains its weapons trade with a

number of African countries (such as Sudan (Khartoum)), with a view on "enhancing its status as an international political power, and increasing its ability to obtain access to significant natural resources, especially oil" (Grimmett 2007:12).

Governance is an important issue in Africa – especially now that African states have committed themselves to the New Partnership for Africa's Development (NEPAD). African states should be cautious about the growing Chinese influence and presence in Africa, as it may derail the broader African governance agenda (IRIN 2006a). China, on the other hand, ought to embrace the AU agenda for the continent (Zingel 2006:6). The fact that some African leaders welcome China's increasing involvement does not necessarily imply that ordinary Africans will benefit from China's presence. The pillars of democracy are still weak and fragile in many parts of Africa, with the absence of strong civil society movements and independent media being a hallmark of many African countries. These countries may evolve into full democracies or revert back to dictatorships. In this fragile environment, China's current *modus operandi* in Africa contrasts with its attempts to be seen as a responsible actor in the global community of states. More importantly, however, Chinese involvement in the continent could jeopardise the consolidation of democracy and the furtherance of good governance.

#### **3.4.4 ECONOMIC REFORM, EDUCATIONAL, MEDICAL, ENVIRONMENTAL AND TECHNICAL ASSISTANCE**

The Chinese government has taken active steps to promote lessons learned during the implementation of its economic and development reform model, including inviting African government officials to China to discuss Chinese domestic development experiences. This is not seen as being contrary to the principle of non-interference in the domestic affairs of other countries; however, analysts argue that China, through the exertion of its soft power, would in fact like to have its economic model replicated also in African countries (Thompson 2006). China has, through the

implementation of technical training projects focusing on African officials specialising in environmental affairs, started to cooperate with African countries on issues relating to policy-making, drafting of regulatory frameworks and biodiversity issues.

Within the educational field, China has recently strengthened its existing support to African countries (consisting of, amongst others, sending teachers from China to Africa) by doubling the scholarships that enable African students to enroll at Chinese universities (from 2000 to 4000 per year) (AllAfrica.com 2008). More than 18 000 African students have studied at Chinese universities (Naidu & Mbazima 2008:755). China has also established a number of Confucius Institutes at prominent African universities. These Chinese funded institutes focus on the promotion of China, offering courses in Chinese language and China studies (Eisenman & Kurlantzick 2006). In addition, China trained around 10 000 Africans in the civilian and security sectors (Pan 2006).

Chinese technical aid by means of the provision of Chinese agricultural, engineering and medical teams, has contributed to a range of African development projects, such as the building of schools and the treatment of people living with HIV/Aids. African doctors are also trained at medical schools in China, and the Chinese government has provided equipment and medication free of charge to a number of African states (Eisenman & Kurlantzick 2006). From 1963 onwards, approximately 16 000 Chinese medical practitioners have been involved in healthcare systems in 47 African countries, benefitting around 240 million Africans (Naidu & Mbazima 2008:755).

The provision of technical aid to African countries has become a key objective in China's engagement with Africa, as a mechanism to strengthen its influence across the continent. Although this has negative financial implications for its own domestic development needs, China views this involvement as cost-effective and supporting its immediate and long term access to natural resource and strategic international policy objectives.

### 3.4.5 PEACEKEEPING AND ARMS SALES

For a country that used to view UN intervention as a violation of state sovereignty, China's recent embrace of peacekeeping constitutes an ideological revolution with almost 2 200 peacekeepers around the world today. Approximately 75 per cent of all Chinese peacekeepers serve in Africa. By the beginning of 2009, China was involved in seven UN African peacekeeping operations (primarily in Darfur, the DRC, Liberia and Southern Sudan) that involved a total of 1 745 observers, police officers and military personnel. Although China is responsible for only a small part (three per cent) of the budget relating to UN peacekeeping missions, it has the highest number peacekeepers in Africa (compared to the other UNSC permanent members) (Shinn 2009). This increasing important role seems to contradict the policy of non-interference in the domestic (internal) affairs of other countries, but coupled with China's growing influence, the Chinese government attempts to project a softer image as a responsible power.

In contrast, whilst China is strengthening its involvement in peacekeeping operations, its military ties with repressive African states have been questioned by groups promoting human rights in Africa. Chinese-made weaponry destined for Africa is being traded for ivory, mineral resources, oil and even deep sea fishing rights. Cases in point are Zambia (using copper resources for payment of military equipment), Zimbabwe (using illegal ivory in 2000 and 2008 for arms) and Kenya (which is negotiating for the trading of deep sea fishing rights for Chinese arms) (Chang 2009). Another example is the DRC, with whom China signed an arms-for-minerals agreement in 2008; this arrangement provides exclusive access to the DRC's cobalt and copper deposits. An important Chinese arms manufacturer has acquired the ownership of the largest iron mine in the DRC. Tinsley (2009:12) states that "virtually every weapon used by warlords there is a Kalashnikov stamped with the number 56, indicating it was made in China." Since 1998, the scramble for the DRC's natural resources has resulted in approximately 5,4 million casualties. China has the highest number of mining operations and oilfields in West Africa. It has invested approximately US\$2,68 billion in Liberia, making it the foremost investor in the country, after having supplied the weapons that were used by the current

Liberian government to bring down the previous regime (Tinsley 2009:12). Sources also state that China has recently exported 155-mm howitzers to Algeria, Egypt and Sudan (Chang 2009). According to a June 2009 news report, China approved the sale of an unspecified number of WS-2 multi-launch rocket systems to Sudan (Khartoum). Information on this arms deal was leaked during an official Chinese visit by the Sudanese defence minister Abdel-Rahim Mohamed Hussein (Sudan Tribune 2009f).

The Angolan air force has discussed the purchase of entry-level trainer aircraft in exchange for oil. The Angolan army is also interested in purchasing artillery guns, armored vehicles and ammunitions. China sold air force (12 fighter jets) and army (100 military vehicles) equipment to Zimbabwe; to the value of US\$240 million (Africa Research Bulletin 2006a: 16696-16697). It is alleged that this secret order had not complied with the statutory requirements prescribing the role of the Zimbabwean Procurement Board, which is responsible for the allocation of the Zimbabwean defence budget (of approximately US\$136 million). The recent (2009) debacle about the controversial cargo ship carrying Chinese weapons destined for Zimbabwe had its final twist when a UN team received confirmation from Zimbabwe Defence Industries (ZDI) that the weapons had indeed reached Zimbabwe through the DRC (Moyo 2009:25). Zimbabwe has recently engaged negotiations with China with regard to the acquisition of FC-1 fighter jets, but, due to financial considerations, China seems interested to rather trade the aircraft for interests in Zimbabwean zinc and aluminum mines (Chang 2009). This approach can be explained with regard to China's quest for natural resources. In addition, both Angola and Zimbabwe have been supplied with a significant amount of light weaponry and ammunition.

China has consistently supported its key strategic African partners in order to ensure its continued access, and uninterrupted supply of, of natural resources in general, and oil in particular. Such arrangements usually comprise military hardware at reduced prices, or, in many cases, in exchange for the export of commodities. ExIm facilitates loans, while training (and advice on strategies on how to retain effective governance power) is provided by members of the PLA and Chinese civil servants. Within this context, in both Zimbabwe and Angola (amongst others), China has

“actively helped to create centralised, authoritarian, one-party, human rights-abusing structures in its own image” (Tinsley 2009:13). In a number of African countries (including Sudan, Egypt, Nigeria and Zimbabwe), Chinese companies have built, and is currently managing, arms manufacturing plants in order to sustain the political power of its allies. China has also used military engagement as a mechanism for expanding its relationship with African countries. In certain cases, such links have become controversial, particularly in the case of Sudan and Zimbabwe. This, in turn, has led to allegations that China purposefully encourages internal conflicts in war-prone areas (whilst providing military and other support to the non-democratic regimes concerned), in order to further its own domestic interests. This enables China, firstly, to cement existing bi-national strategic relationships (with a view of effecting long term links between those African governments and China) and, secondly, to facilitate the entry of additional Chinese enterprises in African countries concerned (Naidu & Mbazima 2008:756).

In conclusion, it is evident that there is an increased tendency to exchange Chinese weapons for African natural resources. Chinese arms sales and military ties with autocratic and/or repressive African regimes do not bid well for the African continent’s quest for peace and stability.

### **3.5 EVALUATION OF CHINA’S CURRENT ENGAGEMENT WITH AFRICA**

The two main drivers of China's foreign policy in respect of the African continent are economic and political in nature. These drivers have both a positive and negative implications for Africa; providing a framework for Africa’s development, and creating significant challenges. On the positive side, China is a new actor in the African continent that is willing to invest, but on the negative side, it refocuses Africa on striving to benefit from the exploitation and export of its natural resource wealth, whilst simultaneously under-emphasising (or even ignoring) the objectives of sustainable reform within the political, social and economic realm (e.g. democratisation, good governance and employment opportunities). China’s rise thus presents opportunities and risks for the African continent. China’s scramble for natural resources and investment areas have given rise to immediate benefits

accruing to the African country concerned, whilst, on the contrary, it presents long term challenges as regards the successful strengthening of good governance and effective democratisation. Weak African institutional arrangements will, in all probability, result in the absence of investment in other sectors, taking into account Africa's growing trade dependency on China (Lagerkvist 2009:125). There is ample evidence of a distinct dichotomy between (a) the lofty ideals of partnership and mutual benefit (as enunciated in China's Africa Policy (PRC 2006c)), and (b) the de facto reality of the various forms of Chinese involvement in Africa, (e.g. the exploitation of natural resources) without creating any significant beneficiation and sustainable employment opportunities. Often, the Chinese *quid pro quo* consists of the export of Chinese arms.

With regard to trade, the supply side capacities of African countries need to be strengthened, with improved cooperation between individual countries. African governments should resolutely claim to be equal partners with China as regards economic relations; in order to change the current relationship to one of a more equitable nature - the export of natural resources should be balanced by high quality technological transfers (Lafargue 2005). Development strategies need to be reorientated to avoid competition in labour-intensive manufacturing industries (e.g. clothing and textiles) and to support diversification into sectors that are complementary to Chinese growth (Goldstein et al 2006:36). African countries should support and fund domestic pro-poor programmes through the allocation of increased revenues (derived from the taxation of natural resource exports) (DFID 2005:ii).

Asche (2008:178) warns that: "As long as the total socio-economic effect of China in African countries is unknown, and the exact degree of control Chinese authorities exert over operations in Africa is not known either, observers and politicians should be warned against coming up with short-sighted accusations of the damage China allegedly does to African economies and should rather explore all avenues of effective triangular cooperation on the ground." However, taking into account the present balance of opportunities and possibilities, Draper (2006b:5) is of the opinion that it would seem that the benefits of China's Africa policy probably outweigh its

concomitant threats, despite the negative impacts discussed above. His conclusion must, however, be strongly qualified by the need for far stronger, more responsible and active roles by African governments in managing their relationships with China. In addition, steps will have to be taken to ensure the continued commitment by African governments to good governance and democratisation. Future negotiations with China will need to be undertaken from a better informed African platform - these must be focused on leveraging more structurally significant benefits for well defined areas of national interest. The AU and NEPAD secretariats should draft a framework on the coordination of African strategies towards China; this framework should prioritise African values and interests (Wild 2006). In addition, the African Peer Review Mechanism (APRM) should guarantee that domestic policies and practices of individual African countries are fully aligned with the AU intra-continental human rights, economic, political and corporate governance minimum standards.

Conversely, there is a need for China to refocus its involvement in Africa by ensuring that investments effectively create the necessary balance between Chinese extraction/exploitation and sustainable African economic growth (Zingel 2006:3). China's foreign policy and African strategy seems quite simple, but the time has come for Africa to formulate and assert its own home-grown strategy for China. Notwithstanding the fact that China-Africa cooperation will probably oscillate between high and low ends, it needs to be stated that China has decided to engage Africa by means of a long-term strategic China-Africa partnership with a view on expanding China's role as a key international leader, strengthening Chinese markets and accessing Africa's energy-related natural resources. From the African perspective, the deepening of relations with China is both advantageous and unavoidable for Africa. However, an active strategic African China policy that accommodates a range of medium and long-term interests (e.g. global, economic, internal political and security) should be developed, in order to accelerate sustainable progress in respect of African priorities both domestically and in the international arena.

### 3.6 CONCLUSION

China's global foreign policy, known as the Independent Foreign Policy of Peace, has the following five key elements: mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence" (PRC 2003). Within this context, it distances itself from the global arms race, and until recently, did not participate in UN peacekeeping initiatives. Major focus points include modernisation and the opening up of China towards the world, resulting in an engagement for international development and cooperation. Its National Defence Policy (2008) is founded on the domestic needs of national security, unity and national development.

China's energy policy framework consists of the 1999 'Going out' strategy (providing incentives to Chinese companies to invest overseas), and the 2003 Policy on Mineral Resources (promoting foreign trade in mineral commodities and the import of primary mineral products, especially through the signing of long term supply contracts). The three main Chinese NOCs (Sinopec, CNPC and CNOOC) are responsible for giving content to energy matters, and, more specifically, oil. This framework has been strengthened by the provisions of the 2007 White Paper on Energy, and the 2007 draft Energy Law. At institutional level, the NEA and NDRC are responsible for the final approval of oil contracts. The operations of the three Chinese NOCs are aligned to China's above-mentioned foreign policy objectives, and they make a significant contribution to the Chinese domestic tax revenue.

Following the 1955 Bandung conference, China has been strengthening its links with countries in the developing world, and more specifically, with African countries. China's African policy agenda is evident in the political, economic and strategic areas. In return for international political support from African countries, China has safeguarded a number of African countries from censure by the UNSC. FOCAC was launched in 2000, with as main aim the strengthening of political, economic and cultural relations between Africa and China. The 2003 Addis Ababa Action Plan focused on the consolidation of trade relations between China and African countries

and the removal of import tariffs in respect of some of them. Development has also been provided by China in respect of education, health, technical, environmental and a number high profile construction projects. The execution of the construction projects is usually awarded to Chinese companies that employ Chinese labourers, consequently a very significant portion of the development aid funding flows back to Chinese institutions. In many instances, repayment of these concessional loans is effected through a discounted tariff structure for Africa's natural resources, especially oil, which are exported to China.

Limited, if any, beneficiation of Africa's minerals exploited and exported by Chinese companies, takes place in Africa. As indicated above, an important part of its development aid package in reality favours the Chinese domestic economy. The research has indicated that China has the most extensive oil holdings in the greater Sudan. These oil holdings are, in line with the Chinese practice, exploited with Chinese manpower for exportation with a view of sustaining and expanding the Chinese domestic economy. The result of this typology of Chinese involvement in Africa, is the bringing about of a skewed relationship between China and Africa as a continent, as well as between China and individual African countries. This will only change if and when Africa formulates and implements a common strategy for engagement with China, which strategy should also ensure the sustained flow of tangible long-term benefits to Africa and the transfer of technical and managerial expertise to Africans.

## **CHAPTER FOUR: MAPPING THE FUTURES OF SUDAN AND SOUTHERN SUDAN**

### **4.1 INTRODUCTION**

This chapter focuses on the background of the CPA, the contents of the CPA, and the oil revenue sharing provisions in the CPA. This is followed by a description of some fundamental flaws in the negotiations preceding the signing of the CPA, as well as problems with the implementation of the CPA.

### **4.2 BACKGROUND TO THE CPA**

The 'fault line', as Meredith (2005:344) refers to it, running across the 12th parallel in Sudan and Chad that divided the Muslim (Arab) North and the Christian/animist (African) South, caused endless countless conflicts in these two African countries. Sudan was the sub-Saharan country to gain independence on 1 January 1956. For almost 40 years, Sudan, with approximately 41 million people (CIA 2009), has been engulfed with endemic conflict and war (CRS 2009:10).

#### **4.2.1 COLONIALISM**

After Mahdist forces were conquered in 1897 by a combined force of British and Egyptian soldiers, the Sudan became known as Anglo-Egyptian Sudan. In reality however, the area was ruled by the British. During the 58 years of colonial rule (until 1956), the South and the North were managed as two separate administrative areas under a single Governor General (Shillington 2005:387). The de facto and colonial administrative separation of Northern and Southern Sudan was politically institutionalised by a Line of Demarcation on 1 January 1956 (Maitre 2009:56-57). Southern Sudan was administered as a typical African colony where indigenous (African) culture and languages, and Christianity, were promoted. The Islamic character formed the basis of British colonial rule in Northern Sudan; its cultural orientation and future were focused on its being part of the Arab world (Gurtong Peace Trust 2007). The separation of peoples and tribes was encouraged by a

divide-and-conquer policy (Maitre 2009:56-57). The British introduced a “Closed District” concept, which comprised the Fung areas of the Nuba mountains (in Southern Kordofan), the Southern Blue Nile area, as well as Southern Sudan, with the aim of protecting the indigenous populations from Islamisation and Arabisation (Gurtong Peace Trust 2007).

#### **4.2.2 INDEPENDENCE**

In 1947, the British changed its initial policy and declared that the North and South would obtain independence as a single entity (Gurtong Peace Trust 2007). In February 1953, Britain and Egypt concluded an agreement that granted Sudan self-determination within three years. In addition, the agreement made provision for a Council of Ministers, a House of Representatives and a Senate, as well as internationally supervised elections (which took place at the end of 1953) (Sudan.net 2009). However, the rise of the nationalist movement in the 1940s and the dominance of Northern Sudan’s two major Islamist parties, the Umma Party and National Unionist Party (NUP), excluded Southern people from having their preferences for a future Sudan heard (SSFI 2000). The NUP won the election, with Ismail Al-Azhari as Sudan’s first Prime Minister.

Southerners (mostly from the Equatoria region) staged a mutiny in 1955, killing Northern political and administrative officials. This proved to be a significant event as it would later be regarded as the beginning of Southern resistance to Northern oppression. In addition, it hastened the granting of independence, as Britain had enough of its responsibilities in Sudan (Yilla 2009).

Sudan gained independence on 1 January 1956 under a provisional Constitution with the consent of the British government (Bureau of African Affairs 2007). However, the Constitution did not make provision for two of the foremost concerns for Southern Sudanese leaders: the unitary or federal structure of the new state, and its Islamic or secular nature (Bureau of African Affairs 2007). With independence, the Northerners gained control of the Khartoum government, and started their Islamisation and Arabisation campaign in the South (which later led to rebellion in

the South) (Shillington 2005:387). As British officials departed in the run-up to independence, only six out of approximately 800 senior civil service posts were filled by Southerners, compounding Southern fears of Northern domination (Meredith 2005:344). In the months leading up to independence, Northern politicians pledged to consider Southern requests for a federal Constitution (in return for Southern support for independence), which would ensure that Southern provinces would not be subordinated to Northern control (Collins 2008:72). Once in power, however, the request was denied on the grounds that it would support the breakup of Sudan.

#### **4.2.3 FIRST CIVIL WAR (1955-1972)**

Since independence from Britain, the North-South war dominated Sudan's history, with Arab Muslims in the Northern desert fighting against Christians and animists in the Southern wetlands (National Geographic 2007). In general, Southerners felt that partial independence for Southern Sudan would only imply that they would get a new set of colonial masters, and resultantly many Southerners called for the full independence of Southern Sudan (Gurtong Peace Trust 2007).

In 1958, the army took control of Sudan's government, and General Abboud promoted Islam and Arabic in the South in order to encourage national unity (Meredith 2005:345). Southern parties were banned (Maitre 2009:56-57). Southerners protested, and with increasing repression from Northern forces, a number of Southern politicians and better educated Southerners formed the Sudan African Nationalist Union (SANU) with the aim of promoting Southern independence. From 1963 onwards, the 'Anyanya', a Southern Sudanese separatist rebel army with arms supplied by Israel, initiated protracted guerrilla attacks against Northern forces (Collins 2008:106). The first civil war claimed approximately 500 000 lives (Meredith 2005:346). General Abboud retired in 1964 and his successors continued Southern repression and the aim of instituting an Islamic republic (Collins 2008:81).

#### 4.2.4 1972 ADDIS ABABA PEACE AGREEMENT (1972-1982)

In 1969, a military coup in Sudan brought Gaafar Nimeiri to power. Nimeiri established a Revolutionary Command Council (RCC) to assist him, with the RCC's political supporters being the influential Sudanese Communist Party. Both domestic and foreign-owned industries were nationalised. This included banks, insurance companies and later virtually all companies, large and small (Collins 2008:98). All other political parties were banned. Tensions soon developed between the Communist Party and the RCC, with the Communists demanding a government with equal communist participation. Conversely, Nimeiri wanted to centralise power in the RCC and planned to place trade unions under the control of the state. In addition, Nimeiri established the Sudanese Socialist Union (SSU) to take control of all political parties. This amounted to a declaration of war for the Communist Party. After an unsuccessful coup attempt in 1971, many dissident military officers and communists were detained, and alleged leaders of the attempted coup executed. Nimeiri realised that, notwithstanding his rhetorical commitment to socialism, state control of the economy was unsuccessful (TimesOnline 2009).

