

CHAPTER-6

Conclusion

Oil has become a major foreign policy instrument for Sudan to negotiate with the external world. Sudan is one of the upcoming oil producing countries in the world. It is infact the third largest oil producer in sub-Saharan Africa that is located in the expanded supply zone of the world oil regime. The exploration and subsequent production of its oil resources is largely undertaken by facilitating participation of foreign oil firms. The oil production through transnational partnership has opened up a new channel of export earnings to sustain Sudan's foreign trade. The country's oil sector accounts for 70 per cent of total export revenues. The oil industry has consequently become very critical for its economy. The domestic priority for modernising oil indudtry has got reflected in Sudan's foreign policy preferences in terms of making calibrated engagement for transnational production partnership. The pattern of Sudanese engagement can be explained in the larger context of 'resource paradigm' that has undergone fundamental transformation in its primary concerns from 'scramble for resources' to 'security, autonomy, and prosperity'.

The resource paradigm has got two separate dimensions: conflict and diplomacy. While natural resource draws fault lines for conflicts within and among the States, it also provides basis for inter-State negotiation. The present discourse on resource diplomacy has undergone fundamental transformation, not only in terms of democratising its domain by involving more negotiating partners due to the process of decolonisation, but also has shifted its focus away from the classical geo-political priority of 'scramble for resources' though military means towards the new objectives of 'security, autonomy, and prosperity'. Further, the economic globalisation has resulted in the emergence of new resource consuming powers which have expanded the gamut of negotiation for resource surplus countries to diversify their existing production partnerships.

The existing world diplomatic regime can be conceptualised in the juxtaposition of three prominent schools, which have reflected on the linkages between States involved in

resource negotiation. Dependency school contextualises the world diplomacy in and attributes its limitations to the asymmetrical character of the existing economic linkages among countries based on their industrial disparity. To Dependency-as-vulnerability school, asymmetrical nature of the diplomatic regime or its vulnerability to asymmetry is also caused by factors other than industrial disparity. Interdependency school, on the contrary, characterises the world diplomatic regime as the mutuality of dependence among actors involved in the negotiation.

The conceptualisation of the existing world diplomatic system has got its reflection in the current world oil regime that has been globalised, implying expansion of demand and supply zones as well as transnationalisation of the process of exploration, production and transportation of oil. The nuances of the world regime can be analysed within the wider discourse of political economy of energy as visualised by three major paradigms. Neoclassical and regime models make macro level analysis of the subject by taking exclusively two opposite positions as to whether economics prevails over politics or vice versa. Public policy-politics approach on the other undertakes country or issue specific micro studies by drawing upon both the extreme models.

Despite their differences over priority of analysis, the common reference point for three models is the oil embargo of 1970s. Since then, the oil industry has transformed itself in many ways. As already mentioned, both supply and demand sides of oil sector are expanded and the process of exploration, production and transportation is getting transnationalised. Nevertheless, many elements of continuity are manifested in the behavioural pattern of both State and non-State actors currently operating under this overarching process of globalisation of oil that has witnessed the emergence of several new actors from Africa.

The oil surplus African countries are located within expanded supply zone of the current world oil regime. The discovery of new oil fields in Africa coincides with an increase in demand for energy resources by the rising Asian powers equipped with capacity to undertake overseas oil production. There is consequently a new scope for transnational

partnership for oil production that is unfolding under the wider frame work of Afro-Asian interdependence based on economic complementarity in the post cold war world order.

Asian participation in overseas oil production in Africa is manifested through competitive collaborative approach. Asian players compete because they belong to the expanded demand zone of the world oil regime. They simultaneously collaborate among each other, since they have to compete with the western oil firms empowered with added commercial and geopolitical advantages. This competitive collaborative Asian interest for African oil has created a wider context of negotiation for oil surplus African States to achieve their foreign policy objectives in terms of realising modernisation of oil sector as well as diversification of their transnational linkages for oil production. Sudan, for instance, is one such upcoming oil producing country engaged in the process of oil production by forging initial linkages with western oil firms. The country has later reoriented the pattern of its production partnerships by consolidating multiple Asian participations in its oil industry.

