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OIL DEVELOPMENT IN AFRICA:
LESSONS FOR SUDAN AFTER THE COMPREHENSIVE PEACE AGREEMENT

Edited by Luke Patey

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Contents

Abstract

In 1999, Sudan shipped its first barrel of oil to the international market. It did so with one civil war painfully continuing between the Khartoum government and the Sudan People's Liberation Army, unrest threatening the petroleum pathway along the pipeline route in the East, and a growing conflict in the western province of Darfur. This was not a rare occurrence in Africa. Nigeria and Angola had experienced the paradoxical duality of the economic progression of oil development; a one-sided affair simply benefiting the ruling elite, while the majority of the population suffered civil war and unrelenting poverty. However, unlike previous cases of the 'resource curse' in Africa, what seems to be a growing trend took shape in Sudan with the engagement of Asian investors, particularly China, in the development of its oil industry. While Asian investment initially took place alongside Western oil companies, state-owned enterprises from China, Malaysia, and India later came to dominate the sector. Nonetheless, whether this investment will deviate from the historical norm of fuelling civil war and underdevelopment has yet to be seen.

In three separate papers, this DIIS Report explores the 'resource curse' dimensions of oil development in Nigeria and Angola, and draws lessons for the evolving post-conflict setting of Sudan. It highlights the role of China in armed conflict, post-war reconstruction, and the peace process in Sudan, as well as elsewhere in Africa. The report is a product of an academic conference on oil in Sudan following the signing of the Comprehensive Peace Agreement, and represents an initial step to delve deeper into how Sudan can learn from its African counterparts in ensuring oil represents a positive influence to peace and development and to avoid adding further weight to the cruel standard of oil development in Africa.

Introduction

Luke Patey

Oil development in Africa has always seemed to represent a crisis of opportunity. The tragedy of civil war, corruption, and poverty of many African oil producers represents one of the most baffling paradoxes on the continent.[1] On January 25th and 27th, 2007 in Khartoum, Sudan, a conference was organised by the Department of Political Science at the University of Khartoum in collaboration with the Centre for Future Studies and the Danish Institute for International Studies (DIIS) in hopes of uncovering ways to avoid such a result in Sudan. The conference was entitled: Oil Development in Sudan after the Comprehensive Peace Agreement (CPA), and represented an initial effort to present a Sudanese perspective on how oil development could support or alternatively hinder the peace process in Sudan.[2] This DIIS Report briefly presents the findings of the Khartoum Conference as well as includes three paper contributions to the event. Rather than repeat what has been well-documented elsewhere concerning both the influence of oil on civil war in Sudan and its continual impact on the North-South peace process,[3] the papers in this report compare the emergence of Sudan as an oil producing, yet war-ravaged African country, with its unfortunate 'resource curse' stricken continental counterparts of Nigeria and Angola. They also examine the role of China in armed conflict, post-war reconstruction, and the peace process in Sudan and elsewhere in Africa. As its importance as an energy source heightens for both established consumers in Europe, America, and the rising economies of Asia, there is an urgency to develop solutions to the persistent and staggering ills of conflict, corruption, and underdevelopment that seem all too often to accompany natural resource extraction in Africa.

If there is one natural resource found within Africa's impoverished and war-torn borders that the international marketplace covets above all it is oil. In the past decade, Sudan's prominence on the African oil map has risen dramatically. Since it first

1 I Gary and T.L. Karl, Bottom of the Barrel: Africa's Oil Boom and the Poor, Catholic Relief Services, 2003, at www.crs.org.

2 See Appendix for summary of conference presentations.

3 For example, D.H. Johnson, The Root Causes of Sudan's Civil Wars, London: International African Institute, 2003: International Crisis Group. "Sudan's Comprehensive Peace Agreement: The Long Road Ahead." Africa Report No. 106. www.icg.org. 31 March 2006: L. Patey, State Rules: Oil Companies and Armed Conflict in Sudan. Forthcoming, *Third World Quarterly*. Vol.28 (5) 2007.

began to export oil in 1999, Sudan has become Africa's third largest oil producer with 323,300 barrels per day (b/d) in 2005, putting it behind juggernaut producers Nigeria at 2.58 million b/d and Angola with 1.24 million b/d in the same year.[4] But just as Sudan advances as an oil producer, so do the fears that it will discover many of the frightening reflections of poor governance and unrelenting civil strife that both Nigeria and Angola know so well. Despite the fact that oil development has already had grievous consequences for many Sudanese, there remains much to learn from Nigeria and Angola in the hope of avoiding the longevity of the 'resource curse'. However, recognition and understanding of the failures of harnessing oil for securing lasting peace and development in other cases in Africa alone are not sufficient; translating those lessons learned into practice in the political environment of Sudan remains a daunting task.