In an abrupt policy reversal, Nimeiri returned banks to private ownership and set out to encourage foreign investment. He believed that ending the civil war would encourage economic development and that by granting Southern Sudan self-government and promising Southern reconstruction would bring the Southern insurgency to an end (TimesOnline 2009). Consequently, he announced a policy of national reconciliation (Collins 2008:112). Nimeiri turned to the South to expand his powerbase by negotiating with Southern opposition and religious groups. In addition, he entered into peace negotiations with Sudan's adversaries, Uganda and Ethiopia, signing agreements to end government support for rebel movements (Bureau of African Affairs 2007). In 1972, negotiations with Southern rebel forces resulted in the Addis Ababa peace agreement between Sudan (Khartoum) and the Southern Sudan Liberation Movement (SSLM), the political wing composed of the military leaders of the Anyanya (SSFI 2000). The agreement was based on wide-ranging local autonomy for the South. This also involved linking the Southern Sudan provinces of Equatoria, Bahr al Ghazal, and Upper Nile, providing them with their

own Southern Regional Assembly and executive authority (Maitre 2009:56-57). A new Constitution was adopted in 1973 that established Sudan as a secular state with guaranteed freedom of worship (Meredith 2005:346). It furthermore contained interim security arrangements, which entailed the national army absorbing 6 000 Anyanya guerrillas and the Police and Prisons Services absorbing another 4 000 (Gurtong Peace Trust 2007).

Eleven years went by from the signing of the peace agreement, and Southerners became increasingly frustrated with the central government's continual control over economic planning and limited funding (Meredith 2005:356). During 1977, in order to broaden his Northern support base, Nimeiri appointed two prominent Islamic politicians to his government, namely Hassan al-Turabi and Sadiq al-Mahdi. Al-Turabi was the founder of the National Islamic Front (NIF) and leader of the Muslim Brotherhood (Collins 2008:127-128). When oil was discovered in 1978 the relationship with the South became even more complicated. Southerners wanted to construct an oil refinery in the South near the oilfields, but Nimeiri constructed the refinery in the North with a pipeline directly to the Red Sea. As a result the South was prevented from gaining direct benefit from oil resources situated in its geographical area. Oil steadily became the focal issue in the relationship between North and South (Shillington 2005:450). This, together with growing interference in Southern politics and Nimeiri's rapprochement with Islamic factions in the North fuelled further mistrust in the South (Meredith 2005:356). Al-Turabi advanced the expansion of Islamic banks and attempted to redraw the 1956 Line of Demarcation to include Southern oilfields as well as the agricultural heartland of the Upper Nile province. For a period of eleven years relative peace lasted, but while the North increasingly undermined the peace agreement, Southerners prepared for another war (Gurtong Peace Trust 2007).

#### **4.2.5 SECOND CIVIL WAR (1983-2005)**

Nimeiri was under increasing pressure from secularist and Northern Islamic parties to retract the provisions granting financial autonomy to the South, as stated in the 1972 peace agreement (Bureau of African Affairs 2007). Ultimately, in 1983, Nimeiri

launched an Islamic revolution in Sudan. He abolished the Southern Regional Assembly and the National People's Assembly, reintroduced Islamic law, reassigned command of the Southern armed forces back to Sudan (Khartoum), divided the South into its former provinces, and proclaimed the official language of the South as Arabic (Maitre 2009:56-57). This was, in effect, a unilateral abrogation of the 1972 peace agreement (Bureau of African Affairs 2007).

In May 1983, one of its own units consisting of former Anyanya guerrillas (absorbed in the national army) was attacked by the Sudanese Army, on accusation that the unit had rebelled or were about to rebel (Gurtong Peace Trust 2007). As civil war broke out once again, thousands of Southern troops as well as a previously divided Southern opposition coalesced around the eastern border of Ethiopia and established the Sudan People's Liberation Movement and Army (SPLM/A), under the leadership of Colonel John Garang (Maitre 2009:56-57). He sought a "united, secular and socialist Sudan, free of Islamist rule" (Meredith 2005:357). From 1984 onwards, SPLA guerrillas were increasingly reaching deeper into Sudan's interior.

In April 1985, Nimeiri was overthrown by an uprising in Khartoum (Bureau of African Affairs 2007). The transitional government was headed by General Suwar al-Dahab, and he promptly suspended the 1973 Constitution and disbanded the SSU (Bureau of African Affairs 2007). Elections took place in April 1986, which Sadiq al-Mahdi's Umma party won (Bureau of African Affairs 2007). The SPLM/A, however, declined to take part in elections or to accept a ceasefire, and demanded a constitutional convention. Even though there were attempts to negotiate peace with the South, any suggestion to exclude Southern Sudan from Islamic law was unacceptable to supporters of Arabic supremacy (Bureau of African Affairs 2007).

Al-Mahdi was in favour of the establishment of an Islamic state, and Islamic law, introduced in 1983, remained in place (Meredith 2005:359). The North experienced many of the advantages of liberal democracy under al-Mahdi's regime, while the government armed militias (murahalin) in western Sudan attacked the Dinka and Nuer areas of Bahr-al-Ghazal. Massacres and atrocities became routine (Collins 2008:174). The government also took advantage of divisions amongst Southern

groups by providing arms to tribal militias to attack the SPLA. Atrocities were commonplace amongst the rebels as well - scorched-earth strategies, the planting of landmines, the conscription of boy soldiers and the raping of girls and women became everyday occurrences (Meredith 2005:360). The continued destruction of the civil war reached a climax in 1988 with the harshest famine in Sudan's modern history. Both the government and the rebels used food as a weapon, with 250 000 Southerners dying and three million (one-third of the population of Southern Sudan) being displaced as a result (Collins 2008:176). By 1989, nevertheless, the SPLA had made substantial inroads into the South of Sudan, able to move relatively freely between the government's garrison towns.

Facing financial difficulties and under pressure from the army, Al-Mahdi entered into negotiations with the SPLM, but the concessions he offered were far too liberal for Islamic militants. The concessions included halting the implementation of Islamic law, the lifting of the state of emergency, implementing a ceasefire and the abolition of all foreign political and military pacts. In June 1989, General Umar al-Bashir led an Islamic army faction which mounted a successful coup that established the NIF as government (Bureau of African Affairs 2007). Under the leadership of General al-Bashir, in partnership with al-Turabi, the new government suspended the Constitution, dissolved parliament, banned political parties and trade unions, and closed down newspapers. Al-Turabi has been described as the "theological architect, patron and shaykh of the of the Islamist revolution" (Collins 2008:187). The coup signalled the beginning of an Islamic dictatorship that dealt brutally with both Muslims and non-Muslims. All institutions, movements and organisations were purged of dissent. A new, even more radical, Penal Code was introduced in 1991, and Arabisation was forced upon the whole population (Meredith 2005:589). Al-Bashir also established the People's Defence Force (PDF), with compulsory training for civil servants, students and youth on the streets. In time the PDF's numbers grew to 150 000 (Meredith 2005:589). Their main responsibilities were to curb civilian demonstrations in the North and to engage in the war against the SPLA. The war with Southern rebels became a jihad, and soldiers who died in battle were declared martyrs. This hard-line commitment to the Islamic cause further exaggerated the conflict between North and South (Bureau of African Affairs 2007).

In 1991, the Popular Arab and Islamic Conference (PAIC) was established by Al-Turabi. The PAIC was to become “the forum for the worldwide Islamist revolution to coordinate the anti-imperialist movements in some fifty Muslim states” and was triggered by the US’s increased presence in the region during the Persian Gulf crisis (Collins 2008:195). Many militant groups set up bases and training camps in Sudan, including individuals like Osama bin Laden. As a result, Sudan became known as a “rogue state supporting terrorist causes” (Meredith 2005:591). Soon Sudan became condemned by neighbouring states and the West, leading to a change of course in al-Bashir’s policies. The PAIC was disbanded and foreign militants ousted.

Meanwhile, the North-South war continued to escalate. The early 1990s saw an increasing number of Muslims and non-Muslims feeling alienated. The SPLM/A was joined by Muslims and non-Muslims from the Nuba mountains of Southern Kordofan as they grew frustrated by land-grabbing by Northern merchants. The Khartoum government became less responsive to both Muslim and non-Muslim populations in Sudan. This estrangement from Khartoum led to a number of groups to grow sympathetic to the SPLM/A, and in some cases they even fought alongside it (Bureau of African Affairs 2007). Importantly, the reason for this alignment of Muslims and non-Muslims was based on common ethnicity and culture, with religion playing a minor, if any, role (WOA 1999). As a result, Muslims also became legitimate targets for government military operations, leading to the slaughter of Southerners on an unprecedented scale (approximately 200 000) (Meyer 2005:25), indiscriminate bombing, the plundering of cattle and property, and the capturing and forced slavery of women and children (Meredith 2005:593). Internal warfare between different Southern factions further escalated the violence. In August 1991, Riek Machar, a Nuer guerrilla commander, (with the support of Lam Akol Ajawin and Gordon Kong Cuol) attempted to take over control of the SPLM/A from Garang (Collins 2008:204). Machar favoured independence for the South, rather than a secular unified Sudan. This led to a long-lasting split between the Dinka (led by Machar) and the Nuer (led by Garang), the slaughtering of tens of thousands and the starvation of hundreds of thousands in the resulting famine. Sudan (Khartoum) took advantage of this situation by providing arms to Machar’s faction (Collins 2008:204).

Regional governments became involved as well – the Ugandan government supported the SPLM while (Sudan) Khartoum supported the Lord's Resistance Army (LRA). In turn, the US increased its assistance to Uganda (Meredith 2005: 594).

Al-Bashir remained committed to develop Sudan's oil potential, which was situated largely in Nuer and Dinka territory. Oilfields, personnel and facilities in the South and North/South border became 'legitimate' targets for the SPLA. In order to secure the areas, the Khartoum government instigated a strategy of ethnic cleansing and extermination processes – utilising the army and loyal militias to drive out local populations (Clarke 2008:199), as was the case in Bentiu from 1999 to 2004 (IRIN 2006). Machar's Nuer faction was also enlisted to fend off SPLM attacks, as al-Bashir promised security to foreign investors (Meredith 2005:595). Khartoum used its newly found oil income largely to procure military equipment; and as new oilfields became operational in the Western Upper Nile, more local populations were displaced (Shillington 2005:452). At the end of Sudan's second civil war, the death toll totalled more than two million people (Economist.com 2007). This was accompanied by substantial displacement of communities (in the region of four million people), and the deprivation of Southern Sudan (Clarke 2008:200).

According to the Congressional Research Service (CRS) (2009:10-11), Sudan's conflict sources were deeper and more complex than claimed by many political leaders and observers. There has been a long history of exploitation by Northerners of Southern resources (e.g. slaves, ebony and ivory) throughout the nineteenth century (Shillington 2005:450). Protracted conflicts rooted in deep cultural and tribal differences have been endemic since colonialism (Bureau of African Affairs 2009). Policies of separate and unequal development, developed by Sudan's colonisers and enforced by independence, kept Southern Sudan isolated and underdeveloped (Thomas 2009:9). Religion was a key component of the Islamic fundamentalist agenda of many Sudanese governments based in the mostly Muslim and Arab North. Christian and animist Southerners favoured a secular arrangement and opposed Islamisation. In addition, economic and social inequality have also been key causative aspects. Nimeiri's 1983 termination of the 1972 Addis Ababa peace agreement should also be regarded as a important factor prompting the second civil

war (Collins 2008:137). Previous and subsequent governments rejected Southern Sudanese claims for self-rule and equality. Political leaders from the North treated Southern Sudanese as second-rate citizens for decades, and only superficial attempts were made by Northern governments to attend to the complaints of Southern Sudanese, unwilling to endanger the North's dominant political, social and economic status. One of the principal conflict sources, however, was the discovery of oil in the 1970s which subsequently became an attractive target for all parties concerned (Clarke 2008:199). Oil posed, and poses, enormous risks for the relationship between Sudan (Khartoum) and Southern Sudan, seeing that more than between 75 and 80 per cent of Sudanese oil reserves are in southern Sudan, while most of the necessary infrastructure (e.g. refineries and pipelines) are situated in Sudan (Khartoum) (Energy-pedia 2009).

#### **4.2.6 FIRST MOVES TO PEACE**

Several peace negotiations were initiated throughout the late 1990s, but none made any real progress (Maitre 2009:56-57). Al-Bashir was eager to remove Sudan from isolation by neighbouring and Western states. Following the 11 September 2001 attacks on the US, al-Bashir was quick to denounce terrorism and undertook to cooperate with the US. This was especially so after the US passed the Sudan Peace Act in October 2002, which involved a package of sanctions that would be activated if Khartoum failed to "engage in meaningful negotiations to end the war or continued to obstruct humanitarian relief efforts" (Meredith 2005:596).

#### **4.3 THE COMPREHENSIVE PEACE AGREEMENT**

The Heads of State of the Intergovernmental Authority on Drought and Development (IGADD) negotiated with the two warring parties and brought them together in 1993. The UN provided extensive support to the regional peace initiative led by the subsequently renamed Inter-Governmental Authority on Development (IGAD) throughout all negotiations, by, amongst others, carrying out consultations with regional governments and organisations, attending IGAD Partners Forum (IPF) meetings and enhancing IGAD's capacity. The IPF consists of donor countries and

regional organisations, including the UK, Italy, the Netherlands, the US, Norway, the AU and the League of Arab States (World Bank 2009).

The Machakos Protocol was signed by the Government of the Republic of the Sudan (GoS) and the SPLM/A on 20 July 2002. The agreement was based on a framework that outlined the transitional process, the structures of government, the principles of governance, arrangements regarding the relationship between religion and the state, and Southern Sudan's right to self-determination (World Bank 2009). This was the first step in the eventual signing of the CPA in 2005.

The CPA was signed on 9 January 2005 in Nairobi, under the auspices of IGAD, the SPLM/A (with Chairman John Garang as representative) and GoS (with Vice-President Ali Osman Taha as representative). The final Agreement consisted of six protocols (the Protocol of Machakos (20 July 2002), the Protocol on Security Arrangements (25 September 2003), the Protocol on Wealth-Sharing (7 January 2004), the Protocol on Power-Sharing (26 May 2004), the Protocol on the Resolution of Conflict in Southern Kordofan/Nuba Mountains and the Blue Nile States (26 May 2004), and the Protocol on the Resolution of Conflict in Abyei (26 May 2004)). In addition, the Permanent Ceasefire and Security Arrangements Implementation Modalities and Appendices (31 December 2004) and the Implementation Modalities of the Machakos and Power-Sharing Protocols (31 December 2004) were included in the final Agreement (GoS & SPLM/A 2005).

Representatives of the US, UK, Norway, the Netherlands, Italy, Egypt, Uganda, Kenya, the EU, the AU, the League of Arab States, the IGAD IPF as well as the Special Representative of the UN Secretary-General witnessed the signing of the CPA by GoS and the SPLM/A. The contracting parties stated as follows: "The Parties recognize the enormity of the tasks that lie ahead in successfully implementing the Comprehensive Peace Agreement and in signing below and before the witnesses here present, they reconfirm their commitment to implement the Comprehensive Peace Agreement fully and jointly" (GoS & SPLM/A 2005:xiii).

In the introduction of the CPA the parties recognised that, in total, the document represented a “concrete model for solving the wider problem of conflict within the country and that, if successfully implemented, the Comprehensive Peace Agreement would provide a model of good governance in the Sudan that would help to create a solid basis for the preservation of peace and would make unity appear attractive” (UNMIS 2009a). It was agreed that there would be a pre-interim and interim period, of six-and-a-half years in total, during which temporary institutions would be responsible for the administration of both Sudan (Khartoum) and Southern Sudan, under international monitoring mechanisms (UNMIS 2009a). The implementation of the CPA covers two phases, namely the 6 month Pre-Interim Period (9 January 2005 to 8 July 2005) and the 6 year Interim Period (9 July 2005 to 8 July 2011). The Pre-Interim Period was intended to establish mechanisms for the implementation of a number of key steps and the establishment of various institutions, e.g. the declaration of the ceasefire, the ratification of the CPA, and the approval of the Southern Sudan Interim Constitution (SSIC) and the Sudan Interim National Constitution (SINC) (Deng 2007).

The CPA’s main provisions include the establishment of a Government of Southern Sudan (GoSS) to “control and govern their region and participate equitably in the National Government” with extensive sharing of wealth, security and power between GoS and GoSS (GoS & SPLM/A 2005:2), and the formulation and adoption in 2005 of SINC based on customary laws and values (Thomas 2009:9). Power-sharing arrangements afforded the SPLM prescribed representation in the newly established GNU. The CPA divides political, economic and military power between the NCP and SPLM. In addition, it provides for representation and participation in all national institutions (including the national legislature and the national executive). Following the death of John Garang, Salva Kiir Mayardit (SPLM chairman) was named as the President of GoSS on 11 August 2005. As specified in the CPA, the SPLM Chairman is also the Commander-in-Chief of the SPLA and the First Vice President of the GNU (UNMIS 2009b:12). The CPA requires that elections at all levels of government should be conducted by the end of 2009, which will provide the NCP leadership and state institutions a mandate from citizens (Bureau of African Affairs 2009). These elections have been postponed to April 2010 (see 4.5.4 below). This

is to be followed (in 2011) by a Southern Sudanese referendum that will be internationally monitored, and which will confirm Sudan's unity or Southern Sudan's secession. Special measures apply in the disputed areas of Blue Nile, Abyei and Southern Kordofan, as they were drawn into the war as a result of their culture and politics being analogous to those in Southern Sudan (Thomas 2009:9).

The wealth-sharing agreement provides for the creation of parallel central banks for Sudan (Khartoum) and Southern Sudan, a new national currency, and sets specific formulae for oil and other revenue-sharing for Southern Sudan, Sudan (Khartoum), as well as the disputed areas of Abyei, Blue Nile State and Southern Kordofan (IGD 2009). The parties also agreed in the Permanent Ceasefire and Security Arrangements Implementation Modalities and Appendices to institute joint integrated units (JIUs) with equivalent personnel numbers from the SPLA and the Sudan Armed Forces (SAF). Remaining Sudan (Khartoum) and Southern Sudan's troops are to stay either in Southern Sudan or Sudan (Khartoum), respectively. To all intents and purposes the Agreement eliminates the Southern Sudan Defence Force (SSDF), as no armed groups other than the SAF and SPLA would in future be permitted (although the SSDF has the opportunity to integrate into either the Sudan (Khartoum) or Southern Sudan's security structures or civil institutions). It furthermore determines a clear timetable for SSDF demobilisation (IGD 2009).

#### **4.3.1 COMMISSIONS AND OTHER INSTITUTIONS ESTABLISHED BY THE CPA**

The CPA includes a timeline of events that should be undertaken during the period between the commencement of the CPA and the end of the interim period in 2011. It also establishes a number of commissions and other institutions to implement the CPA's objectives. These are briefly described below, followed by a more detailed discussion of the two commissions concerned (the National Petroleum Commission (NPC) and the Fiscal and Financial Allocation and Monitoring Commission (FFAMC), and the fund (the National Revenue Fund (NRF)) dealing with the sharing of oil revenue.

The **Abyei Border Commission's** aim is “to define and demarcate the area of the nine Ngok Dinka Chiefdoms transferred to Kordofan in 1905” (GoS & SPLM/A 2005:68). The **Abyei Referendum Commission's** aim is to conduct the “Abyei referendum simultaneously with the referendum of Southern Sudan.” Voters can choose either to retain Abyei’s “special administrative status in the North, or it becoming become part of Bahr el Ghazal” (GoS & SPLM/A 2005:69). The **Ad-hoc Commission to Monitor and Ensure Accuracy, Legitimacy and Transparency of the Referendum's** main task is to monitor the internationally monitored referendum (in 2011), in which Southern Sudan will “confirm the unity of Sudan by voting to adopt the system of government established under the CPA, or to vote for secession” (GoS & SPLM/A 2005:27). The **Human Rights Commission's** main task involves the monitoring of “human rights and fundamental freedoms as embodied in the International Covenant on Civil and Political Rights” (GoS & SPLM/A 2005:17 & 27). The **Multi-Donor Trust Funds'** (MDTFs) aim is “to support urgent recurrent and investment budget costs under clearly stated criteria of eligible financing components” (GoS & SPLM/A 2005:61). Two MDTFs are to be instituted – one for Sudan (Khartoum) and one for Southern Sudan. The international community provides funding for the MDTFs, and a project implementation agency assigns as well as oversees the execution of projects by a range of institutions (GoS & SPLM/A 2005:203-204). The **National Civil Service Commission's** main aim is to use “affirmative action and job training to achieve equitable targets for representation” in the National Civil Service, especially with regard to people from Southern Sudan (GoS & SPLM/A 2005:25). The **National Constitutional Review Commission** was established in the Pre-Interim Period to draft a constitutional/legal structure for the Interim Period, to be incorporated into the CPA (GoS & SPLM/A 2005:6). As a “subsequent task and during the course of the six-year Interim Period, the Commission is responsible for organising an inclusive Constitutional Review Process”, providing for political inclusiveness and public participation (GoS & SPLM/A 2005:31). Lastly, it is the task of the Commission to prepare legal instruments that will give effect to the CPA by providing the mandate and “appointment and other mechanisms to ensure the independence of the National Electoral Commission; the Human Rights Commission; the National Judicial Service Commission; the National Civil Service Commission; the Ad-hoc Commission to

Monitor and Ensure Accuracy, Legitimacy, and Transparency of the Referendum; the Fiscal and Financial Allocation and Monitoring Commission; and any other independent commission/institution set forth in the CPA as agreed by the Parties” (GoS & SPLM/A 2005:27).

