



## Sudan in Transition

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### *Summary*

Sudan is moving towards a new era. The independence and the “long walk to freedom” of South Sudan bring forth the complexities of energy politics in the country. Over half of the Government of National Unity (GoNU) revenues are from oil resources based in the South. Similarly, the Government of Southern Sudan (GoSS) is totally dependent on energy infrastructure in the North for utilising the oil resources for its survival. At the same time unresolved matters of citizenship and the flashpoint in Abeyei point towards the impending challenges. These developments in Sudan confront India, a country with deep historical and commercial ties, with numerous challenges.

Sudan, a microcosm in Africa, connecting the Arab culture with others in the region, is in transition. On July 9, 2011 the southern region of the country will become independent. This split is a result of a referendum held in January 2011, in which 98.3 per cent of the population in Southern Sudan voted for seceding from the North. The referendum was a key part of Sudan's Comprehensive Peace Agreement (CPA) that ended decades of armed struggle and civil war between the North and South Sudan.

## Post Secession Challenges

While South Sudan moves towards independence the crucial issues between the North and South remain unresolved. Talks between President Omar Hassan Al- Bashir and South Sudan's President Salva Kiir have been going on since July 2010. Thabo Mbeki, Former President of South Africa, chairs the African Union High Level Implementation Panel for Sudan. He has been given the charge of mediating in the talks to negotiate the relations between Northern and Southern Sudan. The topics under discussion during the talks were diverse such as security, citizenship, finances, economic and natural resources, international treaties and legal issues.<sup>1</sup> The African Union and other governments have been pushing both sides to resolve some of the disputes before the partition. However, it seems a number of issues remain unresolved. In a recent meeting in Addis Ababa, the leaders of North and South Sudan agreed to continue talks on these issues after the split.

One of the crucial issues confronting them is that of citizenship. The Northern Government had taken a strong position on this before the referendum. The officials had hinted that the Southerners will not enjoy citizenship rights and jobs in the North.<sup>2</sup> Moreover, recently President Bashir is reported to have ruled out dual citizenship.<sup>3</sup> To add to the problems, in late June 2011 the Sudanese Government issued a decree to dismiss an estimated 20,000 Southern civil servants.<sup>4</sup> It appears that Sudan's Oil Minister Lual Deng and all the other Southerners in the national government will be dismissed when the South becomes independent. Thus, it appears that the North is intent on stripping the Southerners of their Sudanese citizenship. This move has left Southerners, born and bred in the North, confused and frightened. There have been reports of thousands of Southerners returning to the South.<sup>5</sup> Similarly, there is no clarity as yet on the status of the thousands of

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<sup>1</sup> "Post Referendum Negotiations Continue in Juba on Monday", *Sudan Tribune* December 12, 2010, at <http://africa.com/stories/printable/20102130183.html>

<sup>2</sup> Andrew Chung, "Southerners in North Without Visas Will be Deported after Separation", at <http://www.thestar.com/news/world/article/1019470-southerners-in-north-sudan-without-visa>

<sup>3</sup> "Sudan : As Secession Nears Citizenship Issue Still Unresolved" at <http://www.irinnews.org/report.aspx?reportid=92199>

<sup>4</sup> Ibid

<sup>5</sup> Boniface Taban Kulch, "Over 55,000 Southerners Return to South Ahead of Referendum", *Sudan Tribune*, December 15, 2010 at <http://africa.com/printable/201012160205.html>

Northerners in the South. The administration in the South has not declared its policy yet. However, there are indications that the Northerners in the South may get citizenship.<sup>6</sup>

Another crucial issue that remains unresolved is related to the management of oil resources. According to the *Oil and Gas Journal*, Sudan's proven reserves are estimated at five billion barrels with most of these reserves lying in the South. Recent estimates suggest an average daily production of 480,000 barrels a day. More importantly, oil makes up over half of the revenue of GoNU and over 95 per cent of the revenue of the autonomous government of Sudan.<sup>7</sup> The oil revenue sharing arrangement is an issue at dispute. The CPA called for an equal sharing of the oil wealth generated from the oilfields in the South. However, after independence, the South would assume control over 75 per cent of the oil resources. There is no doubt that the North is heavily dependent on the oil wealth generated from the South. These revenues feed the development and economic progress of the North. A substantial number of Northerners are also employed in the oil fields in the South. Unless the two sides come to an agreement, a split would take away most of these opportunities and advantages for the North. There are also reports suggesting that the North is looking for alternate sources of energy particularly hydroelectricity. The North, reports also suggest, will be taking help from China to meet this challenge. However, these plans will take long to fructify. Meanwhile, the South may be willing to continue oil sharing arrangements to prevent an economic collapse in the North.<sup>8</sup>