Sudan contained proven conventional oil reserves of 563 million barrels as of January 2006. The vast potential reserves are estimated to be held in northwest Sudan, the Blue Nile Basin, and the Red Sea area in eastern Sudan. The oil production and consumption averaged 363,000 barrels per day and 82, 000 barrels per day respectively in 2005. The downstream petroleum infrastructures in Sudan include the existing refineries, the crude oil pipeline route and transportation means. While the length of the oil pipeline is 1610 kilometers, its width is 28 inches, and its maximum capacity for oil transportation is 45, 0000 barrels per day. Sudan has three refineries with total refining capacity of 121,700 barrels per day in 2005. El Gily and Khartoum are the two largest refineries with the refining capacities of 50,000 barrels per day each. The Port Sudan facility located near the Red Sea is Sudan's smallest refinery, with a capacity of 21,700 barrels per day.

Participation of external players has become a key factor for both upstream and downstream expansion of Sudan's oil sector. The partnership for trade and investment in oil industry is, however, subject to uncertainty accruing from country's internal conflict

dynamic. The persisting politico armed conflicts are posing serious challenges to the systemic stability of the Sudanese State on a continuous basis. Further, most of the country's oil reserves are located in the hinterland thereby making the process of oil extraction susceptible to political turmoil.

The oil exploration activities in Sudan date back to the colonial period when the erstwhile British Government undertook extensive geological excavation along Red Sea with little success. The commercial recovery was, however, made during the post colonial period in interior Sudan as a result of extended operation by Chevron that operated from mid 1970s to late 1980s. Another landmark event in the history of oil production in Sudan was the beginning of oil export in the year 1999. The export of oil was triggered by rise in oil production coinciding with entry of Canadian Talisman into the Greater Nile oil fields in 1998.

Thus, Sudan initiated its oil production activity by facilitating the entry of western players equipped with effective exploration and production technology. The multinational oil firms from North America and West Europe undertook exploration and development of the oil fields, participated in the oil production, extended their involvement in the building of oil infrastructure, and moreover performed retailing function of the oil business in Sudan. The rise in oil production gradually enabled Sudan to begin oil exports in the year 1999. Thus, Sudan in due course of its oil production got integrated with the expanded world oil regime as an upcoming oil producer by forging partnership with Western oil firms.

The oil industry became very critical for the economy by contributing maximum share of export revenues to the country's exchequer. The expansion of Sudan's oil sector, however, occurred in the midst of resurging politico armed conflict in the 1980s. The revival of intra-State territorial fight has placed Sudan in an adverse position vis. a. vis. the Western powers. They have accused the regime in Khartoum of using oil revenues for strengthening its security apparatus against the rebels who have been allegedly dispossessed of their homelands in south due to oil production. The change in political

relations led to the withdrawal of major Western oil firms from Sudan's oil industry thereby making the way for Asian oil majors to fill the vacuum.

There is a coincidence in the expansion of Sudanese oil industry with rising Asian interest in African oil. Asian powers have over the years acquired extensive knowledge and experience in domestic oil production; yet that failed to meet their constantly rising energy demands triggered by economic globalisation. The increasing external dependence compelled these countries to enter into transnational oil ventures. The 9/11 terrorist attack has further propelled the oil-seeking countries to diversify their supply lines by drifting away from West Asia and getting closer to Africa. Asian quest for African equity oil has provided a concrete ground for the Afro-Asian interdependence that has evolved in the post cold war economic world order in terms of trade and investment partnership.