The **National Electoral Commission** (NEC) supervises all elections at National and State level (in Sudan (Khartoum) as well as Southern Sudan) (GoS & SPLM/A 2005:27) (see 4.5.3 below for a discussion of the 2008 census). The **National Judicial Service Commission** recommends all justices and judges in National courts, the National Supreme Court and the Constitutional Court, before they are considered for appointment by the President. In addition, only the Commission has the capacity to remove justices or judges from their positions (GoS & SPLM/A 2005:159-160). The **National Land Commission’s** functions are to arbitrate on claims over land; “make recommendations to different levels of government on land reform policies and recognition of customary land rights and law; assess land compensation; and to study and keep record of land use practices where natural resource exploitation occurs” (GoS & SPLM/A 2005:49). The **National Population Census Council’s** tasks include planning for the population census, follow-up on preparation of the census and oversee the census. These tasks are conducted in cooperation with the United Nations Population Fund (GoS & SPLM/A 2005:145). The **National Reconstruction and Development Fund’s** aim is to “develop the war affected areas and least developed areas outside Southern Sudan” (GoS & SPLM/A 2005:61). The **National Security Council’s** role is to “define a new national security strategy based on the analysis of the new security threats.” Other functions should be determined by law (GoS & SPLM/A 2005:26). The **North-South Border Commission’s** aim is to precisely demarcate the 1 January 1956 North-South borderline (GoS & SPLM/A 2005:162).

The **Southern Sudan Reconstruction and Development Fund’s** objectives are to “solicit, raise and collect funds from domestic and international donors and disburse such funds for the reconstruction and rehabilitation of the infrastructure of the South, for the resettlement and reintegration of internally and externally displaced persons, and to address past imbalances in regional development and infrastructure” (GoS &

SPLM/A 2005:61). The **Southern Sudan Constitutional Drafting Committee's** aim was the drafting and implementation of the SSIC, as well as determining compatibility of SSIC with SINC (GoS & SPLM/A 2005:32 & 162). The **Southern Sudan Land Commission's** functions are to “arbitrate on claims over land; make recommendations to different levels of government on land reform policies and recognition of customary land rights and law; assess land compensation; advise on the coordination of policies on Southern Sudan projects, and to study and keep record of land use practices where natural resource exploitation occurs” (GoS & SPLM/A 2005:50). The **State Land Commissions** regulate “land tenure, usage and the exercise of land rights in the States of Blue Nile and Southern Kordofan/Nuba Mountains” (GoS & SPLM/A 2005:78-79).

#### 4.3.2 INSTITUTIONAL FRAMEWORK FOR OIL REVENUE-SHARING

Clarke (2008:201) states that oil wealth-sharing was a key factor in the discussions preceding the CPA, with 75 to 80 per cent of proven reserves and production located in Southern Sudan. Oil receipts currently accounts for over half of the central government revenues, and 98 per cent of Southern Sudan's income (Thomas 2009:10). In fulfilling the objectives of the CPA with regard to oil revenue-sharing, the CPA established the **National Petroleum Commission (NPC)**, the **Fiscal and Financial Allocation and Monitoring Commission (FFAMC)** and the **National Revenue Fund (NRF)** (see 4.5.1 below for an overview of the current implementation of the oil revenue-sharing arrangements).

The **NPC's** main functions are to prepare policy guidelines for the management and expansion of the Sudanese oil sector, to supervise the implementation thereof, to negotiate and grant all oil contracts, and to develop its own internal regulations and procedures (GoS & SPLM/A 2005:52). The Commission is composed of the President of Sudan and the President of Southern Sudan (co-chairing as permanent members), “four permanent members from National Government in Khartoum, four permanent members from GoSS, and not more than three representatives of an oil-producing state in which petroleum development is being considered, as non-permanent members” (GoS & SPLM/A 2005:52). **FFAMC's** aims are to “ensure

transparency and fairness with regard to the sharing of revenues due to the Government of Southern Sudan and states or regions” from nationally collected revenues and to ensure that allocations are not withheld. In fulfilling its mandate, the Commission must “monitor and ensure the prompt transfer of equalisation grants” from the NRF, “the appropriate utilisation and sharing of financial resources”, and the allocation and transfer of “resources allocated to war affected areas” using agreed upon formulas. It must also “ensure transparency and fairness in the allocation of funds to GoSS and states or regions” (GoS & SPLM/A 2005:57). The **NRF**’s main aims are the equalisation and “allocation to the National, Southern Sudan and state or regional levels of government in respect of revenue collected nationally” (including net oil revenue due to the GNU) (GoS & SPLM/A 2005:187).

All oil contracts concluded before 9 January 2005 (the date of signature of the CPA) are not subject to re-negotiation during the Interim Period, except where contracts present significant environmental and/or social problems. In such cases GoS will apply corrective actions. The CPA also makes provision for the **Oil Revenue Stabilisation Account** (ORSA), which consists of government “net revenue derived from actual oil export sales above an agreed benchmark price” (GoS & SPLM/A 2005:56). “At least two per cent of oil revenue should be allocated to oil producing states or regions in proportion to the output produced in said states or regions. After payment to ORSA and to the oil producing states or regions, fifty per cent of the remaining net oil revenue derived from oil producing wells in Southern Sudan shall be allocated to Southern Sudan, and the remaining fifty per cent to Northern Sudan and states in Northern Sudan.” Only the oil income originating from oil production in Southern Sudan is shared with Sudan (Khartoum); there is no oil revenue-sharing of oil produced in Sudan (Khartoum) (GoS & SPLM/A 2005:56). The oil revenue-sharing formula for Abyei differs from the sharing formula mentioned above; in this case GoS receives 50 per cent, GoSS receives 42 per cent, and Ngok Dinka, Western Kordofan, Bhar-El-Ghazal and the Messirya tribe each receives two per cent (Deng 2007).

#### 4.4 FLAWS IN THE NEGOTIATION PROCESS

Meredith (2005:597) argues that there were some significant flaws in the negotiations preceding the CPA. Apart from the NIF/NCP and SPLM/A, no other political organisations, factions or rebel groups were involved in the peace negotiations. In addition, the subsequent CPA was signed by only these two parties, in what Clarke (2008:205) refers to as a “clash of feudalisms inside oil modernity”. The failure of negotiators to deal with the realities of political, ethnic and tribal differences, as well as the existence of rebel groups within and outside of Sudan, had, and still have, severe negative consequences for Sudan’s civilian population and the effective implementation of the CPA, as discussed below.

The NIF represented only a small section of the population in the North, keeping itself in power by suppressing all opposition using the state’s security apparatus. As a result, opposition parties like the Democratic Unionist Party and Umma Party, both commanding far greater support than the NIF in Northern Sudan, were excluded from all negotiations, as were other Northern groups in Darfur and Beja territory overtly hostile to the NIF and its Islamist brand of government (Meredith 2005:597-598). In turn, the Dinka-led SPLM/A was plagued by shifting internal rivalries. Politically, the SPLM/A was supportive of unity with Sudan (Khartoum), which was at odds with the popular feeling amongst Southerners who detested Arab and Islamic rule and favoured independence for the South. Southerners also did not possess strong feelings for unity, being much more attached to tribe and clan. There was also open hostility in Southern Sudan between the Sudan (Khartoum) supported Nuer factions and SPLM/A Dinka supporters, as well as numerous Southern tribal militias opposing the SPLM/A (Meredith 2005:597-598). In addition, the CPA did not deal explicitly with the western and eastern regions of Sudan and all other actors (including all practitioners of civil politics) that had not participated in the civil war. Consequently, the non-inclusiveness of the CPA negotiations led to splinter groups appearing even at the present time. In June 2009, a SPLM faction under the leadership of Dr Lam Akol Ajawin broke away and formed the SPLM-DC (Democratic Change). The main aims of the SPLM-DC include to streamline and transform the weakening SPLM under Salva Kiir, the liberation of marginalised Sudanese and the

search for democratic values and ideals. Lam Akol states that “the change that the SPLM-DC advocates, as its name suggests, is a democratic change of current wrong policies and incompetent SPLM leadership we have witnessed for the last four years” (Sudan Tribune 2009a). GoSS states that there are indications that the SPLM-DC was created and are being financed by the NCP (previously the NIF) to destroy the CPA’s implementation, as well as to deny Southern Sudanese self-determination (VOA 2009). The SPLM also accuses the SPLM-DC of funding militias hostile to the SPLM, and of inciting ethnic violence in Southern Sudan (ReliefWeb 2009).

Inter-ethnic fighting remains the primary threat to civilians in Southern Sudan (HRW 2009). This is often linked to resource competition and aggravated by extensive weaponry availability. In 2009 alone, fighting between the Lou Nuer and Murle community led to the killing of over 1 200 civilians in Jonglei State. According to witnesses, new weaponry is being used in recent attacks, leading Human Rights Watch (HRW) to state that “these factors have prompted renewed allegations by Southern politicians and observers that Northern-aligned forces are fuelling the fighting,” even though the UN and HRW could not obtain direct proof of this (HRW 2009). These ethnic clashes are not restricted to Jonglei; in August 2009 a clash over grazing rights between Dinka groups resulted in 30 deaths in Warrap State, and in late August 2009 tensions between Dinka and Shilluk communities erupted in Upper Nile State killing 20 people, when a Dinka village was attacked by armed Shilluk, which, in turn, led to reprisal attacks from armed Dinka (Sudan Tribune 2009b). SPLM Minister Nyal Deng Nyal accuses the NCP of “pouring arms in frontier states where tribal violence has killed at least 1 200 people this year according to UN estimates” (Nyakairu & Nguyen 2009). Major General Kuol Diem Kuol, SPLA spokesman, announced in September 2009 that the SPLA was busy installing additional armed forces along Southern Sudanese inter-tribal lines to provide protection to civilians. There are also rumours that the SPLA has acquired more than 100 T-72 battle tanks, and that SPLA personnel are being trained by Kenyan military officers (Sudan Tribune 2009d). However, GoSS has been unable to effectively disarm militias and other armed groups (including tribes), and accuse

the NCP for fuelling intertribal violence in order to direct attention away from other pressing issues and activities (ICG 2009d:6).

Furthermore, the CPA did not take into consideration the fact that Sudan's neighbouring states are involved in diverse armed conflicts themselves, often backing rebel movements in adjacent countries and so forth. In Sudan's case, the war LRA and the Government of Uganda impacted severely on the Southern Sudan conflict – since fighting has, and still is, to a large extent, taking place on South Sudanese territory. The SPLM/A was supported by the Ugandan government in its conflict with GoS, while GoS, in turn, provided support to the LRA in its conflict with the Ugandan Government - successfully utilising the LRA in its war with the SPLM/A. The CPA did not incorporate provisions dealing with the reality that the LRA is an integrated factor in the security situation in Southern Sudan (Brosché 2007:233). This exclusion has serious consequences in, amongst others, Southern Sudan. In December 2008, military forces led by Ugandan troops initiated a joint offensive against LRA bases with Southern Sudanese and Congolese troops. The LRA is now active in an extensive area across the DRC, Southern Sudan and the Central African Republic (CAR) (BBC 2009a). LRA rebels, moving in small groups, continue to attack civilians, leading to an influx of refugees to Central and Western Equatoria (in Southern Sudan). According to the UN, the violence has led to some 68 000 Southern Sudanese internally displaced persons (IDPs), in addition to 18 000 refugees from the DRC and CAR having fled to Southern Sudan. LRA attacks in Southern Sudan have continued notwithstanding the presence of the Ugandan army, the SPLA and UNMIS (HRW 2009). Rebels raided Southern Sudan's Western Equatoria state in early September 2009, with aid workers having to be airlifted to safety – effectively impeding international aid efforts in the state. The LRA have killed at least 188 Southern Sudanese, and abducted more than 130 between December 2008 and September 2009 (BBC 2009a). With regard to implications for the CPA, there is a strong possibility that the LRA would recommence its function as a proxy force for destabilising Southern Sudan prior to the 2011 referendum. According to one analyst: "The LRA still remains a force that could be utilised by groups ranging from the Khartoum government, elements of the South Sudan government, Ugandans themselves and other groups" (BBC 2009a).

It is therefore clear that the CPA did not incorporate sufficient provisions to deal with the realities of political, ethnic and tribal differences and conflicts, as well as the existence and intrusion of rebel groups within and outside of Sudan. Sudan (Khartoum) and GoSS are blaming each other for the recent upsurge of violence, making it clear that there remains little trust between the CPA's two contracting parties, still divided by the same ideological, cultural and religious differences over which the war was fought. It would appear as if there is some collusion to make it look as if Southern Sudan is not able to effectively govern its own territory. Analysts warn that the possibility of renewed war exists (IRINnews 2009a), and there seems to be a distinct possibility that fighting will escalate in the next two years prior to the referendum in Southern Sudan.

#### **4.5 PARTIAL IMPLEMENTATION OF THE CPA: A CRITICAL ASSESSMENT OF KEY CHALLENGES RESULTING FROM CPA NON-COMPLIANCE**

In addition to the above, a number of key challenges have the possibility to overturn gains made and reflected in the CPA. After decades of civil war in Sudan, the two main warring parties signed the historic CPA. Extensive changes to the central state and the establishment of the GNU (with considerable representation of Southern Sudan in the Presidency and the Council of Ministers) have been made by the NCP and SPLM. In addition, GoSS has been established with substantial financial resources (Thomas 2009:10-11). The CPA established intricate structures providing for political power-sharing, wealth-sharing, border demarcation, a national census, and national elections. It appears as if both sides are using the interim period to reopen (with the hope to eventually renegotiate) aspects of the CPA by trying to change facts on the ground. As a result, numerous deadlines have passed and certain fundamental aspects (implementation of action steps and establishment of institutions) have fallen behind schedule (Williamson 2009:4).

According to the ICG (2009d) there are 17 outstanding issues:

1. Agreement on the census;
2. Demarcation of the border;

3. Commission for the Southern Sudan's referendum;
4. Reform of media and National Intelligence and Security Service legislation;
5. Establishment of the national and state civil service commissions;
6. Establishment of the National Human Rights Commission;
7. Establishment of a national reconciliation process;
8. An effective National Petroleum Commission;
9. A Functional Fiscal and Financial Monitoring and Allocation Commission and National and State Reconstruction and Development Funds;
10. Establishment of the National Land Commission;
11. Disarmament, demobilisation and reintegration of militias;
12. Full integration of the JIUs;
13. Demarcation of Abyei's boundaries as stipulated by the Abyei Tribunal's decision;
14. Financial support for Abyei to help with rehabilitation and reconstruction;
15. Establishment of the Commission for the Abyei territory referendum; and
16. Disbursement of the allocated shares of Abyei oil revenue to Bahr el Ghazal, Southern Kordofan, Ngok Dinka and the Misseriya; and
17. Full disbursement of the National Reconstruction and Development Fund to Abyei, Southern Kordofan and Blue Nile.

The main issues relating to the incomplete, non-timeous and/or in some cases absence of implementation of the CPA, are discussed below (4.5.1 – 4.5.4):

#### **4.5.1 OIL REVENUE-SHARING**

The CPA (GoS & SPLM/A 2005:58) states that "All levels of government shall hold all income and revenue received by it in public accounts and subject to public scrutiny and accountability." However, a recent report by Global Witness (2009:5) that it is impossible for GoSS to verify oil figures published by GoS, and that this fuels mistrusts between the two governments. The report makes ten key findings in this regard:

1. "The oil figures published by the Khartoum government do not match those from other sources.

2. Neither the Southern government nor Sudanese citizens are able to verify whether the oil revenues received from the Khartoum government as part of the peace agreement are correct.
3. The oil is marketed by just one of the governments that share in its revenues – the Khartoum government.
4. The Southern government does not receive half of the oil revenues from Southern oil wells.
5. The oil consortia employ oil service companies which come from the North of the country and are widely believed to be linked to the Khartoum ruling party.
6. There is insufficient oversight of the oil revenues. In Southern Sudan, there is no Auditor General, despite this being a constitutionally required post.
7. Both the national and Southern state oil companies, Sudapet and Nilepet, are set up such that the same people are responsible for selling oil and regulating the sale of oil: a clear conflict of interest.
8. The Khartoum government owes the Southern government millions of dollars in oil revenue arrears.
9. The Khartoum government does not publish all of the figures upon which the revenue sharing depends, and those that it does publish are often published late.
10. Oil revenues from Abyei, a disputed area in central Sudan, are divided according to a slightly different formula than the oil revenues from the South” (Global Witness 2009:6-9).

Despite comments to the contrary by the Sudan (Khartoum) presidential adviser, Abdullah Massar, the SPLM's secretary general, Pagan Amum, argues that Southern Sudan has almost no say in oil management: “[The North] are rejecting any kind of transparency and there is a complete absence and exclusion of Southern Sudan and its representatives from the management and selling of this Sudanese product” (BBC 2009b). These findings are in direct contradiction to the functions of the three CPA-mandated institutions focusing on oil production and oil revenue-sharing in Sudan: the NPC (manage and monitor), NRF (equalise and allocate), and FFAMC (ensure transparency and fairness) (see discussion above). There is an urgent need for independent third parties to verify oil production and oil revenue-sharing figures, as

well as the enactment of legislation that requires oil companies to disclose full information in respect of reserves, production, sales, income, payments, and related matters. Equally important is the need for both GoSS and GoS to have joint insight in every aspect relating to the marketing of oil and the approval of expenses and incomes of oil companies (Global Witness 2009:10-11).

#### **4.5.2 BORDER DEMARCATION**

Although progress has been made with regard to the CPA's power-sharing provisions, the finalisation of the North-South border issue remains behind schedule (Williamson 2009:7). This has the potential to cause serious difficulties for the sharing of oil revenues (taking into account that many oilfields straddle the 1956 border) and the redeployment of forces (CRS 2009:12). Delayed demarcation of the border is augmenting the tensions between the governments of Southern Sudan and Sudan (Khartoum). As a consequence, both Sudan (Khartoum) and Southern Sudan have embarked on massive military build ups. Prunier and Fick (2009) argues that "any decision on the border, which snakes through many of Sudan's oil fields, will provoke strong reactions not only from the NCP and the SPLM, but also from armed tribal militia elements stationed along the demarcated line." Currently, the Technical Ad hoc Border Committee has agreed on the delineation of roughly one third of the border, but still has to agree on several disputed resources rich areas, containing as grazing land, oil and copper. These include the borders between (a) Kafia Kingi and Hofrat al Nahas in Western Bahr el Ghazal, (b) Northern Bahr el Ghazal and South Darfur, (c) Heglig at the border between Unity and Southern Kordofan, (d) Shar el Fie near Southern Blue Nile, and (e) a minute part located on the border between White Nile and Upper Nile (HRW 2009).

The border demarcation of Abyei is also a cause for future concern. Abyei is a rich, but highly disputed, oil-rich region straddling the North-South border. Abyei has its own CPA protocol (GoS & SPLM/A 2005:68), and has been the location of several breaches of the CPA armistice. A confrontation between the SPLA and the SAF in May 2008 led to "bombardment of Abyei's civilian areas, looting of markets and homes by SAF forces, and the displacement of the entire civilian population" (Prunier

& Fick 2009). The NCP rejected the Abyei Boundary Commission's (ABC) findings on Abyei's border. The issue was subsequently referred to the The Hague, where the Permanent Court of Arbitration (PCA) (on 22 July 2009) found that Abyei's "Northern boundary lies along latitude 10°10' North, its western boundary along longitude 27°50' East, and its eastern boundary along longitude 29°00' East" (UNMIS 2009b:21). All major parties involved (SPLM, NCP and Ngok-Dinka and Misseriya tribal leaders) accepted the PCA's decision. However, Mukhtar Babu El-Nimer, traditional leader of the Misseriya tribe, revoked its support for the PCA decision on 5 October 2009, arguing that the tribe will lose traditional grazing rights should Southern Sudan decide to secede in 2011. El-Nimer argued that: "It will be a border of a whole different country to cross into with our cattle." El-Nimer further stated that the Misseriya will appeal the PCA decision and threatened with violence, if necessary. The Misseriya will also make an effort to increase its presence in the area (Sudan Watch 2009). As the election and referendum draw near, there seems to be a distinct possibility that violence can flare up once again.