Moreover, South Sudan, though flush with oil resources, is dependent on the North for transportation and refining of oil. Most of the downstream facilities like pipelines, refineries, and storage and export terminals are in the North. Oil refineries are located in Khartoum, Al-Obied in Kordofan region and Port Sudan. More importantly, Southern Sudan is land locked with the ports needed for export of oil located in the North. While the main export terminal is the Bashyir Marine Terminal at Port Sudan, there are also several pipelines connecting the port to Southern oil fields. So one of the important challenges for the Southern Sudan Government will be continued usage and utilisation of the oil infrastructure in the North. Though the Southern Sudan Government has been exploring alternative routes through Kenya, these pipelines are uneconomical.<sup>9</sup>

Recognising this interdependence, the two governments have been trying to reach a negotiated agreement. It appears the negotiators have agreed that the South will pay the

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<sup>6</sup> Andrew Chung, no. 2.

<sup>7</sup> Ed Cropley, "Southern Sudan: Oil Boom to Bust-up?" April 9, 2010 <http://www.alertnet.org/thenews/newsdesk/LDE62S0O5.htm>

<sup>8</sup> "South Sudan May Opt to Continue Oil Sharing with North after Secession: Official" at <http://www.sudantribune.com/South-Sudan-may-opt-to-continue,34078>

<sup>9</sup> "South Sudan Kenya Pipeline is Uneconomical, Says Oil Minister" at [http://www.ecosonline.org/news/2010/South\\_Sudan\\_Kenya\\_pipeline\\_is\\_uneconomical/](http://www.ecosonline.org/news/2010/South_Sudan_Kenya_pipeline_is_uneconomical/)

North for transportation of oil and use of facilities at Port Sudan for export.<sup>10</sup> However, they have yet to reach an accord on the amount of fees.

Another unresolved issue is regarding their boundaries. Sudan's main oil producing region, Abyei, sits on the North-South border.<sup>11</sup> According to some reports, Abyei accounted for roughly 13 per cent of the country's total income from oil exports. The NCP Government has refused to redraw the boundaries as suggested by the Abyei Boundaries Commission and has also not accepted the provisions of the Abyei protocol signed as part of the CPA. The protocol calls for a simultaneous referendum in Abyei to decide whether the region will be part of the North or South. However, the referendum appears postponed for an indefinite period.

Of late, there has been an escalation of violence in the Abyei region. The tensions between Ngok Dinka and Misseriya tribes have been brewing and the presence of various security forces, the Joint Integrated Units (JIUs), police and other armed non-state elements, often representing divergent interests has fuelled the conflict.<sup>12</sup> The matters turned grave after the attack by southern forces on an United Nations Mission in Sudan (UNMIS) convoy which was escorting the JIUs. In response, the Sudanese army took control of the region and dismissed the local administration, in contravention of the CPA agreement. On June 20, 2011 the two governments signed an accord brokered by the African Union to demilitarise the volatile region and to deploy Ethiopian troops for peacekeeping.<sup>13</sup>

## Implications for India

Over the years India has developed close ties with Khartoum and in recent years warmed up to the Government of South Sudan as well. The Sudanese cherish the support extended by the Indian Government on various occasions in the past. India's Election Commission had helped organise Sudan's first general elections in the late 1950s and Indian engineers had played a major role in setting up the country's sugar industry and railways. Politically, the two governments offer mutual support in a number of areas. Sudan supports India's aspirations to become a permanent member of the United Nations Security Council. In turn, the Indian Government agreed in 2005 to assist Sudan in gaining entry into the World Trade Organization (WTO). At the same time, India was given observer status at

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<sup>10</sup> Maram Mazen, "Sudan's Oil Minister, Other Southerners Dismissed Before Split" at <http://www.bloomberg.com/news/2011-07-05/sudan-s-oil-minister-other-southerners-dismissed-before-split.html>

<sup>11</sup> EIA, *Sudan Country Analysis Brief*, at <http://www.eia.doe.gov/cabs/Sudan/Background.html>