In this report, Cyril Obi compares the experience of Africa's largest oil producer, Nigeria, with Sudan and the role oil has played in conflict, post-conflict reconstruction, and national unity in both countries. From a historical examination of the development of Nigeria's oil industry, Obi underlines the fact that oil by itself is not the cause of violence or corruption, but rather these crippling problems stem from a 'politicisation of the oil factor' that results in the revenues earned from oil production becoming the exclusive rewards of a mere fraction of the population. It is about ensuring that the 'distributive politics' of African oil-producing countries foster an equitable basis for national unity in ethnically and religiously diverse societies, rather than form oppressive cleavages between groups. Thus, to avoid entrenched civil strife within the oil bearing regions of southern Sudan, (and for that matter, to maximise its oil producing potential), the ruling elite in Sudan should avoid the path of exclusive politics taken by Nigeria. Obi also stresses that one cannot neglect the powerful role of multinational oil companies, their home states, and international civil society groups when considering the political economy of oil. Both domestic and foreign actors steer the politics of oil towards peace and development or to the dreadful realities of civil war and poverty.

Angola represented the prototypical example of an economically driven civil war. Both the ruling government, the People's Movement for the Liberation of Angola (MPLA), and the rebel group, National Union for the Total Independence of Angola (UNITA), respectively directed and bankrolled their military strategies ac-

4 BP. Quantifying Energy, 'BP Statistical Review of World Energy', 2006, at www.bp.com/statisticalreview, p 16.

cording to the exploitation of oil and diamonds in a long drawn-out civil war that devastated the country.[5] Polly Ng and Philippe Le Billon provide a stark reminder that although the civil war has ended in Angola, the challenge remains of improving governance in the oil sector to assist sustainable peace and widespread economic development for Angola's many poor. For Sudan's southern elite there is much to be learned from Angola. Unlike Sudan, Angola's civil war was decided through military defeat of the UNITA by the ruling MPLA. This has resulted in a continuation of single-party politics in the country and little has changed of the conventional government corruption connected to oil resources, excessive military spending, and marginalisation of the political opposition and civil society groups. Thus, much will depend on the South Sudan's Liberation Movement (SPLM) to use their newfound political power, garnered from their military strength, to alter the exclusive oil politics of Sudan's riverine elite. However, since the signing of the CPA in January 2005, the opposite seems to be taking hold, as little signs of development are apparent in South Sudan despite the relative affluence of the SPLM elite.

Lastly, Daniel Large explores a topic that appears to be on everyone's mind regarding Africa as of late: China's emerging economic role and its impact on war and peace on the fragile continent. However, unlike many, Large takes a more cautious approach in examination of the China in Africa phenomenon. He avoids tumbling down the same gaping chasm that has claimed so many policy advisors and scholars who appear lost in the eyes of the sheer economic strength and political apathy of the 'red dragon' in Africa. This bewilderment has largely neglected the continual reverence of European and American actors as well as the historical process that originally brought China into Africa. In fact, as Large suggests, China's engagement in Africa is very much a reflection of 'existing structural subordination of resource-endowed African economies' than something fundamentally new. But Large also demonstrates how China's involvement in Africa itself has changed over the decades, from one based on state engagement mechanisms to the inclusion of a wide array of business ventures. His survey of China's involvement in armed conflict in Africa and post-war reconstruction, mainly focuses on Angola and Sudan, with a conclusion of China's role in Sudan after the CPA. In the latter, he highlights that although China has much to gain from the successful implementation of the peace agreement, (mostly in terms of securing its oil investments in the country), it has thus far demonstrated only a marginal contribution. Altogether, Large provides a

5 J. Cilliers, and C. Dietrich (eds.), *Angola's War Economy; The role of oil and diamonds*. (ISS, Pretoria, 2000): P. Le Billon, Angola's Political Economy of War: The role of oil and diamonds, 1975-2000, *African Affairs* (2001), 100, 55-80.

point of departure for measuring both how and why China may be a catalyst for actual peaceful change in resource-rich, war-torn African countries, or merely fall in line with the suffering consistency that many outside powers have brought, in reinforcing the constructs of drawn-out conflicts and unwavering poverty.