Williamson (2009:7) foresees that "the bulk of the region , including Abyei town, large areas of fertile land and the Difra oilfield remain intact and, presumably, will choose to go to the South. Meanwhile the railway town of Meiram goes to the North." Abyei's new eastern border situates the Heglig and Bamboo oilfields in the North (Williamson 2009:5). The PCA ruling has a direct effect on future wealth-sharing between Sudan (Khartoum) and Southern Sudan. In addition, it will specify who are eligible to vote in the referendum (Prunier & Fick 2009). Despite the ruling, important questions regarding pipeline and refinery fees remain unresolved. In this regard it is important to mention that GoSS has recently approved the construction of its first oil refinery in Warrap state. This comes as GoSS earlier embarked on a plan to construct a crude oil pipeline between Southern Sudan and Port Mombasa. Southern Sudan's Minister of Information and Broadcasting, Paul Mayom Akech, stressed the importance of being independent from Sudan (Khartoum) (with regard to oil and the transport thereof) in order to ensure that "Southern Sudan is not caught up" if it decides to secede (Dak 2009).

### 4.5.3 NATIONAL CENSUS

Sudan's Fifth Population Census commenced on 22 April 2008 and ended on 6 May 2008, after which it was endorsed by President al-Bashir (ICG 2009d:4). The results were rejected by the SPLM and all parties in the North except the ruling NCP (Williamson 2009:4). A communiqué issued on the conclusion of the SPLM's Political Bureau (PB) after its August 2009 meeting stated that: "...the census results are too flawed and lack minimum acceptable level of credibility. The PB therefore rejects the results and affirms the use of the CPA formula for the purpose of mid-term general elections." (UNMIS 2009b:10-11). The SPLM disputed the census which it claims underestimated the population of Southerners and demanded that the census results would not be used in determining the geographical constituencies.

During the pre-census era, wealth-sharing and power-sharing was based on negotiated quotas (SPLM held 28 per cent and NCP held 52 percent of parliamentary seats) (Santschi 2008:636). However, the CPA states that the census would serve as (a) an indicator for power-sharing between Sudan (Khartoum) and Southern Sudan; (b) an indicator for the adjustment of seats in the national parliament; (c) an indicator for the allocation of infrastructure projects, services and other resources according to the size of populations; (d) an indicator for political constituencies and representation for the April 2010 elections; and (e) an indicator to adjust administrative entities (including bomas, payams and counties) corresponding to population size (Santschi 2008:632).

The Southern Sudan Commission for Census, Statistics, and Evaluation (SSCCSE) launched a public awareness campaign to inform citizens that census data would be used for the improved implementation of policies and the provision of services. Southern Sudanese living in Sudan (Khartoum) were supposed to register as originating from Southern Sudan, but they were also counted as Sudan (Khartoum) residents. Additionally, instability in areas along the border made it hard for IDPs and Southern Sudanese to return home to participate in the census (Santschi 2008:634-635).

The contested results indicated that Southern Sudan was home to 21 per cent of the greater Sudan's total population of 39,15 million people (New Vision 2009). In addition, the SPLM questioned the fact that Southern Sudanese (IDPs) in Sudan (Khartoum) was reduced to 518 271, which contradicted an earlier survey that estimated that two to 2,9 million IDPs were present in Sudan (Khartoum). Darfur's population increased by 62 per cent, and Southern Darfur's population registered an increase of 90,22 per cent. Lastly, the census indicated that Sudan's (Khartoum) nomadic population increased by some 324 per cent (Vuni 2009).

The April 2010 election is a crucial factor in the success of the CPA. Voters will cast their ballots for members of state assemblies, state governors, members of parliament, and Sudan's president. In Southern Sudan, members of the legislative assembly and Southern Sudan's president will also be elected (Nyakairu & Nguyen 2009). Disagreements over final figures are likely to disrupt the elections and may even risk a return to war, according to SPLM Minister Nyal Deng Nyal. Nyal argues that: "If we use these figures, the NCP will win landslide victories in most of the constituencies and we cannot let that happen" (Nyakairu & Nguyen 2009).

Should the perception of Southern Sudanese that they have been short-changed during the census (and consequently in new wealth and power-sharing arrangements) endure, it is likely to further increase the chances of Southern Sudanese to vote for secession in 2011 (Santschi 2008:639).

#### **4.5.4 ELECTIONS AND THE REFERENDUM**

To avoid the complete collapse of the CPA it is essential that elections should be held on time in a safe environment. The elections have already been postponed once until April 2010, and caution should be exercised not to set a precedent that will have an effect on holding the all-important referendum, scheduled for 2011, on time.(Prunier & Fick 2009).

As stated above, the CPA-stipulated elections, originally scheduled for 2009, have been postponed to 5-12 April 2010. By August 2009, the number of registered parties in Sudan (Khartoum) and Southern Sudan was 76. (UNMIS 2009b:9). The postponement of the elections provided the NEC with more time to train staff, provide civic education and to facilitate the voter registration process. The demarcation of all 25 states' geographical constituencies was completed in early August 2009 (UNMIS 2009b:9). Notwithstanding this additional preparatory phase, Sudan still faces serious hurdles to holding elections. As stated above, the results of the census, a precondition for credible elections, remain contested. The ongoing dispute between Sudan (Khartoum) and Southern Sudan over census results has further intensified the deadlock between Sudan (Khartoum) and Southern Sudan on the issues of wealth and power-sharing after the referendum (Prunier & Fick 2009).

There are other substantial issues affecting the upcoming elections. Logistical and political challenges to the elections include such issues as determining procedures to govern voting for internally displaced persons and accreditation requirements for observers (Williamson 2009:9). The National Elections Act of 2008 does not contain detailed provisions relating to the election procedures; in addition, a number of election-related regulations still need to be finalised (Prunier & Fick 2009). This include reforming laws relating to the media, political parties, civil society, and the security sector in order for parties to be able to freely assemble, for candidates to freely campaign, and for the media to be free from censorship and intimidation (Williamson 2009:9). In this respect, some controversial and debatable reforms were recently adopted with regards to the Press and Media Law by the National Assembly. In addition, the National Security Act still has to be amended to align it to the CPA (Prunier & Fick 2009).

Twenty million potential voters had to get registered in a 30 day registration process ahead of April 2010 elections. The process started on 1 November and ended on 23 November, but was extended to 7 December following strong calls from SPLM for and extension due to low registration figures, lack of public information, poor preparations by NCP-dominated government. The SPLM also condemned the exclusion of 9 regional countries from a diaspora vote (ICG 2009c). Approximately

16,5 million persons (living within and outside the greater Sudan) have registered for the elections (UNMIS 2010). Voter registration proved to be a logistical challenge, as it took place in the rainy season, making certain rural areas unreachable by road. With the majority of voters illiterate and many having never voted before, they will have to complete a whole series of ballots in national, state and local elections (Prunier & Fick 2009). More than twenty political parties are threatening to boycott the elections if Sudan's laws are not amended in line with the SINC (Tiscali 2009).

On 7 December 2009, on the final day of registration, demonstrators burnt down the NCP office in Southern Sudan after two prominent Southern Sudanese politicians (Pagan Amum, SPLM Secretary-General, and Yasir Arman, deputy Secretary-General) had been detained in Khartoum, following a protest which was triggered by disagreements between the SPLM and the NCP over electoral reform. Around 20 opposition parties gathered around the parliament buildings in Khartoum, with police firing tear gas and beating protesters with batons. Analysts warn that the dispute over electoral laws and the subsequent crackdown on protesters, demonstrates a widening gap between the SPLM and NCP. With the April 2010 elections fast approaching, both sides are increasingly unwilling to compromise. An analyst stated that “the clampdown on the protesters may also cement a loose alliance between the SPLM and various northern opposition parties into something more concrete” (BBC 2009c).

Furthermore, the exclusion of eastern and western parts of Sudan and other role players and civil society entities, has been aggravated by the failure to enact guarantees of freedom of expression (as promoted in the CPA) (Thomas 2009:12). The electoral process' lack of transparency and many delays have set an example “that bodes poorly for timely organization of the referendum” (Prunier and Fick 2009). The Southern Sudan Referendum Bill was passed in late 2009 (UNMIS 2010), but there is still no certainty that the bill will be signed into law before the finalisation of the April 2010 elections. This may provide the NCP with an opportunity to use a new (perhaps Sudan (Khartoum)-dominated) institution to influence CPA provisions in order to delay the referendum. This, in turn, could lead to a tense and possible

unstable period between the April elections and the 2011 referendum (Prunier & Fick 2009).

Fortunately, the NCP has agreed not to rely on the census results for the 2011 referendum in Southern Sudan. According to Sudan's Second Vice President Taha "The list of people who go to vote (in the referendum) does not depend on the outcome of the last census" (Sudan Tribune 2009c). This comes after an agreement between the NCP and SPLA on the referendum law, in which they agreed that the 50 per cent + 1 simple majority rule will apply to declare Southern Sudan's independence or confirm its unity with Sudan (Khartoum). The NCP originally proposed that 90 per cent of a quorum was required from all registered voters to recognise the outcome of the 2011 referendum. The NCP and SPLM recently (13 December 2009) agreed that a turnout of 60 per cent of voters will be required to recognise the outcome (IRINnews 2009b). Taha stated that a "special register" will be initiated six months before the referendum to register Southerners for voting inside and outside Sudan (Sudan Tribune 2009c). The hotly contested Referendum Bill was finally agreed upon by both parties on 13 December 2009. They furthermore finalised an agreement with regard to the referendum rules for the three areas (AP 2009).

The referendum, which was anticipated as a last-resort guarantee by the CPA's international sponsors, has now turned out to be the focal point of the entire peace process, outshining the elections that were intended to seal the agreement with a popular mandate (Thomas 2009:10-11). Significant delays in conducting the referendum scheduled for 2011 may prove to be a trigger for future violence and a return to civil war.

#### **4.6 POSSIBLE REGIONAL IMPLICATIONS**

Sudan borders nine African states, all of which will be affected by the election and the referendum in Southern Sudan. **Egypt** is concerned about maintaining the flow of water of the Nile from Juba to Khartoum through the Nubian desert to Lake Nasser. **Eritrea**, part of the ungovernable Horn of Africa region, will become a

renewed war zone as rebel groups would readily pass through the border between Eritrea and Sudan. **Ethiopia's** border with Sudan is already compromised as a result of years of severe famine. **Kenya** houses thousands of Sudanese refugees. An exodus of civilians from Sudan, combined with numerous refugees from Somalia, would create an untenable situation for the wavering coalition government in Nairobi. The LRA in **Uganda** drives refugees from pillar to post amongst its border with Southern Sudan. It is already problematic to differentiate between LRA rebels and South Sudanese rebel groups. The **DRC's** north-eastern border with Sudan is already ungovernable - refugees are streaming in from the greater Darfur, while ethnic conflicts straddle the border areas with Sudan. The **CAR** directly borders the greater Darfur. The massive influx of refugees already place a huge burden on an unstable government, which will further deteriorate should there be a return to civil war in Sudan. **Chad** poses the biggest problem to Sudan. The two states are for all intents and purposes at war with each other. Chad's government-backed rebels have launched attacks throughout the greater Sudan; even reaching the outskirts of Khartoum. **Libya**, and to a lesser extent Egypt, have the responsibility to pacify President al-Bashir, as they represent the Arab League in the region and are held directly responsible for his actions. The political prestige of the Arab League and the AU, under the chairmanship of al-Gaddafi, will be further undermined if al-Bashir disrupts or annihilates the CPA peace process (Le Roux 2009).

#### 4.7 CONCLUSION

The finalisation of the CPA, cessation of large-scale hostilities, establishment of central governance institutions (GNU and GoSS) and the enactment of the SINC and SSIC, have been key confidence-building steps in the bringing about of the creation of a new negotiated future for Sudan and its peoples.

Notwithstanding these positive steps, problems regarding the implementation of the agreement constitute a serious threat to the future existence and execution of the peace agreement. The CPA's implementation by the NCP, SPLM and GNU has been problematic, and often intentionally slow. The CPA faces serious challenges, notwithstanding numerous commissions established and orders issued by the GNU

Presidency to attend to outstanding or problematic issues. Certain commissions are not functioning. Implementation of key aspects of the CPA is stalling, and many interlinked, critical processes are now due to be implemented within a very limited timeframe (from February 2010 to July 2011). Demarcation of the North-South border is progressing slowly, complicating oil revenue-sharing, the elections, relocation of armed forces and the referendum in 2011 (CRS 2009:12).

Some progress with regard to the functioning of the power and wealth-sharing CPA provisions have been made by the NCP and SPLM. However, the three institutions established with the aim of the administration and sharing of oil revenues (NPC (manage and monitor), NRF (equalise and allocate), and FFAMC (ensure transparency and fairness)), are not fully functional. The discrepancies between the dates of envisaged establishment, and their actual establishment, did not auger well for them playing the key role foreseen in the CPA. In addition, serious questions remain as regards issues such as those of relating to composition, the lack of full disclosure as regards information required for their effective functioning, and the ensuing perception of them not being transparent and reliable. This is exacerbated by the absence of verification mechanisms.

As evidenced by the role that the international community played in the peace negotiations and the wide-ranging spectrum of countries, regional institutions and entities, as well as the UN that witnessed the signing the CPA, it follows that the international community should act in a manner that would be indicative of its continued commitment to remain the major external role player in ensuring the complete and timeous execution of the CPA. Should this support not be forthcoming, the possibility is strong that the CPA will collapse with the probable resultant resumption of hostilities in Sudan, which will have important regional implications as well.

## **CHAPTER FIVE: THE IMPACT OF CHINA'S NEED FOR SUSTAINED ACCESS TO OIL RESOURCES ON POST-CPA SUDAN AND SOUTHERN SUDAN**

### **5.1 INTRODUCTION**

This chapter deals with the relationship between China, Sudan (Khartoum) and Southern Sudan, within the context of the CPA. A brief overview of oil exploration in Sudan is provided, followed by a discussion of the reasons behind, and a description of, Chinese oil exploration in the greater Sudan and concessional loans to Sudan (Khartoum). In addition, China's post-CPA relationship with Sudan (Khartoum) and Southern Sudan is described. A critical assessment of seven scenarios for the future of Sudan (Khartoum) and Southern Sudan is presented, followed by an evaluation thereof. The conclusion provides an overview of the main findings made in this chapter.

### **5.2 BRIEF HISTORY OF OIL EXPLORATION IN SUDAN**

Sudanese oil exploration began in 1959, with Sudan granting Italy's Agip offshore Red Sea concessions in the north-east of Sudan. Seismic surveys were performed and six wells drilled. Other Western oil companies (including Oceanic Oil Company, Texas Eastern and Total) joined the search for oil, but with no significant results, most companies renounced their concessions. In 1974, Chevron got permission to search for oil, and in 1978 found the first oil in the Muglad (in Southern Sudan). Another, more modest discovery was made in the Melut Basin at Adar Yale, east of the White Nile (situated in the Southern Sudan states of Upper Nile and Jonglei). Chevron believed there was potentially more oil southwards to Malakal and eastwards to the Ethiopian border, and in 1982 discovered a much larger oilfield at Heglig<sup>23</sup>, 70 km north of the Unity<sup>24</sup> field. Accordingly, Chevron began to develop Unity and Heglig oilfields<sup>25</sup> (ECOS 2008:18).

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<sup>23</sup> Situated in Southern Kordofan state in Sudan (Khartoum).

<sup>24</sup> Unity state is otherwise known as Western Upper Nile state in Southern Sudan.

<sup>25</sup> Both Unity and Heglig oilfields are situated on the border between Sudan (Khartoum) and Southern Sudan.

In 1980, the Sudanese government granted a 118 000 km<sup>2</sup> concession to French-Belgium Total. Unlike Chevron, Total did not begin to exploit because of security concerns. In 1984, Chevron also suspended all its operations and removed personnel, after the SPLA attacked Chevron's base at Rub Kona in Southern Sudan, killing three expatriate workers. The Sudanese government divided the former Chevron concessions into smaller pieces, and granted the Melut Basin (Block 3 and Block 7) to Gulf Petroleum Corporation-Sudan (GPC) in 1992. In October 1996, GPC reopened the wells of Chevron and built a proper all-weather road from Adar Yale (Southern Sudan) to Melut (Southern Sudan) (ECOS 2008:19).

In 1992, Canada's Arakis Energy Corporation formed a coalition with State Petroleum and acquired former Chevron Blocks 1, 2 and 4<sup>26</sup> (ICG 2008:23). Although Arakis made some new oil discoveries, it failed to raise sufficient capital to finance the project. In December 1996, it sold 75 per cent of its interest in the project to state-owned oil companies from Sudan, Malaysia, and China, forming the Greater Nile Petroleum Operating Company (GNPOC) consortium (ECOS 2008:19). This was China's and China National Petroleum Corporation's (CNPC) first major oil investment in Sudan, acquiring a 40 per cent equity stake in GNPOC. China brought in 10 000 labourers in order to produce oil in the Unity and Heglig oilfields in time for the NIF's tenth anniversary in 1999 (ICG 2008:23).

The lack of proper infrastructure in Southern Sudan necessitated the construction of infrastructure needed for extracting, transporting, processing and exporting oil from Southern Sudan. This also included airfields, all-weather roads and field production facilities (Large 2008b:96). In March 1997, GNPOC began to build the Greater Nile Oil Pipeline (GNOP) - a 1 500 km pipeline running from the oilfields to Port of Bashair's export terminal on the Red Sea<sup>27</sup> (Roughneen 2006). Once again 10 000 Chinese labourers were imported to work on the project (ICG 2008:23). The pipeline was completed in 1999, and since then oil production and exports have steadily increased. On 30 August 1999, oil was exported for the first time. A joint venture

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<sup>26</sup> Blocks 1,2 and 4 are all situated on the border between Sudan (Khartoum) and Southern Sudan.

<sup>27</sup> Approximately 25 km south of Port Sudan.

between CNPC and the Sudanese government completed the construction of a US\$638 million oil refinery in Khartoum. The refinery became operational in February 2000 (Large 2008b:97).

Petrodar (PDOC) was established in 2001. NPC bought a 41 per cent share and Sinopec a 6 per cent share. PDOC develops Blocks 3 and Block 7 in the Melut Basin of Upper Nile state in Southern Sudan (ECOS 2008:19). The necessary infrastructure was built in a similar manner than with GNPOC, including a pipeline of 1 400 km to Port Sudan which began to function in 2006 (Large 2008b:97).

In the greater Sudan, China has come to dominate the oil sector. Overall, China is involved in fourteen oil-related projects, as well as in numerous infrastructure projects and programmes.<sup>28</sup> Its investment in Sudan totals approximately US\$8 billion (ICG 2008:23), and some 26 000 Chinese were actively working in Sudan in 2006 (Lee & Shalmon 2008:125). From the above it is clear that China played a decisive role, from 1996 onwards, in the exploration of oil and related developments in Sudan. The future oil relationship between China and greater Sudan also seems encouraging, as there is a high probability of significant new oil and gas discoveries (Lee & Shalmon 2008:115). However, the upcoming referendum and the possible secession of Southern Sudan could complicate matters as regards the continuation of China's current involvement as well as its future involvement.

### 5.3 REASONS FOR CHINA'S SCRAMBLE FOR OIL IN SUDAN

Despite the obvious availability of oil,<sup>29</sup> China's longstanding ties with Sudan (Khartoum) and the absence of Western competition can be identified as the key reasons for the Chinese scramble for oil in Sudan (Khartoum) and Southern Sudan.

China has maintained comparatively **long and positive ties with independent Sudan**. A joint colonial history, including figures such as General 'Chinese'

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<sup>28</sup> Discussed below.

<sup>29</sup> As discussed in Chapter 2.

Gordon<sup>30</sup>, provides a figurative link between Sudan and China which continues up to this day (Large 2008b:94). On 4 February 1959, Sudan became the fourth African country to formally recognise and establish diplomatic ties with China, and in 1961 Sudan voted for China to join the UN (HSBA 2007:1). Premier Zhou Enlai made a state visit to Khartoum in 1964, and China's later support for President Nimeiri's containment of a 1971 Communist coup attempt provided firm foundations for good relations between China and Sudan (Khartoum) (Large 2008b:94). After the failed coup, China offered training for Sudanese armed forces and provided military hardware to the Sudanese. In addition, Sudan obtained Chinese soft loans, economic grants and technical expertise, followed by an extensive aid project instituted after the 1972 Addis Ababa peace agreement. The agreement provided Southern Sudan with regional self-government (with its own executive, legislature, and judiciary), as well as for provisional military arrangements by which 4 000 Anyanya guerrillas were integrated in the Police and Prisons services and another 6 000 in the national army (SPLMToday.com 2007).

In 1983, Nimeiri imposed Shari'a law over the whole of Sudan, which, in turn, revived the war between Southern Sudan and Sudan (Khartoum) (Large 2008a:2). Moves towards a peace agreement between Southern Sudan (SPLM/A) and Sudan (Khartoum) were ruined when General al-Bashir's NIF initiated a coup in June 1989, one day before legislation would have been passed to discontinue Shari'a law. The NIF barred opposition parties, annulled the Constitution, and reintroduced the Shari'a justice system. The NIF renewed its war in Southern Sudan against the SPLM/A and a Jihad was proclaimed (ECOS 2008:6). The 1989 coup came just as the Chinese government had forcefully put an end to political protests on Tiananmen Square (Large 2008a:2). Both China and Sudan were heavily criticised by the international community. Sudan's (Khartoum) new extreme Islamist government advanced a Islamist social transformation, and although the Chinese first appeared hesitant about the political situation in Sudan, relations normalised in 1991 through a US\$300 million arms deal to Khartoum (which Iran funded), followed by further arms transfers from the 1990s onwards (Large 2008b:95).