As an extension of Afro-Asian economic complementarity, the current regime in Sudan has diversified the pattern of its transnational production linkage through consolidation of multiple Asian participations in its oil sector. Asian oil majors are currently the active players in the upstream as well as downstream segments of Sudanese oil industry. Participation of China National Petroleum Corporation (CNPC), Malaysian Petronas and Indian Oil and Natural Gas Corporation (ONGC) has sustained and carried forward the oil business that has been initiated through Sudan's partnership with major Western oil firms.

The shift that Sudan's foreign oil policy behavior has undergone is due to the withdrawal of Western oil major. The underlying rationale for such approach, therefore, lies in the intents to ensure that Sudan's oil production remains less dependent on the partnership with West, and at the same time to foreclose an eventuality where any single Asian player does monopolise its oil sector. Asian orientation has consequently become the dominant trajectory of the transnational production partnership that Sudan is currently forging for its oil industry. Sudanese oil sector on the process has created another context for Sino-

Indian competitive cooperative engagement that is perceived to be a dynamic aspect of the wider process of globalisation of oil.

The year 1991 is found to be important for comprehending Sudan's approach towards its oil industry, since around that period the Government decides to adopt block system, the decision that has been implemented in the subsequent year of 1992. Adoption of block system – division of land surface enveloping oil reserves into 17 blocks for facilitating the competitive bidding by national and transnational actors- are indicative of certain new nuances of the Government's oil policy behaviour. First, it is a break with the earlier policy of granting large concessions to Western oil majors for carrying out exploration and development exercises across the country. Second, it demonstrates the self confidence and self assurance on the part of the State to have possessed proven and potential oil reserves at their disposal. Finally, it indicates the Government's move of circumscribing each individual oil firm's area of operation and, more importantly, diversifying as well as fragmenting the process of oil production through formation of multiple consortia and joint ventures over several oil blocks. As of beginning 2007, some 11 consortia are operating in oil exploration and development in the country.

The diversification of oil production partnership, which has gained prominence with the adoption of block system, has reached another landmark in the year of 2003, when the participation of ONGC has been facilitated in a strategically crucial oil project in Greater Nile Valley. The entry of the Indian oil major in Greater Nile Valley, in fact, reaffirms the shift that Sudan's external oil policy behaviour has already undergone for 'Asian Orientation', and also indicates its trajectory towards further diversification by means of forging multiple Asian partnerships in its oil sector.

The domestic priority for modernising oil industry, thus, gets clearly reflected in Sudan's foreign policy preference in terms of making calibrated engagement for transnational production partnership. The Sudan Government indeed uses oil as a major instrument of external negotiation to pursue its foreign policy objectives that are based on the military, economic and politico-diplomatic interests of its regime. First, the military component of

Sudan's foreign policy calculus indicates the external procurement of arms to strengthen the security apparatus in the midst of prolonged civil war. Second, the economic aspect refers to receiving financial credit and assistance on favourable terms at a time when the country's economy is severely affected due to massive war expenditure and American sanction. Third, politico-diplomatic interests of the regime imply evoking support for Sudan in the international platforms on the controversial issues of territorial conflict and human rights violation. These regime interests have in fact become subjects of negotiation during the bargains for oil production partnership.

Asian orientation of its oil production partnership has enabled Sudan to deepen its engagement with the concerned partners in the wider domain of military linkage, economic exchange and politico-diplomatic relations. Thus, diversification of oil production partnership through multiple Asian participation is a matter of conscious foreign policy decision of the Sudan Government to pursue the military, economic and politico-diplomatic interests of the current regime. The underlying rationale for such approach lies in the intents to ensure that Sudan's oil production remains less dependent on the partnership with West, and at the same time to avoid a situation where any single Asian player does monopolise its oil sector. Asian partnership has, however, not completely replaced Sudan's linkage with the Western players which have still retained their direct as well as indirect participation in its oil production. In other words, the Sudanese oil industry is yet to be free from Western partnership thereby retaining elements of vulnerability to the 'dependency syndrome'.