<sup>12</sup> Mayank Bubna, "Brewing Insecurity in Abyei," at <http://www.enoughproject.org/files/Insecurity%20in%20Abyei.pdf>

<sup>13</sup> "Sudanese Rivals 'Sign Accord' on Demilitarisation of Abyei Region" at <http://www.africareview.com/News/-/979180/1185964/-/hmr6ftz/-/login>

the March 2006 Summit of the League of Arab Nations in Khartoum. On issues such as the Darfur conflict, India has affirmed that it is an internal crisis to be resolved by the Government of Sudan in consultation with the African Union.<sup>14</sup> It has also sent peacekeepers to the United Nations Peacekeeping Mission in Sudan. At the same time, the Indian Government has built up ties with the GoSS. The Indian Minister of State for External Affairs E. Ahmed set the ball rolling when he visited Juba in 2005 along with a business delegation. The Indian Consulate in Juba has been active since 2007. India has also provided training to a group of South Sudanese diplomats at the Foreign Service Training Institute in New Delhi.

## Energy Ties

While India's total investments and loans to Sudan are estimated at over three billion US dollars, it has substantial investments in Sudan's energy sector, mainly in the South. India ventured into Sudan's energy sector in 2003 to join the Greater Nile Petroleum Company (GNPOC), a consortium that also includes the China National Petroleum Corporation, Petronas and Sudapet. The overseas investment arm of the Oil and Natural Gas Corporation Limited (ONGC), the ONGC Videsh Ltd (OVL), invested \$750 million to acquire 25 per cent equity held by the Talisman group in GNOP in March 2003.<sup>15</sup> Sudan was the first country in Africa that India sought out for equity assets. While it is not clear whether India deliberately chose Sudan as its gateway to enter the African energy sector as some have argued,<sup>16</sup> there is no doubt that that by doing so it "consolidated the country's presence in oil bearing region that continues to show high potential and also strengthens the position as a major player in the global oil and gas market."<sup>17</sup> However, inking this deal was not an easy task. In February 2003, when OVL had bid for the 25 per cent stake, the Chinese member of the consortium had opposed its entry. However, the OVL managed to wrap up the deal due to timely diplomatic backing from the Ministry of External Affairs. India's long-standing ties with Sudan came to its rescue in the finalisation of the deal.<sup>18</sup> India also has a 24.1 per cent in Block 5A, in which OVL's production share is 0.27 million metric tonnes. OVL's third asset is in Block 5B where it holds 23.5 per cent with the biggest stake being held by the Malaysian oil major Petronas. OVL has also invested \$194 million in the construction of the 741-km pipeline connecting Khartoum refinery to Port of Sudan

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<sup>14</sup> "India's Contributions in Development of the Sudan" at <http://www.sudanvisiondaily.com/modules.php?name=News&file=print&sid=54277>

<sup>15</sup> "India Makes Strategic Moves in Distant Sudan", *Sudan Tribune*, July 6, 2004, at [http://www.sudantribune.com/article\\_impr.php?id\\_article=1278](http://www.sudantribune.com/article_impr.php?id_article=1278) (Accessed on August 2, 2004).

<sup>16</sup> Girijesh Pant, *India: The Emerging Player*, New Delhi, Dorling Kindersley, 2008 p. 216

<sup>17</sup> "ONGC Videsh Begins Production in Block 4 in Sudan", at [http://www.rigzone.com/news/article.asp?a\\_id=13833](http://www.rigzone.com/news/article.asp?a_id=13833)

<sup>18</sup> Anup Jayaram, "Face-off", *Business World*, August 16, 2004.

in August 2005. OVL's blocks in Sudan give it approximately 2.4 million tons of crude oil annually.

As the foregoing discussion shows India's investments have been mainly in South Sudan. The future of India's energy investments in South Sudan depends on the deal worked out by the governments of North and South in the post independence period. Of late there have been fears of expropriation of Indian assets by the new government. As of now, the government of South Sudan has assured that contracts signed with Indian firms will be honoured by the new government. However, Indian firms will have to be prepared to deal with rising insecurity in the Abeyi. The recent violence in the region indicates that unless a permanent solution is found to the problem the instability may continue. In the past, Indian workers have been affected by violence. The kidnapping of an Indian oil technician, Mohamed Adeeb Shaikh, in 2008 marked the first time an Indian was kidnapped in the oil-rich African country.<sup>19</sup>