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<sup>30</sup> British General Charles Gordon became a national hero for his exploits in China and his ill-fated defence of Khartoum against Sudanese rebels.

China's economic and aid relations with Sudan (Khartoum) from Sudanese independence to 1989, were based on "barter trade, concessionary loans, arms transfers, medical assistance and infrastructure projects" (Large 2008b:94). Throughout all the wars from 1983 to the recent genocide in Darfur, China has continued to support Sudan (Khartoum) politically and militarily. China's contemporary involvement in Sudan has furthermore been a result of the nature of Sudan's (Khartoum) international relations from the 1990s onwards, the devastating civil war in Southern Sudan, and China's own investment approach. Large (2008b:94) finds the "continuity in the formal principles governing political relations between China and Sudan after independence" remarkable. He states that "from Premier Zhou Enlai's visit to Khartoum in 1964 to President Hu Jintao's visit in 2007, the Chinese foreign policy principles organised around sovereignty, territorial integrity and non-interference have endured at the level of political discourse". Brookes (2007:3) concurs that non-interference has played an important role in the maintenance of good relations between China and different successive governments in Sudan. The above discussion gives evidence of the strength of the longstanding ties between China and Sudan (Khartoum).

**The absence of Western competition** has also played a role in China's scramble for oil in Sudan. Domestic politics in China and recurring civil wars in Sudan, combined with complex international relations by both states, played an important role in China's economic development initiatives in Sudan during the 1990s, initially through oil and subsequently also through a range of business activities (Large 2008b:95).

After the successful coup in 1989, the NIF had limited opportunities to expand Sudan's oil sector. Its conflict with the SPLM/A persisted as part of the its Islamist transformation of Southern Sudan. The gap between Sudan (Khartoum) and the US and Europe further widened as Islamic support for Saddam Hussein during the 1991 Gulf War grew (Large 2008a:2). The NIF was associated with supporting terrorism, as well as with the failed assassination attempt on President Hosni Mubarak in June 1995, which further increased Sudan's isolation in the Middle East region. These

events necessitated the NIF's turn to China. In addition, sanctions by the UN<sup>31</sup> (1996) and US<sup>32</sup> (1997) furthered Sudan's (Khartoum) need for engagement with China (ICG 2008:23). Sudan's (Khartoum) turn to China can be viewed as a tactical move compelled by necessity, as China was the only politically dependable option coupled with its readiness to invest in Sudan (Large 2008b:95-96).

While most Western oil companies pulled out of Sudan in 1996 due to legal, shareholder or government pressure, China viewed Sudan as a possible ally with an open oil market (ICG 2008:23). Sudan's vast natural resources, especially oil, combined with its political isolation, provided China with a great opportunity. Furthermore, most other important oil-producing African states were already penetrated by established Western corporations, and China seized the opportunity to make Sudan (Khartoum) its political ally. Sudan had high potential, even though it presented a permutation of benefits and risks to Chinese businesses (Tang 1997:58-59). The international isolation of Sudan (Khartoum) therefore provided China with an opportunity for the international expansion of Chinese businesses (Large 2008a:3). As a result it made sense for China to engage Sudan (Khartoum) through energy cooperation. As the expansion of the Sudanese oil sector involved technical cooperation and risk-sharing, China's main NOCs were assisted by sub-contractors, all connected to Sudan (Khartoum) (ICG 2008:23).

In essence then, Chinese oil companies benefited from sanctions against Sudan (Khartoum). The expansion and operation of the Sudanese oil sector despite the protracted civil war, exemplifies the vast investment opportunities (due to the absence of Western competition) that China had. The relationship also merged with Sudan's (Khartoum) military objectives, as China became the foremost supplier of weapons to Sudan (Khartoum) (HRW 2003). As a result, Chinese companies found themselves at the vanguard of a government-supported policy that was executed effectively during the civil war to establish the infrastructure for extracting, processing and transporting oil from Southern Sudan's oilfields to Port Sudan and the Port of Bashair.

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<sup>31</sup> UNSC Resolution 1054 (1996).

<sup>32</sup> Executive Order No. 13067.

In addition, China used Sudan as a staging ground for the restructuring and expansion of its NOCs internationally (HSBA 2007:2). This involved the building of internationally competitive firms to increase China's energy supply and security. On account of the critical importance of oil for China's continued economic expansion, NOCs are central to China's mission to construct internationally competitive corporate players. According to De Oliveira (2008:85), this can be attributed to two factors: Firstly, the "understanding that successful late industrialisers have always developed world class firms, and that China cannot secure its position in the world economy without them", and secondly, that "the overriding strategic importance of oil supplies and the concurrent desire of the Chinese government not to leave such a crucial task to the vagaries of the market and foreign intermediaries."

The present situation is beneficial to Chinese NOCs by providing them with sufficient political risk to deter IOCs and many non-Chinese NOCs from rivalry with Chinese NOCs for oil resources in Sudan, although still low enough not to seriously jeopardise China's ambitions (even though oil workers do face security threats, including kidnapping and murder) (Downs 2007:61). Some developed Western countries affected by the global financial crisis have also been reducing their investments in Africa (Balchin 2009:1), notwithstanding the fact that oil companies are exempted from all taxes in Sudan (Beri & Sinha 2009:152).

#### 5.4 CHINESE OIL EXPLORATION PROJECTS IN SUDAN

The greater Sudan has 17 oil concession blocks (Beri & Sinha 2009:142). With regard to **upstream projects**<sup>33</sup>, CNPC's Sudanese projects include Block 1/2/4, Block 3/7, Block 6, Block 13 and Block 15 - controlling approximately 70 per cent of Sudan's total oil production (DAN 2008). Sinopec has a 6 per cent ownership share in Block 3/7 (ACIR 2006:9). Chinese NOCs are represented as follows in greater Sudan:<sup>34</sup>

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<sup>33</sup> Refers to the exploration and production sector of oil exploration.

<sup>34</sup> All data obtained from CNPC Sudan 2009 and ECOSOnline 2009.

**Table 3: Chinese NOCs in the greater Sudan**

BLOCK	CONSORTIUM & LOCATION	COMPANIES & EQUITY STAKES	
1 2 4	GNPOC (Greater Nile Petroleum Operating Company). Situating on the border between Sudan (Khartoum) and Southern Sudan.	<b>CNPC</b> Petronas ONGC Sudapet	<b>40%</b> 30% 25% 5%
3 7	PDOC (Petrodar Operating Company). Block 3 is situated in Southern Sudan, and Block 7 on the border between Sudan (Khartoum) and Southern Sudan.	<b>CNPC</b> Petronas Sudapet <b>Sinopec</b> Al Thani	<b>41%</b> 40% 8% <b>6%</b> 5%
6	CNPCIS (China National Petroleum Corporation International Sudan). Situating in Sudan (Khartoum).	<b>CNPC</b> Sudapet	<b>95%</b> 5%
13	CNPC, Pertamina and Sudapet. Situating in Sudan (Khartoum).	<b>CNPC</b> Pertamina Sudapet Dindir Express Africa Energy	<b>40%</b> 15% 15% 10% 10% 10%
15	RSPOC (Red Sea Petroleum Operating Company). Situating in Sudan (Khartoum).	<b>CNPC</b> Petronas Sudapet Express Petroleum Hi Tech	<b>35%</b> 35% 15% 10% 5%

**Block 1/2/4** is situated on the border between Sudan (Khartoum) and Southern Sudan. In March 1997, CNPC was allocated Blocks 1/2/4 and jointly created GNPOC with holdings of CNPC (40 per cent), Petronas (30 per cent), ONGC (25 per cent) and Sudapet (5 per cent). The allocated oilfields are located in the Muglad

Basin, covering an area of 48 388 km<sup>2</sup>. In 2007, Block 1/2/4 combined produced an estimated 270 000 barrels/day. GNPOC also constructed the 1500 km export pipeline to Port Sudan, which was completed in August 1999. The maximum capacity of the pipeline is 450 000 barrels/day (CNPC Sudan 2009 and ECOSOnline 2009).

**Block 3/7** is situated partly in Southern Sudan (Block 3), and Block 7 on the border between Sudan (Khartoum) and Southern Sudan. The tender for Block 3/7 was awarded to CNPC in November 2000, and it jointly established Petrodar with holdings by CNPC (41 per cent), Petronas (40 per cent), Sudapet (8 per cent), Gulf Oil Petroleum (6 per cent), and the Al-Thani Corporation (5 per cent). The two oilfields are located in the Melut Basin in eastern Sudan, and covers an area of 72 400 km<sup>2</sup>. Blocks 3 and 7 had a production rate of approximately 165 000 barrels/day in January 2007. CNPC constructed the Petrodar pipeline, linking the blocks to Port Sudan. The pipeline's maximum capacity is 500 000 barrels/day. In addition, Petrodar constructed a central processing facility able to process 300 000 barrels/day at Al-Jabalayan, and production facilities at Palogue (both in Southern Sudan) (CNPC Sudan 2009 and ECOSOnline 2009).

**Block 6** is situated in Sudan (Khartoum). CNPC obtained drilling rights for Block 6 in September 1995, and jointly established the China National Petroleum Corporation International Sudan (CNPCIS) with holdings of CNPC (95 per cent) and Sudapet (5 per cent). Block 6 is situated in the northwest of Muglad Basin, covering an area of 38 468 km<sup>2</sup>. Block 6 produces an estimated 40 000 barrels/day. The Fula oilfield was found in this block in 2001 and was put into production in March 2004. CNPCIS has constructed a pipeline that links the Fula field to the Khartoum refinery, leading to an increase of production (CNPC Sudan 2009 and ECOSOnline 2009).

**Block 13** is situated in Sudan (Khartoum). CNPC signed a production sharing contract for Block 13 in 2007, with holdings of CNPC (40 per cent), Pertamina (35 per cent), Sudapet (15 per cent), Dindir (10 per cent), Express (10 per cent) and Africa Energy (10 per cent). Block 6 is located between Port Sudan and the Egyptian border, covering an area of 38 200 km<sup>2</sup>, of which 22 000 km<sup>2</sup> is located

offshore in the Red Sea. CNPC, Pertamina and Sudapet are the joint operators and are responsible for exploration (CNPC Sudan 2009 and ECOSOnline 2009).

**Block 15** is situated in Sudan (Khartoum). CNPC signed a production sharing contract for Block 15 in 2005, and jointly established the Red Sea Petroleum Operating Company (RSPOC) with holdings of CNPC (35 per cent), Petronas (35 per cent), Sudapet (15 per cent), Express (10 per cent) and Hi Tech (5 per cent). Block 15 is located in north-eastern Sudan, covering 24 377 km<sup>2</sup> (largely located in the Red Sea) (CNPC Sudan 2009 and ECOSOnline 2009). The Suakin gas condensate structure is located in Block 15 (ECOS 2007).

Energy professionals estimate that the Sudd, Muglad and Melut basins (which include Blocks 3/7 (PDO) and 6 (CNPCIS)) have sufficient reserves to sustain production for nearly 60 years, highlighting the strategic significance of these two oil blocks (in addition to the other oil blocks) as important long term oil suppliers for China (Fee 2006). Importantly, China has also invested in natural gas reserves in Blue Nile State and along the Red Sea (Block 15), with the estimate of natural gas reserves in the greater Sudan being in excess of 3 trillion cubic feet (EIA 2007:7). Natural gas exploration and exploitation in the greater Sudan is becoming increasingly important to China as well.

With regard to **downstream projects**,<sup>35</sup> CNPC's involvement includes the construction and upgrading of the Khartoum Refinery (the first modern refinery constructed in Sudan and the world's first delayed coking unit for high-calcium and high-acid crude oil), the construction of Khartoum Petrochemical Plant, petrochemical trading, the construction of oil pipelines in Blocks 1/2/4, 3/7 and 6, the viscosity-breaking unit for Block 6, as well as surface engineering for the oilfields in Block 1/2/4, Block 3/7 and Block 6 (CNPC Sudan 2009). Sinopec, on the other hand, is one of the largest oil engineering service providers in Sudan, and a leading international engineering and service company (ACIR 2006:9).

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<sup>35</sup> Refers to the process in which crude oil is refined, as well as the marketing of products derived from crude oil. It also includes oil refineries and petrochemical plants.

## 5.5. OTHER CHINESE INVESTMENTS THROUGH CONCESSIONAL LOANS

Although Sudan is, in global terms, still a relatively minor oil producing and exporting country (ranked 32<sup>nd</sup> in the world (CIA 2009)), Chinese companies have invested heavily in infrastructure development (see below for some examples). These ventures do not only provide valuable returns for Chinese companies, but as these corporations are financed by Chinese credit and largely state-owned, this also has the political significance of strengthening relations between the two governments. This indicates that China regards its ties with Sudan (Khartoum) not only economically, but also as “geo-strategic and energy-strategic successes that are worth preserving and defending” (ECOS 2008:18).

During the last decade, ExIm has provided Sudan with several large concessional loans. These loans are based on low or no interest. ExIm seeks to advance China’s foreign policies using economic tools, particularly by providing concessional loans to developing countries. ExIm provides more than 90 per cent of its loans to Chinese state-owned enterprises, which are then able to take part in business ventures intended to support governmental instead of commercial ends. These loans have reinforced China’s relationship with Sudan (Khartoum), and also helped to secure Chinese access to energy resources in Sudan (HRF 2008:9-10). Some of the most noteworthy concessional loans made available by ExIm to Sudan include:

**Table 4: Chinese concessional loans to Sudan**

INVESTMENT	AMOUNT	SOURCE
Khartoum-Port Sudan Railway	US\$1,15 billion	(HRF 2008:9-10)
Merowe Dam and Power Towers	US\$460 million	(Askouri 2007:76-77)
Pipeline to transport water from Atbara River and main Nile to Port Sudan	US\$373 million	(Askouri 2007:76-77)
Khartoum Oil Refinery	US\$350 million	(Askouri 2007:76-77)
El Gaili Power Station	US\$220 million	(HRF 2008:9-10)
Tanker export terminal in Port of Sudan	US\$215 million	(Vines 2006:69)
Kajbar Dam	US\$200 million	(HRF 2008:9-10)
Qarre 1 Power Station	US\$149 million	(HRF 2008:9-10)

Infrastructure Loan	US\$77.4 million	(HRF 2008:9-10)
Aid loan	US\$40 million	(HRF 2008:9-10)
Two bridges (Blue Nile between Al Hasahiesa and Rufa'a and another on Blue Nile at Al Diwain)	US\$30 million	(Askouri 2007:76-77)
Presidential Palace	US\$12.9 million	(HRF 2008:9-10)

Sudan's importance to China signifies a global shift in oil production and consumption. China has begun to distance itself from perceived unstable regions such as the Middle East and have instead started looking to African countries for reliable sources of oil. This fits in with China's foreign and energy policies which aim to secure China's energy supply in order to augment its national power and to maintain its growth rate to support industrialisation and modernisation domestically. This reality confirms the key elements of the integrated conceptual framework developed in Chapter 2.

The Sudan experience illustrates China's ability to provide package deals covering aid, credit lines as well as infrastructure investment in economic sectors other than those that commercial enterprises would even consider (De Oliveira 2008:96). As a result, Chinese oil deals are much more liberal than those of other firms. NOCs can depend on state loans with low or no interest at all, because China's real bottom line is energy security (De Oliveira 2008:98). Economically, substantial Chinese investment means revenue increases for recipient governments, as is the case in Sudan. Objectively, Sudan continues to provide opportunities for Chinese oil and other businesses to expand their investment and market share in Africa (Reuters 2009).

With regard to China's scramble for oil in Sudan, it is clear that China's long and positive ties with Sudan (Khartoum) and the absence of western competition have played an important role in China's current dominance of the oil industry in Sudan. Its substantial interests in the oil sector are closely linked to its political ties with Sudan (Khartoum) (and recently also with Southern Sudan), as well as with its

extensive investments in Sudan outside the oil sector through the use of concessional loans.

## **5.6 CHINA'S POST-CPA RELATIONSHIP WITH NORTHERN SUDAN AND SOUTHERN SUDAN**

The signing ceremony of the CPA on 9 January 2005 was attended by the Chinese Special Envoy of the Chinese Government and Assistant Foreign Minister, Lu Guozeng. Guozeng conveyed congratulations of Chinese President Jintao to President al-Bashir on the signing of the peace agreement, which was “not only in line with the basic interest of all Sudanese people but also conducive to regional peace, stability and development” (PRC 2005b).

As described previously, Sudan, embroiled in civil war and under sanctions from the West, turned towards China as its main international supporter. What at the outset was a case of mutual gain, developed into a more complicated relationship. According to Large (2009:611-612), two interconnected manifestations of China's shifting relationship with Sudan (Khartoum) and Southern Sudan in the CPA environment and the ongoing conflict in Darfur, can be identified. Firstly, the emergence of more multifaceted relations between Sudan (Khartoum) and China has led to threats from within Sudan from organised armed opponents, requiring efforts by China to protect its investments. In addition, Sudan (Khartoum) has integrated China into its international relations to the extent that China is required to respond to and manage different interests within Sudan (Khartoum). Secondly, the political situation in Sudan has exposed the limitations of China's sovereignty doctrine (as discussed in Chapter 3) and the need for it to adapt to new political imperatives. In this regard, China initially maintained the central doctrine that directs its foreign relations, namely sovereignty and non-interference (China Economic Review 2009), but these have become problematic and inadequate in managing new challenges (Zugui 2008:3). China's pursuance of state sovereignty could not adapt to the evolving political landscape in Sudan, especially as the Sudanese state was incapable of effectively controlling the greater Sudan. As a result, China was forced to adapt to the changing circumstances and to relocate itself politically in Sudan.

The creation of a semi-autonomous GoSS by the CPA in 2005 strengthened the possibility of Southern Sudanese secession (AP 2009). This has compelled China to develop “quasi-sovereign political relations” (Large 2009:612) with GoSS, as the majority of China’s key oil concessions are either on the border between Sudan (Khartoum) and Southern Sudan or in Southern Sudan itself. Implementation of the CPA, and the eventual outcome thereof (be it secession or unity), has and will have significant implications for China’s medium and longer-term energy security, as well as for its relationship with Sudan (Khartoum) and Southern Sudan.

### **5.6.1 CHINA’S RELATIONS WITH SUDAN (KHARTOUM)**

As discussed above, Sudan (Khartoum) approached China for support in the midst of its prolonged civil war and international sanctions against the NIF/NCP government. China viewed Sudan as resource rich state, which had the potential to provide China with a stable foreign oil supply and as an opportunity for China to facilitate the international expansion of Chinese enterprises (Zongguo 1997:22). The Chinese policy of “no strings or political interference” fitted Sudan (Khartoum) perfectly (Al-Jaz 2007:673).

In time, Sudan has become a focal point for Chinese economic and oil investments. Asymmetrical economic relations dictate the bond between the two states - Chinese significance to Sudan surpasses Sudan’s significance to China. However, as discussed in Chapter 2, oil dominated and continues to dominate their mutual relations and Sudan-China trade. Oil wealth has benefited the NCP, and has also formed the foundation of the growth of Chinese infrastructural, business and other activities surrounding Khartoum. This focus on the area surrounding Khartoum led to outlying areas, including Southern Sudan, to be neglected, and conflicts in the South, West and East have propagated in part due to the concentration of power and wealth in a small elite (ICG 2008:23). Large (2009:616) states that “political and corporate elites have been instrumental in directing bilateral relations, and that the Chinese government has cultivated close political relations with Sudan’s [(Khartoum)] ruling leadership.” Party-to-party political cooperation also takes place

between the NCP and CCP, based largely on rhetorical solidarity. In addition, relations have been established between Chinese state-owned enterprises (including NOCs), and the NCP, as well as with state ministries in Sudan. This series of relationships is central to energy cooperation between the two governments.

China's political and investment assistance has significantly supported the NCP's rule. After the signing of the CPA in 2005, the Chinese government has continued to be closely connected to the NCP. China is widely seen to have strengthened the political and military foundations of GoS's power. It can also be argued that Chinese investment and its role within Sudan contributed importantly toward a political outcome, sustaining the role and power of the NCP as the central government with which China (and other states) could negotiate. During this process, the NIF/NCP's evolution from a "revolutionary Islamist party to a more pragmatic, self-interested government" was decisive, supported by a substantially expanded oil revenue resource base, which in turn enabled the Government of Sudan to escape from its financial crisis and to open the door for it to enter into the negotiations which culminated in the CPA (Large 2008b:284).

After the signing of the CPA, economic relations between Sudan (Khartoum) and China expanded, as did oil exploration (especially in Unity State and Upper Nile). Sudan (Khartoum) is also a growing market for Chinese goods, reflecting its status as a relatively more developed market for Chinese goods in Africa. In addition, Chinese businesses have been diversifying beyond oil. The Chinese construction sector in Sudan (Khartoum) has expanded through established large companies and firms created by Chinese entrepreneurs in Sudan, and the Chinese are also involved in smaller entrepreneurial businesses and agricultural development cooperation projects (3Us Community 2009). These include, amongst others, an agreement by the Chinese company ZTE to cultivate oil seeds in White Nile State, and an agreement by the Chinese company CMCE to modernise irrigation and improve seeds in Gezira State (Sudan Tribune 2009e). While China contributes military and police personnel to the UN Mission in Sudan (UNMIS), it mostly operates bilateral relations with Sudan (Khartoum). Political relations between the NCP and the Chinese government continue to be typified by elite political and corporate ties.

Military links form an integral aspect of this relationship, which were stepped up after 2002. Although evidence of the direct commissioning of human rights abuses by China in Sudan is limited, the CNPC did not seek to restrain abuses in Southern Sudan during the civil war, and definitely benefitted and facilitated them. In providing security to CNPC, there is evidence of significant abuses by the Sudan (Khartoum) government (Brown & Sriram 2008:258). In this regard, China can be held responsible for abuses in Unity state in the late 1990s, where China knew for what purposes its military equipment and infrastructure construction would be employed. China's arms trade with Sudan (Khartoum) made gross human rights abuses by the Sudan (Khartoum) government possible, although the sales themselves did not violate international law until UNSC resolution 1591 of 2005 came into effect, which bars states from selling weapons to all countries involved in the Darfur conflict. According to Brown & Sriram (2008:258), the Chinese weapons trade with Sudan (Khartoum) after the passing of resolution 1591 does seem to violate the embargo. Since 2005, Sudan's (Khartoum) security forces have supplied additional security for Chinese workers constructing oil infrastructure, in effect utilising Chinese arms to guard Chinese interests (Tinsley 2009:12). The CPA states that protection for oil infrastructure in Southern Sudan should be handled by Joint Integrated Units (JIUs) (joint North-South military forces). However, this has not been completely implemented, and as such a high concentration of Sudanese armed forces, so-called "oil police" and Sudan (Khartoum) supported militias remain in the areas surrounding oilfields, in strict violation of the CPA (HRF 2008:16).

Shinn (2008:171) asserts that China remains an important supplier of military equipment to Sudan (Khartoum). Between 2003 and 2006, China provided 200 Dongfeng military transport trucks, 6 K-8 military aircraft, and small arms worth more than US\$55 million to Sudan (Khartoum). According to DAN (2008), Chinese arms sales to Sudan account for approximately 90 per cent of small arms present in the country. With regards to local arms production, China has constructed and operated arms factories to prop up the Sudan (Khartoum) regime (Tinsley 2009:13). In this regard, three assembly plants outside Khartoum (in Kalakla, Chojeri and Bageer) have been established for the manufacturing of ammunition, small arms, light and

heavy machine guns, mortars, rocket launchers, antitank weapons, and even light tanks (HRF 2008:15). In 2007, it was announced that Sudan (Khartoum) signed contracts with China and Russia for the modernisation of the Sudanese air force – with both countries agreeing to supply planes and provide training to Sudanese personnel (Shinn 2008:171).

Shinn (2008:183) argues that China will not be deterred from its close military relationship with Sudan (Khartoum), despite the CPA process. The SPLM continues to accuse the NCP of distributing arms (originating from China and to a lesser extent Russia) to Southern Sudanese tribes opposed to the SPLM/GoSS (ICG 2009b), in order to destabilise Southern Sudan (ICG 2009a). According to a HRF report (2008:13), China has used, and is still using, arms exports to penetrate and remain in the Sudanese oil market. Chinese arms sales have also assisted in recovering Chinese funding used to acquire oil from Sudan. Interestingly, China (and Russia) both recently abstained from voting in a UN General Assembly bid to institute a global Arms Trade Treaty (ATT) which would administer and supervise the international transfer of conventional weapons (ReliefWeb 2009).

Notwithstanding the above, however, the recent shift in China's approach to Sudan (Khartoum) will in all likelihood continue to moderate Sudan's (Khartoum) policies in Darfur and to support the CPA with Southern Sudan (Shinn 2008:193). China's efforts to apply pressure on Sudan (Khartoum) have included the following:

- Encouraging Sudan (Khartoum) to accept a UN peacekeeping mission in Darfur;
- Not vetoing UNSC resolution 1706 which expanded the AU mission to a hybrid AU-UN mission (Alden & Hughes 2009:568);
- Not vetoing expanding the arms embargo; and
- Not vetoing referring Darfur to the International Criminal Court (ICC)).

The above suggests that China is, despite its strong economic interest in Sudan, now more agreeable to defend international norms than was earlier the case (Brown & Sriram 2008:266).

However, China's need for oil for internal growth and development (as described in the integrated conceptual framework in Chapter 2) is still the principal factor in its relations with Sudan (Khartoum), despite its increasing support for the CPA. Even though the majority of China's oil interests are located in Southern Sudan and on the border between Southern Sudan and Sudan (Khartoum), China continues to foster its relationship with Sudan (Khartoum). The main reasoning behind this is to secure its oil interests in the event of the (remote) possibility that unification will take place after the CPA-mandated referendum in Southern Sudan, as well as its oil interests in Sudan (Khartoum). Should there be a resumption of the civil war, China needs as much support as possible to protect its assets in Sudan (Khartoum) (as well as in Southern Sudan). In addition, China needs to defend its weapons trade with Sudan (Khartoum), and continue to support Chinese businesses and companies located in Sudan (Khartoum).

### **5.6.2 CHINA'S RELATIONSHIP WITH SOUTHERN SUDAN**

Until recently, international attention on Darfur has overshadowed the implementation of the CPA. As a result, China's development of relations with GoSS was at first neglected. China and Sudan's (Khartoum) exclusive relationship lasted from 1959 to 2005, and the emergence of a new government in Southern Sudan was therefore a major adjustment to the special connection that China and Sudan (Khartoum) shared. This development illustrated the limitations of China's principle of upholding formal state sovereignty, in addition to the political complications of preserving especially its oil interests in Sudan (Khartoum) and Southern Sudan. Large (2009:621) states that "The contradiction between state sovereignty as a juridical-political phenomenon and the reality of contested authority amidst protracted armed conflict and the implementation of the CPA, [has thus forced China to] respond to the fact that the central state in Khartoum is unable to exert effective control over its full territorial jurisdiction." As a result, China had to adjust its principle of upholding formal state sovereignty, which practically meant that they had to engage with Southern Sudan.

The relationship between China and Southern Sudan is a relationship of “one Sudan, two systems”, with China recognising both the GNU and GoSS. The CPA’s integration of the SPLM into the GNU made it possible, legally and politically, for China to engage the SPLM and GoSS directly. The CPA therefore enabled and required China to start a political outreach process with GoSS, notwithstanding the fact that such a relationship created particular challenges for China (especially with regard to its previous wartime support for Sudan (Khartoum)). China had never dealt with the SPLM/A directly; and its provision of assistance to the pre-2005 Sudanese government, led to the widely held belief that it was the principal backer of the SPLM/A’s former adversary (ICG 2008:30). Common sense and the prospect of mutual benefit, however, implied that China and GoSS’s relationship quickly normalised after 2005. Large 2009:622) suggests that “the SPLM’s post-CPA China policy is based on constructive engagement and working with former enemies.” China’s former undivided loyalty to the NCP has declined on account of the fact that many of China’s oil interests would depend upon an SPLM-led government should Southern Sudan secede after the 2011 referendum (ICG 2008:30). Both China and Southern Sudan benefit from the emerging relationship; Southern Sudan’s dire need for investment, and China’s need for security relating to its oil supply linked to the scheduled 2011 referendum, have pressured both sides to respond to the new opportunities and political reality that the CPA brought about.

China-GoSS relations have steadily strengthened from 2005 onwards, with the CPA enabling contact between SPLM parliamentarians of the GNU and the Chinese government. This facilitated the first notable contact among the SPLM and China – a friendly visit to Beijing by a SPLM delegation, led by Salva Kiir, in early 2005 (HSBA 2007:7). China’s ExIm Bank allegedly provided GoSS with a soft loan of US\$1 billion in 2006 (HRF 2008:22). Salva Kiir had a meeting with President Hu Jintao in February 2007 in Khartoum, in which he invited China to invest in Southern Sudan – with China subsequently offering a loan of US\$300 million to GoSS. Kiir again visited China in July 2007, and reassured the Chinese that their investments in Southern Sudan were secure, including its oil investments, even should the South vote to secede in 2011 (Large 2008b:102). In late August 2007, on an official visit to Juba, a Chinese government delegation announced an aid package that included

infrastructure construction and hydro-electric projects. Chinese investment in the agricultural, education, roads and bridges and water supply sectors was also discussed.

Party-party links were also established by the CCP and SPLM. During the above-mentioned 2007 state visit to China by Salva Kiir it was announced that the “SPLM planned to establish relations with the CCP in order to ensure efficient development and management of oil resources to the benefit of the Sudanese people” (Okiech 2008). In addition, links with state authorities, mostly involving issues regarding investment opportunities and infrastructure projects, have been established. Chinese companies have also engaged directly with GoSS, with respect to issues ranging from telecommunications equipment contracts, the construction of the Juba-Mombasa railway, to a project to rebuild the Southern Sudan government assembly building in Juba (HRF 2008:22).

China established official quasi-diplomatic relations with GoSS in 2008 with the opening of a Chinese consulate in Juba. This has allowed China and GoSS to engage in direct bilateral relations. China’s relations with GoSS subsequently deepened through aid and expanded investment, and there are rumours that certain senior Southern Sudan leaders receive financial assistance from China. In addition, Southern Sudan will need China’s approval and its intervention with northern Sudan to carry on using Chinese oil pipelines running from oilfields in Unity and West Upper Nile provinces to Port Sudan, should GoSS’s planned pipeline to the coast of Kenya not materialise (HRF 2008:22).

China’s involvement and support to GoSS aim to advance China’s position in Southern Sudan, partly to deal with its unpopularity amongst some ordinary Southern Sudanese (Horta 2009), as well as to establish a strategic political footing in Southern Sudan. The questions remains to what extent China’s links with the governing elite in GoSS will be able to surmount pervasive community criticism in the oil-producing areas of Southern Sudan. Opposition and critical popular attitudes towards China still exist in Southern Sudan. These community grievances

overwhelmingly express a common dissatisfaction “at the lack of a tangible peace dividend for the wartime impact” of oil development on communities (Moro 2008).

Whereas Chinese links with Sudan (Khartoum) have developed on the basis of resource imperatives and investment opportunity, its relationship with Southern Sudan has been more in the nature of a response to political necessities, especially related to investment protection concerns as part of a safeguarding approach should Southern Sudan secede<sup>36</sup> (Large 2009:624). China’s Sudan engagement has thus proved to be essential and successful in improving its links with GoSS and the SPLM, establishing a firm foothold for China in Southern Sudan.

## **5.7 POTENTIAL IMPACT OF CHINA’S DUAL RELATIONSHIP ON CURRENT VOLATILE GOS-GOSS ESTRANGEMENT**

As a result of Sudan’s relatively recent importance in China’s international relations and the political change in greater Sudan, Chinese involvement has progressed beyond business concerns and resource extraction. Given the probability for Chinese NOCs being adversely affected by a return to civil war between the NCP and the SPLM/A, China has become progressively more concerned with investment protection necessities embedded in political stability and the safeguarding of the North-South peace established by the CPA. In this regard, Zhou Yongkang, a senior member of the CCP, recently (7 January 2009) reiterated its call for Sudan (Khartoum) to fully implement the CPA for the purposes of “solidarity, stability and development in the country” (Xinhua 2009). In the long term, China has the need for predictable and stable states that offer good financial returns (Vines 2006:74). According to Large (2009:612), “China’s strategic diplomacy is motivated by defence of its own economic interests [most importantly oil], a function of its energy security concerns.” This conforms with the conceptual framework developed in Chapter 2.

The extent to which China is willing to play an increased role in ensuring the full implementation of the CPA and mobilising its influence over the NCP in this regard, is debatable but crucial for the greater Sudan’s political prospects (Large 2009:625).

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<sup>36</sup> This fits in with the conceptual framework developed in Chapter 2.

China's Special Envoy to Sudan, Liu Guijin, recently attended the Forum for Supporters of the CPA (held on 22 June 2009 in Washington D.C.). At the meeting, John Kerry, US Senate Foreign Relations Committee Chairman, commended China's attendance, stating that China "can play an important role in this [the CPA] process" (Kerry 2009). The ICG (2008:31) confirms that the successful implementation of the CPA is of critical importance to China, but that all China's efforts in this regard are undermined as long as military collaboration between China and Sudan (Khartoum) continues.

The scheduled 2011 referendum on the possible secession of Southern Sudan, in which the most desirable outcome for Southerners appear to be independence from Sudan (Khartoum), is essential to the political future of the greater Sudan.<sup>37</sup> Should this situation materialise, it continues to be laden with risk and political disputes. Whether Sudan (Khartoum) will accept the secession of Southern Sudan in 2011 is an open question. In this regard it has recently emerged that GoSS is discreetly rearming, in case Sudan (Khartoum) does not accept the outcome of a referendum resulting in secession or if Southern Sudan decides to unilaterally secede. According to some analysts, Sudan (Khartoum) is obliged by its national security and territorial integrity interests to undercut and impede any independence bid by Southern Sudan, especially as a result of the fact that Sudan (Khartoum) could lose control over a significant portion of the country's oil sector (Southern Sudan accounts for approximately 80 per cent of greater Sudan's oil reserves (Beeld 2009)), and therefore also its regional geopolitical significance (Mbogo 2009). Although Kenya has consistently denied it, there is some evidence that Kenya has had a part in helping Southern Sudan to rearm, largely as a conduit of arms provided by the Ukraine (Lewis 2009:39). In 2008, Jane's Information Group stated that as many as 100 Russian-made T-72 tanks may have been delivered to Southern Sudan through Kenya, Uganda and Ethiopia. According to this source, over 50 per cent of Kenya's self-reported arms exports to Sudan consisted of armoured combat vehicles. The World Bank's 2007 Public Expenditure Review for Sudan points out that spending on security by GoSS in 2006 contributed for 42 per cent of GoSS's expenditure. In October 2008, the parliament of GoSS approved a supplementary budget of more

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<sup>37</sup> See discussion in Chapter 4.

than 60 per cent of the original total for 2008, mainly to cover military overspending (Mbogo 2009). It is therefore imperative that China discontinues its supply of weapons to Sudan (Khartoum), as it is clear that an arms race is developing between Sudan (Khartoum) and Southern Sudan ahead of the 2011 referendum (Lewis 2009:35).

Even though China has been successful in expanding the foundation of its political relations with GoSS, the degree to which it will be willing or is able to balance its longstanding strong relationship with GoS with its new relationship with the SPLM, will provide evidence on its true intentions as regards the future of the greater Sudan. Within this context, there is currently no externally verifiable manifestation of China exerting its influence in attempting to defuse an already highly volatile situation. It is therefore uncertain whether China's existing links with both GoS and GoSS will prove to be strong enough to deter Sudan (Khartoum) and Southern Sudan from a return to civil war.

Nevertheless, China, and the PLA in particular, has a vested interest in ensuring a peaceful post-referendum Sudan. McAlvany (1997) states that the PLA itself owns and manages more than 15 000 separate businesses. He quotes an article in Forbes magazine of 24 March 1997 which stated that "Since the PLA began marching into business in the early 1980s, with approval from the Chinese leadership, it has built a sprawling network of businesses. These enterprises do everything from raising pigs to running airlines and hospitals, mining coal to owning hotels and operating paging and cellular networks." The PLA-controlled companies are also involved in ports, telecommunications and energy businesses, locally as well as internationally (Busch 2008). The PLA now participates fully in domestic and international markets, and the foreign exchange income from these companies is mainly used to import specialised equipment and technology, as well as raw materials (including oil) needed by the PLA (Bickford 1994:462-463). The reason behind these business involvements is mainly based on subsidising the modernisation of the Chinese military. In the event of a return to civil war, it is not impossible that China will utilise the PLA to secure Chinese (and PLA) energy investments and NOCs in the greater Sudan. According to Downs (2004:25-26), the

PLA is concerned that China's oil supply lines would be interrupted should there be a China-US clash over Taiwan, and as a result encourages the enlargement and modernisation of China's air force and navy in order to secure China's energy interests, which in the broader context would include securing its international supplies, such as those in the greater Sudan. In this regard, the Chinese fleet stationed in the Gulf of Aden to contain piracy along the Somali coast is in a strategic position to launch operations to ensure the safety of Chinese interests. In addition, the PLA could engage in training, arming and supporting local militias to protect its oil installations and pipelines in the greater Sudan.

## **5.8 CRITICAL ASSESSMENT: SEVEN SCENARIOS FOR THE FUTURE OF SUDAN (KHARTOUM) AND SOUTHERN SUDAN**

Several critical discussions has taken place with regard to the future of the CPA and relations between Sudan (Khartoum) and Southern Sudan, focusing specifically on possible outcomes of the elections and referendum, and their impact on Southern Sudan and Sudan (Khartoum). The methodology applied by a number of analysts, is that of forecasting, and specifically, scenario planning. Within this context, key issues such as causative factors and mitigating steps are identified. For purposes of this dissertation, an overview is given to the four scenarios identified by Arbetman-Rabinowitz and Johnson (2008) and the three scenarios formulated by the United States Institute of Peace (2009), followed by a brief evaluation.

### **5.8.1 ARBETMAN-RABINOWITZ AND JOHNSON (2008)**

According to Arbetman-Rabinowitz and Johnson (2008:387), the regional environment plays a pivotal role in the CPA's successful implementation in the greater Sudan and the outcome (unity or secession) in Southern Sudan. In their discussion of a number of regional role players, they emphasise that Egypt has been a strong backer of GoS, sharing linguistic, ethnic, and religious ties with the population of Sudan (Khartoum). In the past both Ethiopia and Eritrea supported the SPLM, and have provided shelter for Southern Sudanese refugees. In addition,

Uganda shares historical trade links with Southern Sudan and has a close relationship with the SPLM.

As regards Sudan (Khartoum) and Southern Sudan, Arbetman-Rabinowitz and Johnson (2008:389) depict “four political scenarios for division of oil revenues, and forecast the relative capabilities of Sudan (Khartoum) and Southern Sudan under each of these scenarios”. Their point of departure is that oil revenue division between Sudan (Khartoum) and Southern Sudan will determine the most powerful future region. The authors used Organski’s (1958) power transition model to evaluate hostilities in Sudan at the subnational level. According to them “the distribution of power between actors, and their capabilities to implement policy preferences, critically influences conflict or cooperation” (Arbetman-Rabinowitz and Johnson 2008:383).

**Scenario 1: “Sudan (Khartoum) appropriates all oil revenues”:** Should Sudan (Khartoum) retain most of Sudan’s oil resources, relations between Sudan (Khartoum) and Southern Sudan will continue to be disputed, however Sudan (Khartoum) will progressively dictate over Southern Sudan. Sudan (Khartoum) will persist with its existing strategy toward Southern Sudan. If Sudan’s (Khartoum) control is maintained, the probability of aggression amongst the two states decreases, and so does the chances of regional intervention on behalf of Sudan (Khartoum) (with special reference to Egypt). In this scenario, there remains a remote possibility of unilateral violence incited by Sudan (Khartoum), although chances are remote that prolonged bilateral hostilities will develop. Sudan (Khartoum) will in all probability condemn Southern Sudan to a submissive status and its sustained oppression is likely to be characterised by increasing inequality and a lack of provision of basic services and needs (Arbetman-Rabinowitz & Johnson 2008:389-390).

**Scenario 2: “Maintaining the status quo”:** If Sudan (Khartoum) continues to transfer less than the CPA prescribed share of the oil revenue to Southern Sudan, the relative strength of Sudan (Khartoum) and Southern Sudan will stay roughly unchanged. Conversely, should Southern Sudan be dissatisfied with such

arrangements, vote for secession in 2011 and a confrontation over secession or its implementation after 2011 were to develop, Sudan (Khartoum) will in all likelihood emerge in control of the greater Sudan. Regional stability will be maintained as Egypt would support such an arrangement. According to this scenario, Sudan (Khartoum) will keep on dictating over Southern Sudan. However, should its political competence continue to deteriorate, it will have to endure insecurity on two fronts. There is a possibility that Darfur and Southern Sudan could negotiate an agreement in which both financial support and short-term insecurity will be likely. The current situation would, in the very short term, be stable, although it may become extremely volatile in the long term. This scenario (with partial CPA implementation) also falls short with regards to meeting the essential circumstances for two-sided aggression, but the possibility of one-sided violence remains. Sudan (Khartoum) will retain adequate assets to successfully contain Southern Sudan as a result of the fact that existing resource distribution is not likely to deal with the low development levels and widespread destitution prevalent in Southern Sudan (Arbetman-Rabinowitz & Johnson 2008:390-391).