### **Economic Ties beyond Oil**

Fortunately, India's economic engagements with Sudan have not been limited to the energy sector. India has also invested in other fields in Sudan. For example, India has helped the Sudanese sugar industry in a big way through investments in the giant, 'White Nile Sugar' factory. In 2006, Bharat Heavy Electricals Ltd launched a mega thermal power project at Kosti in White Nile State of Sudan. India has extended a concessional line of credit of USD 350 million to the Sudanese.<sup>20</sup> Similarly, an agreement signed between the Indian Railways, through RITES (Rail India Technical and Economic Services), IRCON, and the Sudan Railways for a total revamp of the Sudanese railway system is viewed as a major initiative towards greater economic cooperation between the two countries. The preliminary agreement was for \$10 million for equipment purchase. It appears that there are over 50 Indian companies doing business in Sudan in diverse areas that include steel, tiles, perfumes and plastics. Indian business groups such as Reliance, Kirloskar and the Tatas have set up ventures in Sudan. Kirloskar has committed to large-scale supply of irrigation pumps for Sudan's huge agricultural programme.<sup>21</sup> Other industrial houses such as Mohan Exports, Angelique International Ltd., Mahindras and L&T have also made a presence. In down town Khartoum, Tata buses, Maruti cars and Scorpio vehicles are quite visible. Moreover, Indian basmati rice was formally launched in November 2006 and the Godrej range of safety and consumer items was launched in August 2007.

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<sup>19</sup> "Indian Oil Worker Kidnapped in Sudan Returns Home", *Sudan Tribune* June 14, 2008 at <http://ns211683.ovh.net/spip.php?article27515>

<sup>20</sup> "India Lays Foundation of a Power Project in Sudan", *Sudan Tribune*, February 13, 2006, at <http://ns211683.ovh.net/spip.php?article14041>

<sup>21</sup> "Indo-Sudan Rlys Pact Key To Economic Cooperation", *Sudan Tribune*, March 31, 2004, at <http://ns211683.ovh.net/spip.php?article2286>

India's diversified economic engagement with Sudan will help in engaging Khartoum in the post-partition phase. India has in recent years emphasised on cooperation in the field of agriculture. During the 2008 India-Africa Forum Summit, the Indian Prime Minister Dr. Manmohan Singh called on India and African countries to increase investments in the agricultural sector. He acknowledged that Sudan had great potential to become the food basket not just of Africa but the world at large.<sup>22</sup> Subsequently, Punjab Chief Minister Prakash Singh Badal met a delegation from Sudan in 2010 to discuss future cooperation in agriculture and other sectors.

## Conclusion

As South Sudan becomes independent the governments of North and South Sudan will have to dedicatedly work towards resolving the pending disputes. In the worst scenario, the hostility between the North and the South that has driven Sudan for decades will boil over once again, rekindling a civil war. However, neither has much to gain from a resumption of hostilities; the disruption of oil exports would cut a cash lifeline that both governments need, now and in the foreseeable future. At present, Southern oil accounts for the maximum share of Sudan's total output. Moreover, for the south, all its oil goes by pipeline through the north to Port Sudan on the Red Sea. This means that if it wants to, Khartoum can cut off a revenue stream that accounts for 98 per cent of Juba's budget. For the North, the prospect of disrupted or no production is equally alarming, given that oil currently accounts for 45 per cent of Sudan's national budget. The increasing insecurity in Sudan and emerging political issues have heightened concerns about the Southern government honouring the contracts and safety of India's assets, particularly in the oil sector. However, India's strategy of engaging the Government of Southern Sudan and investments beyond oil in recent years may reduce the adverse impact.

As a new nation emerges in Africa, India needs to shape its policy to deal with impending changes in Sudan. India's deep engagement with Sudan suggests that its role in post referendum Sudan will be important. As a first step India should reassure Khartoum of continued cooperation in future, while at the same time it should come forward to support the Government of South Sudan in dealing with the challenges in the new political scenario. Poor physical infrastructure, a fledgling economy, growing food insecurity and rising ethnic clashes and instability in some parts and makeshift governance issues are bound to increase the troubles for the new independent state in the South. The Government of South Sudan will need all possible help towards strengthening its institutions, capacities to govern and meet the development requisites. Given India's stakes in Sudan, it should stand with the international community in assisting a stable and peaceful transition in Sudan.

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<sup>22</sup> Ministry of External Affairs, India at <http://meaindia.nic.in/speech/2008/03/09ia02.htm>