**Scenario 3: “Sudan (Khartoum) implements the CPA”:** Should Southern Sudan receive its allocation of oil income in accordance with the CPA, it will in all likelihood reach economic equality with Sudan (Khartoum) by 2020. Regionally and internally, this scenario presents a higher possibility of conflict. Parity with Sudan (Khartoum) and eventual surpassing by Southern Sudan, would result in the emergence of conflict, as Sudan (Khartoum) will in all likelihood contest the loss of considerable oil revenue. This result could potentially lead to the repositioning of states within the Horn of Africa (Muslim versus non-Muslim) as the issue would become one of utmost importance to Egypt. The provision of increased resources to Southern Sudan should theoretically enable further development, but only if Southern Sudan has the political capacity to promote efficient use of these resources. Should Sudan (Khartoum) respect the CPA conditions, it may have the result of preventing large resources losses and Southern secession. In this scenario, implementation of the CPA creates the necessary environment for renewed hostilities between Sudan (Khartoum) and Southern Sudan, if parity occurs in the short term. The position of key politicians, including al-Bashir and Kiir, are exceedingly polarised. Egypt is the

decisive regional player, and if the West and/or China can convince Egypt to accept secession, then political stability after the secession is probable (Arbetman-Rabinowitz & Johnson 2008:391-392).

**Scenario 4: “Secession”:** During the 2011 referendum, Sudan (Khartoum) will still dominate Southern Sudan. Should either side remain dissatisfied before or after secession, renewed hostilities are probable. However, if GoS complies with the CPA, there is the possibility for a peaceful secession. Should all oil revenues from oil resources originating in Southern Sudan be appropriated by Southern Sudan, Southern Sudan will economically surpass Sudan (Khartoum) between 2011 and 2015. There is even a possibility that Southern Sudan may turn out to be in charge of its own oil income before secession – in the event of the collapse of Sudan (Khartoum) if no new oilfields are discovered. In this scenario, Southern Sudan would overtake Sudan (Khartoum) following secession and dominate in the long term. However, internal instability in Southern Sudan is a distinct possibility in the event of a lack of sufficient political capacity in Southern Sudan. As a result, Southern Sudan’s main problem would be to generate capable internal capacity and infrastructure that will be able, amongst others, to manage the vast oil revenues. However, analysis suggests that overtaking does produce the necessary circumstances for conflict. Should either Sudan (Khartoum) or Southern Sudan remain discontented with the secession’s conditions (as is currently the case), a return to conflict is highly probable. Chances are remote that Sudan (Khartoum) could be persuaded to accept secession under these conditions; this is likely to result in dissatisfaction with the outcome and the agreed upon transition process. This would probably lead to renewed conflict, with the possible participation of regional powers (including Egypt) (Arbetman-Rabinowitz & Johnson 2008:392-393).

### **5.8.2 UNITED STATES INSTITUTE OF PEACE (2009)**

Recently, the United States Institute of Peace (USIP) arranged three workshops to identify three possible scenarios for the future of Sudan (Khartoum) and Southern Sudan. As scenario planning provides the best methodology for forecasting a range of outcomes, the groups firstly identified and tested key assumptions and evaluated

the underlying forces, factors, drivers, trends, and uncertainties and how these would possibly evolve so as to predict impediments and opportunities for averting political violence before and after the 2011 referendum (USIP 2009:2).

**Scenario 1, “Costly Secession”**, envisages that the continuation of GoSS’s current insufficient capacity to govern, would result in a marked increase in internal violence, independent of (a) aggression by Sudan (Khartoum) or (b) a decrease of current levels of donor support (USIP 2009:3). According to this scenario, the following six causative factors have the ability to generate large-scale internal political violence in Southern Sudan: failure to provide and distribute equitably basic services to the population, intertribal conflict, violence in the two border areas (Blue Nile and South Kordofan), the failure to disarm militias, failure to devolve effective powers regionally and locally, and Sudan (Khartoum’s) refusal to cooperate meaningfully in the prevention of violence in Southern Sudan (USIP 2009:4). If implemented, this scenario can be avoided if the following five mitigating actions are appropriately implemented: the timely resolution of post-referendum issues (including, amongst others, control and distribution of oil resources and the division oil revenue), refocusing of MDTFs to provide improved local service delivery and economic development in Southern Sudan, the establishment of an effective police force and adherence to the rule of law, addressing corruption by implementation of the principles of good governance, including transparency, and unifying various SPLM factions (USIP 2009:4-5)

**Scenario 2, “Civil War, from Tinderbox to Conflagration”**, foresees that the absence of trust building actions between Sudan (Khartoum) and Southern Sudan, and the failure to address a number of key issues before the referendum could lead to violence thereafter (USIP 2009:5). Causative factors that would promote the realisation of this scenario include the unresolved census dispute, oil related issues such as control of production, pipelines and revenues, the pervasive presence of militias, the lack of specifics as regards the manner in which both the 2010 election and 2011 referendum will be conducted and their results respected, incomplete border demarcation, absence of detailed planning in the event of a majority vote for secession, land tenure issues in the so-called “three areas” (Abyei, Blue Nile State

and Southern Kordofan/Nuba Mountains), and the future of IDPs (especially Southerners). The USIP report mentions two mitigating actions for this scenario: the resolution of the two key issues of boundaries and oil, and the strengthening and prolonged presence of UNMIS as pivotal instrument to diffuse potential violence and assist in limiting the current uncontrolled rearmament of Sudan (Khartoum) and Southern Sudan (USIP 2009:5-6).

**Scenario 3, “Muddling Through”**, anticipates that large-scale violence can be prevented depending on the willingness of both Sudan (Khartoum) and Southern Sudan, strong international involvement and support and measurable progress on outstanding key issues (USIP 2009:6). Causative factors in this scenario are formulated as confidence and stability building initiatives; these include: finding middle ground as regards the census issue, commitment to accept the election and the referendum as legitimate, a shared vision for the future, settlement by negotiation of the “three areas” dispute, and steps to prevent an increase of violence in Darfur (USIP 2009:6-7). Mitigating actions are formulated as strategies to be implemented by the international community. These include promoting dialogue between Sudan (Khartoum) and Southern Sudan in order to build confidence and trust, strong international involvement in bringing about consensus regarding the “three areas”, active steps to prevent violence and ensure security during the election, assistance in the demarcation process in order to bring about consensus on boundaries, and pressurising the two parties to accept the outcome of the referendum (and if the result is for secession, an undertaking by the US and EU to support Southern Sudan with a guarantee that Chinese oil interests would be safeguarded) (USIP 2009:7-8).

### **5.8.3 EVALUATION**

An overview of the seven scenarios discussed above indicates that the prospects for peace in Sudan seem diffuse. Five of the scenarios (Arbetman-Rabinowitz and Johnson’s scenarios 2, 3 and 4 and USIP’s 1 and 3) appear to indicate that secession is a possible, and in some instances, a likely, outcome. In the majority of these five the probability for conflict and large-scale violence is high, and active mitigating steps are necessary to avert the realisation thereof. USIP’s scenario 2

foresees the outbreak of civil war even before the 2011 referendum as a likely possibility (which should be mitigated). If secession were to take place and Southern Sudan were to obtain exclusive control over its vast oil reserves and current oil operations (including no revenue sharing with Sudan (Khartoum)), the economic growth of Southern Sudan would conversely result in the impoverishment of Sudan (Khartoum) in the absence of the discovery of new oilfields. Notwithstanding Southern Sudan's potential for economic growth, the lack of capacity to govern, to deliver services and to devolve meaningful powers to regional and local government, will probably result in internal collapse and widespread violence.<sup>38</sup>

A common feature of the approaches by the two sets of authors, is to focus on the role of regional role-players (i.e. Egypt) and the international community (most importantly China, the US and UN). In addition to the close linguistic, ethnic and religious links that unite the peoples and governments of Sudan (Khartoum) and Egypt, political support and friendship have been key characteristics of the relationship between the two countries. Both groups of analysts indicate that Egypt's support for nonviolent CPA implementation and acceptance of a secession outcome of the referendum is one of the main prerequisites for regional stability.

Reference is also made to the stabilising role that countries bordering Sudan (some of which belong to IGAD) should play in the period before the election and referendum and the period thereafter. In addition, the combined pivotal role that China, the UN, the US and the EU should play is highlighted by in the majority of scenarios:

- Firstly, as regards the pre-election and pre-referendum periods in Southern Sudan with respect to, amongst others, improving governance, building capacity, service delivery, devolution of powers to the regional and local level, economic and infrastructural development and equitable distribution of benefits to all sectors of the Southern Sudanese population;
- Secondly, promoting support for full CPA implementation, the limitation of the current arms build-up in both Sudan (Khartoum) and Southern Sudan, the disarmament of militias, the suppression of interethnic violence, the

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<sup>38</sup> For more information see ICG 2009d:6-8.

implementation of confidence-building initiatives in order to improve the relations between Sudan (Khartoum) and Southern Sudan, obtaining support of other key role players such as Egypt; and

- Thirdly, if the referendum were to result in secession, to provide economic, governance and other forms of support to Southern Sudan in order for it not to become a failed state from the start. This support should include the finalisation of pre-referendum agreements between Sudan (Khartoum) and Southern Sudan on issues such as national assets and debts, trade and wealth-sharing, border disputes, oil along the border, land, water, and grazing rights. Should this scenario unfold, it would be meaningful for the parties to agree on a post-referendum period so that the above pre-referendum agreements can be fully implemented.

In this regard, the following observation by Arbetman-Rabinowitz and Johnson (2008:394) is appropriate: “while the necessary conditions for conflict are present with a transition between the North and South ... careful policy choices may be able to minimize the emergence of sufficient conditions, or dissatisfaction.”

On account of its extensive presence and multifaceted involvement in the greater Sudan, and its close relationship with Sudan (Khartoum) (see above), China is arguably the only country (with the possible exception of Egypt) that has sufficient influence on the Sudan (Khartoum) government to persuade it to refocus its de facto approach to the implementation of the CPA (including full compliance with all its provisions, amongst others, credible oil-revenue sharing and the establishment and effective functioning of all CPA structures) and its acceptance of the outcome of the referendum.

## **5.9 CONCLUSION**

From 1996 onwards, China has played an increasingly important (and now a decisive role), in the exploration of oil and related developments in the greater Sudan, as well as providing financial and other forms of support to Sudan (Khartoum). In addition to its large-scale involvement in the oil sector, China's

longstanding ties with Sudan (Khartoum) and the absence of Western competition can be identified as reasons for China's scramble for oil in Sudan (Khartoum) and Southern Sudan. Chinese NOCs (especially the CNPC) are involved in eight oil exploration blocks, making China the country with the largest oil exploration investments in Sudan. Other investments, including investments in large infrastructure projects, are funded through concessional loans. There are also strong military links with Sudan (Khartoum), both as regards the provision of weapons and the establishment of weapon factories in Sudan (Khartoum).

China's initially adhered to its foreign relations policy of respecting the principle of state sovereignty. However, the nature of changing politics (brought about by the CPA) required an adjustment to this fundamentally different framework. As a result, China has had to negotiate a new position in Sudanese politics in the absence of the previous sovereign political centre (which had been provided by Sudan (Khartoum)). As a consequence, China had to establish bilateral relations with GoSS. Given the probability for Chinese NOCs being adversely affected by a return to civil war in Southern Sudan, China (and the PLA) has become increasingly involved with investment safety requirements based on political stability and maintaining the North-South peace established by the CPA. This strategic diplomacy is motivated by the preservation of China's own economic interests in Sudan (correlating with the conceptual framework discussed in Chapter 2).

The overview of seven possible scenarios for the future relationship between Sudan (Khartoum) and Southern Sudan indicates that in the majority of these the probability for conflict and large-scale violence is high, and active mitigating steps are required to avert the realisation thereof. With its vast oil interests in both Sudan (Khartoum) and Southern Sudan, coupled with its need for a predictable and stable state, China needs to play a foremost part in ensuring the implementation of the CPA, as well as, importantly, the legitimate conclusion and acceptance of the 2011 referendum outcome and its peaceful implementation thereafter.

## CHAPTER SIX: CONCLUSION

### 6.1 RESEARCH AIM

The aim of the study was to analyse the consequences of China's scramble for Sudan's oil reserves for the implementation of the CPA and the future relationship between Sudan and Southern Sudan. For this purpose, the methodology applied consisted mostly of a desktop review and analysis of existing data in the form of existing literature on the topic. A number of primary and secondary sources were consulted, and the African Studies Centre in Leiden was visited for purposes of obtaining access to recent and in-depth literature, as well as discussing research-related issues with scholars specialising on Africa and China.

The following three interconnected issues related to the above aim were investigated during the course of the research:

- a) Whether oil is closely interlinked with China's and Sudan's national strategic objectives.
- b) Whether China and Sudan (Khartoum) is attempting to keep the status quo intact by delaying or preventing the full implementation of the CPA, and possible reasons for this.
- c) Which of the two future scenarios as set out in the CPA (secession or reunification) will be most favourable to China, Sudan and Southern Sudan, should the CPA be implemented successfully.

The main findings provided documented answers to the above issues. A central finding, confirming issue (a) above, is that oil is closely interlinked with China's, Sudan's (Khartoum) and Southern Sudan's national strategic objectives. China needs oil to augment its national power and to foster economic and industrial growth domestically. The Sudan (Khartoum) government requires oil revenue to maintain its current internal dominance and to ensure its retention of power, whilst the Southern Sudanese government is dependent on funding derived from oil exports in order to

mainstream development and the provision of much needed infrastructure construction in Southern Sudan.

An analysis of issue (b) indicated that China at first ignored Sudan's (Khartoum) attempts to keep the status quo intact by delaying and/or preventing the complete implementation of the CPA. China has had (and still has) an established relationship with Sudan (Khartoum), and was assured that its oil interests were secure. However, international pressure and the realisation that, should Southern Sudan secede, it stood to lose the majority of its oilfields, led China to change course. It gradually started to apply pressure on Sudan (Khartoum) to comply with its obligations under the CPA, and started to forge relations with Southern Sudan, most notably with the opening of a consulate in Juba in 2008. Sudan (Khartoum) realised that it would lose the greatest part of its most important asset, namely oil, should Southern Sudan secede. This explains why Sudan (Khartoum) is still delaying, and, in some instances, attempting to prevent, the full implementation of the CPA.

With regard to issue (c), the study indicated that Southern Sudan has the most to gain from secession, with 75 to 80 per cent of the greater Sudan's proven oil reserves located in its territory. For China, the outcome of a (successful and peaceful) referendum will not have significant implications. This is on account of the fact that it has maintained good relations with Sudan (Khartoum), whilst having more recently established formal links with Southern Sudan. This will probably ensure that China will be in a position to have continued, and uninterrupted, access to its vast oil interests in the greater Sudan, whether Southern Sudan secedes or reintegrates into a unitary greater Sudan. As stated above, Sudan (Khartoum) stand to lose an extremely large percentage of its oil income should Southern Sudan decide to secede, and such reunification would be its most favourable option.

The above exposition of the main findings indicates that the three related issues referred to above have been verified by the research.

## 6.2 SUMMARY OF MAIN FINDINGS

In the following section a brief summary of the main focus and findings are presented on a chapter-to-chapter basis. It also indicates to what extent the integrated conceptual framework was able to describe, analyse and evaluate the driving forces that underpin the relationship between China, Sudan (Khartoum) and Southern Sudan around the issue of oil.

**Chapter 1** (Introduction) served as a general background introduction and outlined the research theme and aim. This was followed by a brief literature survey, the demarcation of the research theme, as well as an overview of the research methodology and the structure of the dissertation.

**Chapter 2** (Conceptual framework) provided an overview of the conceptual framework for the study. It consisted of an exposition of the conceptual frameworks developed by Yergin (1991) and that of economic nationalism. An integrated conceptual framework with three interlinked spheres (domestic, resource and international relations) was developed, and its relevance to the research problem by assessing its potential applicability on the importance of oil to China, Sudan (Khartoum) and Southern Sudan was discussed. The main findings were that oil is of great strategic value to both China and the greater Sudan, and that the integrated conceptual framework was successful in explaining the role of oil in the countries concerned.

China imports oil to maintain and further stimulate its domestic growth rate. Oil provides the fuel for China's national projects of intense industrialisation and construction. With a shortage of domestic oil, China is importing oil from a host of countries, mostly through bilateral deals instead of from the open market. This provides China with a marked degree of security, by avoiding international price fluctuations and other uncertainties. China has been successful to adjust its foreign policy objectives to its domestic development goals by supporting its NOCs to sign exploration and supply contracts with oil producing countries. Its need for sustained access to oil resources can be explained utilising the integrated conceptual

framework discussed above. Domestically, China's augmentation of national power is vital, economic growth and modernisation play important roles, with special emphasis on industrialisation and the importance of uninterrupted access to oil to fully satisfy China's domestic needs. In the resource sphere, continuous availability to oil is imperative for China, in order to augment the state's power and to further its domestic objectives. In similar vein, the security of its foreign oil resources is essential. Economic competition in respect of diminishing domestic and foreign natural resources has forced China to revise its reliance on the open market, and to rather adopt policies of insulation (through bilateral agreements) to prevent market volatility and shortages in the flow of oil. The international relations sphere explains the relationship between China's domestic environment and the international system. In this regard, China's foreign policy has clearly been adopted to advance its domestic priorities discussed above.

With regard to the greater Sudan, oil exports are the main mechanism through which the socio-economic development needs of the population and the augmentation of national power of both Sudan (Khartoum) and Southern Sudan can be addressed. In this regard, Sudan (Khartoum) needs China (as well as India and Malaysia) to purchase its oil in order to augment its national power, to keep the current regime in place, and to provide funding for ongoing military operations in Darfur and elsewhere. In addition, oil exports provide funding for increased investments in development projects, which in turn contributes to economic growth domestically. The above findings fit into the integrated conceptual framework. Domestically, Sudan's (Khartoum) augmentation of national power to keep the current regime in place is of vital importance. Funding is needed for its continuing military involvement, in addition to economic growth and domestic development projects. In the resource sphere, oil exports are essential to realise the above domestic priorities. The international relations sphere explains the relations between Sudan (Khartoum) and China. As a result of sanctions, Sudan (Khartoum) had to adapt its foreign policy to ensure positive relations with China (which are not party to the sanctions), so that oil exports could continue to provide much needed foreign funding to satisfy the state's domestic priorities as discussed above.

For Southern Sudan, oil income provides the means to rebuild a country devastated by civil war, as well as to expand its newly-found national power, to build new infrastructure, to foster a business-friendly environment, and to promote economic growth. In addition, oil will most certainly play a central role in the decision whether Southern Sudan will secede or re-unify with Sudan (Khartoum). Within the context of its possible independence, the quest for internal unity and economic autonomy are key elements for Southern Sudan. The 2005 signing of the CPA led to most sanctions on Southern Sudan being lifted, resulting in opportunities for Western companies to invest in Southern Sudan's vast oil reserves – promising increasing income for Southern Sudan. When applying the above findings to the integrated conceptual framework, it becomes clear that, domestically, Southern Sudan has the need to consolidate and augment its national power, whilst promoting economic growth and providing services to its citizens. With regard to resources, oil exports generate the income necessary to fulfil Southern Sudan's domestic needs. In the international relations sphere, Southern Sudan has only recently (from 2005 onwards) had the opportunity to establish its foreign policy (by forging relationships with a large number of international actors) to promote its domestic ideals. Should Southern Sudan secede in 2011, it would be in a position to open its oilfields to further exploration and exploitation for export purposes, earning much needed foreign income, based on oil revenues, to fulfil its domestic needs.

**Chapter 3** (China's global, foreign and African policies) provided an empirical case study of China's policy towards Africa's natural resources, and in particular oil, after which the reality of China's foreign engagement with Africa was analysed. The main findings included that the important role that Africa plays in China's foreign policy agenda can be divided into three categories – politically, strategically and economically. Politically, China regards Africa as a key ally in the international arena. In this context, the Chinese government believes that the promotion of south-south cooperation and the upliftment of the prosperity of all developing countries will make it possible to also benefit from globalisation, and that this will have positive impacts for both development and global peace. Strategically, China considers Sino-African relations important for the strengthening of a multipolar world order and the promotion of their respective international roles and prestige. This is based on

the reality that China's international stature and image have been strengthened since the adoption of its economic reform agenda and the opening of space for international engagement. Economically, China considers Sino-African relations as a means to assist and support in the execution of its domestic development policy. In this regard, Africa has vast natural and human resources, as well as an extensive market and development potential. China, however, suffers from inadequate resource supplies to maintain its growth path. Considering the above, Africa and China are able to be complementary as regards expertise, technology, capital, resources, and markets. Africa's abundant natural resources thus represent a strong inducement for China. It would appear that Chinese investors (with the active political and financial support of the Chinese government) are taking a long-term view and pursuing strategic expansion in Africa, continuing to pledge tens of billions of dollars to Africa in loans and investments in order to secure long-term reliable access to natural resources and raw materials to promote national development. The same could be argued in respect to Africa, with African states utilising the profits made from exporting raw materials to promote their own domestic development.

China's foreign policy towards the African continent has had a dual effect on the development of African countries, by creating new opportunities and posing serious challenges for African development. On the positive side, China is a new actor in the African continent that is willing to invest, but on the negative side it turns African countries away from the objectives of political and sustainable economic reform, as well as good corporate governance. With regard to trade, the supply side capacities of African countries need to be strengthened, with improved cooperation between individual countries. Growing trade imbalances are worrying - African states should demand more equitable economic relations with China and should not be satisfied with only exporting raw materials, but, in addition, should also insist on technological transfers in exchange. Development strategies need to be re-orientated to avoid competition in labour-intensive manufacturing industries and to support diversification into sectors that are complementary to Chinese growth. Attention should be paid to Chinese goods replacing locally manufactured goods. Currently, little, if any, beneficiation of raw materials is taking place in Africa, depriving Africa of much needed income as well as skills development. In this regard, it must also be

stated that when China invests in an African state it needs to ensure that the local population is empowered. African countries should increase revenues derived from the taxing of commodity exports in order to make more funding available to support and strengthen initiatives that focus on pro-poor programmes.

Future negotiations with China will need to be undertaken from a better informed African platform - these must be focused on leveraging more structurally significant benefits for well defined areas of national interest. The secretariats of both AU and NEPAD should ensure that African strategies relating to China are appropriately coordinated and that common African values and interests are prioritised. Furthermore, the APRM must be utilised in such a manner that the individual policies and conduct of African countries are fully aligned to agreed upon economic, political, and corporate governance standards. Conversely, there is a need for China to refocus its involvement in Africa by ensuring that investments effectively create the necessary balance between Chinese extraction/exploitation and sustainable African economic growth. China's foreign policy and African strategy seem quite simple, but Africa also needs to formulate and assert its own home-grown strategy for China. Deeper engagement with China is both desirable and inevitable for Africa. In this context, an active strategic African policy on China should be developed in order to balance the long-term economic and security interests of Africa; this will accelerate sustainable progress in respect of African priorities both domestically and internationally.

When applying the above findings to the integrated conceptual framework, it is evident that both China and African states have the need to consolidate and augment national power, whilst promoting economic growth and providing services to its citizens. With regard to resources, African raw material exports have two major outcomes: (a) the generation of income necessary for the continent's dire need for economic development, and (b) the fulfilment of China's need for raw materials to continue its strategy of domestic growth and industrial development. In the international relations sphere, China and African states have been able to adapt their foreign policies to their respective domestic development strategies – a key characteristic of the integrated conceptual framework.

**Chapter 4** (The CPA: Mapping the futures of Sudan and Southern Sudan) dealt with the background of the CPA, the CPA, and the oil revenue sharing provisions in the CPA. This was followed by a description of some fundamental flaws in the negotiation process leading up to the signing of the CPA, as well as problems with the implementation of the CPA. Key findings include that the signing of the peace agreement, the cessation of large-scale hostilities, the establishment of central governance institutions (GNU and GoSS) and the enactment of the SINC and SSIC, have been key confidence-building steps in the bringing about of the creation of a new negotiated future for Sudan and its peoples. Notwithstanding these positive steps, problems regarding the implementation of the agreement constitute a serious threat to the future existence and execution of the CPA. The CPA's implementation can rightly be described as problematic; and indeed at given points in time, intentionally delayed. The CPA continues to face serious challenges, notwithstanding the establishment of a wide range of its commissions and the issuing of GNU presidential decrees dealing with CPA-related issues. Dysfunctionality is the defining feature of a number of these commissions. Implementation of key aspects of the CPA is stalling, and many interlinked, critical processes are now due to be implemented within a very limited timeframe (from October 2009 to July 2011). The determination of the North-South border has fallen behind schedule; this has the potential of compromising the the elections, the redeployment of forces, oil revenue-sharing and the referendum in 2011.

Negotiations between Sudan (Khartoum) and Southern Sudan have resulted in some degree of progress as regards the implementation of the power- and wealth-sharing provisions of the CPA. However, the three institutions established for the management and sharing of oil revenues (NPC (manage and monitor), NRF (equalise and allocate), and FFAMC (ensure transparency and fairness)), are not fully functional. The discrepancies between the dates of envisaged establishment, and their actual establishment, did not auger well for them playing the key role foreseen in the CPA. In addition, serious questions remain as regards issues such as those relating to composition, the lack of full disclosure as regards information required for their effective functioning, and the ensuing perception of them not being

transparent and reliable. This is exacerbated by the absence of verification mechanisms.

Taking into account the pivotal role that the international community played in the peace negotiations and the wide-ranging spectrum of countries, regional institutions and entities (including the UN) which witnessed the signing the CPA, it follows that the international community (including China) should act in a manner that would be indicative of its continued commitment to remain a major role player in ensuring the full and timeous implementation of the CPA. If this support is not forthcoming, there is a strong possibility that the CPA will collapse with the probable resultant resumption of hostilities in Sudan, which will have important regional implications as well.

When applying the above findings to the integrated conceptual framework it is evident that it is especially important for Sudan (Khartoum) and Southern Sudan to augment their national power, whilst promoting economic growth and providing services to its citizens. Being successful in this regard will have a definitive impact on voter behaviour for the April 2010 elections, as well as on the 2011 referendum. The pursuance of augmentation of national power can possibly explain the reluctance of Sudan (Khartoum) to fully and timeously implement all the provisions of the CPA. With regard to resources, the CPA specifies the revenue sharing formulae between Sudan (Khartoum) and Southern Sudan. Revenue from oil exports is crucial for the survival of the Sudan (Khartoum) regime, as well as for strengthening GoSS. In the international relations sphere, Sudan (Khartoum) is dependent on China (in addition to India and Malaysia) for investments in the oil industry as well as for oil exports. Southern Sudan has already started to negotiate with other countries with regard to new investments and future oil exploration and exploitation possibilities should the South secede in 2011. As such, both Sudan (Khartoum) and Southern Sudan have adopted their foreign policies to promote their national interests and strategies.

**Chapter 5** (The impact of China's need for sustained access to oil resources on post-CPA Sudan and Southern Sudan) critically discussed China's scramble for oil in

Sudan (Khartoum) and Southern Sudan, as well as its implications for the current and future implementation of the CPA. In this context, it also provided an overview of possible future scenarios for China, Sudan (Khartoum) and Southern Sudan when Southern Sudan, by means of an internationally supervised referendum (as envisaged in the CPA), will decide in 2011 on either the retention of a unitary structure, or on independence as a sovereign state.

China's long and positive ties with Sudan (Khartoum) and the absence of western competition have played an important role in China's current dominance of the oil industry in Sudan. Its substantial interests in the oil sector are closely linked to its political ties with Sudan (Khartoum) (and recently also the establishment of formal relations with Southern Sudan), as well as with its extensive investments in Sudan (Khartoum) outside the oil sector through the use of concessional loans.

China's domestic need for oil for internal growth and development remains the principal factor in its relations with Sudan (Khartoum), despite its increasing support for the CPA (in line with the domestic sphere (emphasising the importance of augmenting national power and economic growth) and the international relations sphere (where the state's foreign policies are adopted to advance a state's domestic priorities) of the integrated conceptual framework). Whereas Chinese links with Sudan (Khartoum) have developed on the basis of resource imperatives and investment opportunity, its relationship with Southern Sudan has been more in the nature of a response to political necessities, especially related to investment protection concerns as part of a safeguarding approach should Southern Sudan secede. China's Sudan engagement has thus proved to be essential and successful in improving links with GoSS, establishing a firm foothold for China in Southern Sudan. The importance of sustained and secured oil supplies (as part of the resource sphere) also fits into the integrated conceptual framework.

From 1996 onwards, China has played an increasingly important (and now a decisive role), in the exploration of oil and related developments in the greater Sudan. Chinese NOCs (especially the CNPC) are involved in eight oil exploration blocks, making China the country with the largest oil exploration investments in

Sudan. Other investments, including investments in large infrastructure projects, are funded through concessional loans. There are also strong military links with Sudan (Khartoum), both as regards the provision of weapons and the establishment of weapon factories in Sudan (Khartoum). China's initially adhered to its foreign relations policy of respecting the principle of state sovereignty. However, the nature of changing international politics (brought about by the CPA) required an adjustment to this framework. As a consequence, China had to establish bilateral relations with GoSS. Given the probability for Chinese NOCs being adversely affected by a return to civil war in Southern Sudan, China (and the PLA) has become increasingly involved with investment safety requirements based on political stability and maintaining the North-South peace established by the CPA. This strategic diplomacy is motivated by the preservation of China's own economic interests in Sudan (correlating with the integrated conceptual framework which emphasises the need to adopt a state's foreign policy in order to advance domestic priorities).

Finally, the overview of seven possible scenarios for the future relationship between Sudan (Khartoum) and Southern Sudan indicated that in the majority of these the probability for conflict and large-scale violence is high, and active mitigating steps are required to avert the realisation thereof. This is largely a result of both Sudan (Khartoum) and Southern Sudan utilising the integrated conceptual framework through which to conduct their business internally as well as externally. In this regard, it is of utmost importance for both to augment and secure their domestic power, as well as to ensure their uninterrupted access to oil for export and foreign income purposes.

### **6.3 CONCLUDING EVALUATION**

China's domestic drivers can be identified as the augmentation and security of national power, economic growth and autonomy, modernisation and substantial industrialisation. In order to fulfil these aims, China has a great need for natural resources, especially oil. China, however, does not possess these resources domestically, and is therefore obliged to import such. China's aversion to acquire oil on the open market as a result of energy security and sustainable supply concerns,

as well as the fact that the price mechanism is determined by exchanges in northern markets, led to China's decision to attain interests in equity oil, based on bilateral agreements with oil producing countries (especially in the developing world). These agreements are often reciprocal package deals (which include political support, infrastructural developments, development projects and technical support) in order to secure uninterrupted oil supplies.

One instance of China's pursuit of sustained access to oil resources is its involvement in the greater Sudan. As a result of the vast amounts of oil, as well as the absence of western competition, Sudan was an obvious choice for China. In December 1996, CNPC finalised its first major oil investment in Sudan, acquiring a 40 per cent equity stake in GNPOC. For Sudan (Khartoum), however, China was the only politically dependable option – not party to the sanctions against Sudan (Khartoum) as well as having the willingness to invest. It can therefore be seen as a relationship born out of mutual necessity. With Sudan (Khartoum) embroiled in a protracted civil war against the SPLA, China started to support Sudan (Khartoum) militarily. This should be seen against the backdrop of Chinese investments and oil interests in Sudan – with most of these located in Southern Sudan.

After the signing of the CPA in 2005, China had to adjust its principle of upholding formal state sovereignty (and its exclusive relationship with Sudan (Khartoum)), which practically meant that they could engage with Southern Sudan (most importantly to secure its vast oil interests in the region). China-GoSS relations quickly normalised from 2005 onwards, and reached a high with the opening of a Chinese consulate in Juba in 2008. China now fosters good relationships with both Sudan (Khartoum) and Southern Sudan.

The signing of the CPA in 2005 brought a fragile peace between Sudan (Khartoum) and the SPLM/A. It established the semi-autonomous Southern Sudan, and provided a framework leading up to the 2011 secession referendum of Southern Sudan. However, some provisions providing for important structures and processes were implemented in an ineffective manner (e.g. the oil revenue-sharing structure (consisting of the NPC, NRF and FFAMC) and the border demarcation structure

(consisting of the Technical Ad hoc Border Committee and the Abyei Border Commission)).

Evidence presented in this dissertation would suggest that it is likely that the greater Sudan is descending towards a possible violent breakup. Southern Sudan will in all likelihood secede in 2011. The main reason behind this conclusion is that the CPA has not been fully implemented, largely as a result of Sudan's (Khartoum) attempts to stall and/or derail the peace agreement to keep control over oil resources and to subordinate Southern Sudan. National elections are set to take place in April 2010, and Southern Sudan's referendum in January 2011. Some progress has been made with regard to the modalities of the national and regional elections, as well as on the referendum bill. However, this is no guarantee that the elections will be constitutional, democratic or on time. Should the referendum be postponed, there is a strong possibility that Southern Sudan might declare unilateral independence, which in turn will trigger a violent response by Sudan (Khartoum).

Democratic transformation should remain a key aim, even though the time left before the referendum is probably insufficient for its full realisation. Although the CPA provides the general political framework until the 2011 referendum, it does not address the post-2011 arrangements or intra-South issues. As a result, it is necessary to draft an additional protocol addressing these issues. In this regard, the international community needs to engage with the two states to ensure the swift implementation of outstanding CPA provisions as well as in-depth negotiation on the future of the CPA and the period following the CPA. Without such international support a return to civil war is a likely possibility, if not a certainty. The international community should also ensure that the parties commit themselves to credible and fair elections, as well to an on-schedule referendum. Furthermore, should Southern Sudan vote to secede, the international community should make certain that two economically viable and stable democratic states emerge thereafter.

China is probably the only state that has positive relations with, and substantial influence in, both Sudan (Khartoum) and Southern Sudan. Seeing that the establishment of a context conducive to stability and peace in the greater Sudan is in

its best strategic interest, China has a responsibility (to itself as well as to the greater Sudan) to bring the parties to the table to negotiate the most pressing issues. It can use its position as most important investor and importer of Sudanese oil to apply pressure on both sides to reach agreements on key outstanding matters, as well as to establish a framework for the road ahead.

Even though China is in some circles regarded as Africa's new colonising power, and even though there are many negative connotations attached to China's *modus operandi* on the continent, it now has a chance to help bring lasting peace to a country devastated by decades of civil war. Looking at the current political situation in the greater Sudan and the unstable relationship between GoS and GoSS, the consequences of China's scramble for Sudan's oil reserves for the implementation of the CPA and the future relationship between Sudan and Southern Sudan can be seen as positive. China's main responsibility still lies with its domestic interests and as such with securing its Sudanese oil interests and supplies (as explained by the integrated conceptual framework), but this time China's own interests overlap and converge with those of the greater Sudan - to bring peace and stability to a war torn country. These interests form the basis of forcing Sudan (Khartoum) and Southern Sudan to implement the final stages of the CPA in a peaceful manner, and to accept the referendum's outcome as final and valid.

#### **6.4 KEY RECOMMENDATIONS**

During the last five years (2006-2010) of the six-year interim period of the CPA, Sudan (Khartoum) and Southern Sudan should have implemented several key provisions in the peace accord, to facilitate free and fair elections, and to make unity attractive. This, however, has not happened. The CPA that is guiding the governance of the greater Sudan is far from fully implemented. According to the CPA, there remains less than a year to prepare for establishment of a new political order in Sudan by implementing the following objectives: organising countrywide general elections in April 2010, carrying out public consultations in Southern Kordofan and Blue Nile states, and conducting self-determination referendums in Southern Sudan and Abyei. The remaining months will most probably not be

enough to fully attain these objectives. However, some key recommendations can be made:

1. All governance institutions, as well as institutions established by the CPA, SINC and SSIC should be audited with regard to their functionality, capacity, human and capital assets, as well as their access to information necessary to function effectively. If deficiencies are found, the necessary remedial steps should be taken so as to ensure their full capacitation and optimum performance.
2. An comprehensive integrated development plan needs to be drafted and implemented for Southern Sudan, especially in light of the fact that secession seems probable.
3. China (with its good relations with, and strong influence in, the greater Sudan), the AU and IGAD should agree on a common coordinated Sudan strategy on CPA implementation negotiations with both Sudan (Khartoum) and Southern Sudan.
4. China, the AU, IGAD and other international actors such as the UN, should apply pressure on the NCP to reappoint the negotiators who successfully negotiated the CPA to take the lead on new negotiations between the Sudan (Khartoum) and Southern Sudan. This would be an indication of the CPA's recommitment to the CPA's full implementation.
5. Before the expiry of the CPA, the international community needs to intensify efforts to seize the remaining opportunities presented by the CPA for advancing governance reform and thereby enhancing centre-periphery relations and preserving long-term stability in Sudan (Khartoum) and Southern Sudan, irrespective of the outcome of the referendum.
6. Efforts to maintain peace in the transitional areas (Abyei, Southern Kordofan and Blue Nile states) should be stepped up, and international support for the organisation of elections and public consultations should be encouraged. Particular focus should be given to the implementation of early warning mechanisms, crisis mitigation and peacekeeping in the three areas.
7. UNMIS should increase its monitoring of flashpoint areas in Abyei, the North-South border as well as hotspots in Southern Sudan, and negotiate with the

parties to create demilitarised zones into which UNMIS forces could be deployed and monitor movements of troops to help prevent local flare-ups from escalating.

8. Contingency planning should be initiated, UNMIS' mandate reviewed and reserve troops put on standby in the period before and after the referendum, for the eventuality that the results will lead to renewed hostility between Sudan (Khartoum) and Southern Sudan.
9. There is an urgent need for security sector reform in Southern Sudan. The SPLA and southern security bodies do not have the ability to assert a monopoly on use of force in Southern Sudan. The recent upsurge of intra-southern violence and violent tribal fighting in Jonglei state serve as examples.
10. Negotiations and cooperation in respect of future oil revenue-sharing are of critical importance, as there is a high risk of a return to war if mutually beneficial arrangements cannot be found. With the majority of Sudan's oil in Southern Sudan, but the pipeline running through Sudan (Khartoum), each side has the capacity to harm the other's economy, at its own expense as well.
11. A framework (an additional protocol to the CPA) for negotiation needs to be developed for negotiations over the manner in which Sudan (Khartoum) and Southern Sudan will relate to each other should Southern Sudan decide to secede. The negotiation should cover two periods: firstly an interim period from the day after the referendum (when the CPA terminates) until the installation of the new Southern Sudan parliament, and secondly, a period of four years (the period of a parliamentary term) to provide enough time to complete the implementation of the peaceful transfer of sovereignty and to decide on how to handle numerous practical details. In the run-up to 2011, having these arrangements in place would reduce uncertainty and the risk of political violence around the referendum, and alleviate fears about the implications of a possible independence vote. In the longer term, it will help set the terms for peaceful cooperation and interaction between Sudan (Khartoum) and Southern Sudan on key issues, and would reduce the risk of future disagreements between the two independent states. International

facilitation, mediation, support and monitoring and evaluation of the additional protocol will be essential.

## 6.5 FUTURE AVENUES OF RESEARCH

During the research and writing of the dissertation, several issues that require further research have emerged. These include the following:

1. Ongoing research of post-2011 developments in the greater Sudan is necessary; firstly, to ensure that the state/states that emerge get the necessary international support, and secondly, for negotiators/practitioners to gain insights into the CPA's longer term effects on the states concerned.
2. In addition, an audit of all CPA, SINC and SSIC institutions should be carried out. This can help to identify inherent weaknesses in the framework documents that established the said institutions. This will provide guidance in the drafting of future peace agreements and interim constitutions on the African continent.
3. There is an inherent need for country- and sector specific studies with regard to the impact of international actors on the African continent. Monolithic representations of China's (and other international actors') continental engagements abound, often ignoring the specificities of individual countries or sectors. Within this context, a number of functional domains need to be investigated; two of the most important areas being (a) the extraction of natural resources by, and export to, non-African countries; and (b) the nature, modalities and conditionalities of development aid projects implemented by these countries.
4. Research into a generic African-wide policy towards foreign resource extraction should be undertaken, which can be adapted according to each country's specific circumstances. A cost/benefit analysis framework should also be developed, through which African states can determine what the short-, medium- and long term implications of foreign involvement in their resource sectors would be.

5. The extent of pre-export beneficiation in Africa by Africans, as well as employment opportunities for Africans related to the extraction of raw materials by foreign companies are two areas that need further research.
6. Lastly, research needs to be conducted to determine to what extent raw materials that are exported to China are re-imported into Africa after beneficiation in China.

## **6.6 CONTRIBUTION OF THE DISSERTATION**

The dissertation developed an integrated conceptual framework through which the actions of the actors in the resource sector could be explained and/or understood. The integrated framework consists of three interlinked main components, namely elements pertaining to the domestic sphere, the resource sphere, and the international relations sphere. As discussed above, the framework was successful in providing a basis for the description, analysis and evaluation of the driving forces that underpin the relationship between China, Sudan (Khartoum) and Southern Sudan with regard to the issue of oil. The dissertation succeeded in analysing the three states and their relationships with each other – especially as regards the CPA and oil resources.

Even though the topic of China's scramble for resources in Africa has received widespread scholarly attention, little investigation has until now been done to specifically determine the consequences of China's scramble for Sudan's oil reserves for the implementation of the CPA and the future relationship between China, Sudan (Khartoum) and Southern Sudan. Within this context, the dissertation identified and analysed different scenarios resulting from the CPA-mandated referendum on all three states, especially with regard to oil resources. The utilisation of the framework also made possible the identification of key recommendations as well as future avenues of research. It is envisaged that the integrated conceptual framework can be successfully utilised across the continent when analysing resource-related relationships between African and non-African states, as well as between African states themselves.

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