OIL AND DEVELOPMENT IN AFRICA: SOME LESSONS FROM THE OIL FACTOR IN NIGERIA FOR THE SUDAN

Cyril I. Obi

Introduction

The oil–development linkage discourse in Africa has been largely framed around the 'resource curse thesis', which posits that oil wealth fuels state corruption, profligacy, social crises and violent civil conflict. This paper raises critical questions about the ramifications of an 'oil curse' in Africa by drawing on the experience of Africa's largest oil producer and exporting country, Nigeria. This is set against the background of growing international concerns about the situation in Sudan, which has recently become an oil exporting country. Sudan is engaged in post-conflict reconstruction and peace building following the end of a twenty one year civil war with the signing of the Comprehensive Peace Agreement (CPA) between the Southern People's Liberation Movement (SPLM) and the Government of the Sudan (GOS) in January 2005.

Close attention is paid to oil, as a source of wealth and power, and an object of possible conflict. African oil producing countries possess a potential basis for rapid development, but a lot depends on their 'getting the politics right'. As such, there should be no inevitability in the relationship between oil, corruption, and violent conflict. The reality is that oil alone does not lead to violence or corruption. Conflict occurs only as a result of the politicisation of the oil factor, in ways that make the exclusive control of oil and its distribution, the exclusive preserve of 'a few' to the exclusion others.

The former, touches upon the linkages between the 'politics' and 'economics' of the petroleum industry in African petro-states by examining some of the experiences of the continent's leading oil producer, Nigeria. This should not in any way be taken as suggesting that the Sudan will replicate the Nigerian experience, or should emulate what Nigeria has done, rather it is to show the kind of challenges that confront multi-ethnic African oil-states that seek to use oil wealth as a catalyst for fostering national unity and development. It provides elements of the lessons from an intra-African experience of the oil factor in an 'established' petro-state, for an emerging one.

Part of the focus of this paper is the analysis of the place of the Nigerian oil industry in the international political economy of the oil industry – its transnationalisation, and its impact on Nigeria's development and politics. This is because oil involves several international actors whose activities and policies have implications for the development of the oil producing state. Apart from the oil companies and their home states, international civil society groups dealing with human rights, transparency and environmental rights/security are involved in oil-related issues in Africa. The Nigerian experience in this regard is relevant both for the unfolding situation in post-CPA Sudan and the prospects for the future.

There is a close connection between the state and oil in Nigeria. Oil accounts for about 40 per cent of Nigeria's GDP, 70 per cent of federal government revenue and 92 per cent of its foreign exchange earnings.[6]

Within Nigeria, oil has featured prominently in the politics within and between the various tiers of the federal government, particularly as it relates to the principles for controlling and sharing the oil wealth between the oil producing and non-oil producing parts of the country. This touches upon issues of inter-ethnic relations and the distribution of power in a multi-ethnic federation. The case of the escalating violence in the oil-rich ethnic minority Niger Delta region of Nigeria, where the conflict over the control of oil is assuming the dimension of an incipient insurgency, aptly captures some of the fall-outs from disputes over the sharing of oil revenues. From a position of relative obscurity, oil has since the end of the civil war in 1970, become a central factor in Nigeria's political economy, and a rather sensitive issue in the management of the country's vast diversities, inequities and pluralities, particularly as they relate to identities: ethnic, religious and regional, and competing claims to the control and ownership of oil.

Given the above, the lessons from the oil factor in Nigeria are likely to be relevant for the Sudan. It is also noteworthy that apart from sharing long-standing historical relations, both countries also share some similarities. These include, their multi-ethnic composition, the challenge of regional and religious cleavages connected to the legacy of colonial administrative policies, prolonged periods of military rule and elite-dominated politics. Historically, Nigeria began exporting oil in 1958, and Sudan started exporting oil in 1999. Nigeria also went through a gruelling three-year

6 G Wurthmann, Ways of Using the African Oil Boom for Sustainable Development, Tunis, African Development Bank (ADB), Economic Research Working Paper Series, No. 84, 2006.

civil war from June 1967 to January 1970, while the Sudan had been embroiled in a long-running civil war that ended with the signing of the CPA.

In both cases however, oil was poised to play a critical role in post-civil war reconstruction, reconciliation, and national unity. In post-war Nigeria, the oil-boom of the 1970s brought in billions of petro-dollars that had implications for national politics and development. Oil, in becoming the economic mainstay of Nigeria reduced the country to a monocultural economy or an oil-dependent state. By the 1980s the challenge was that of national (elite) ownership and control, maximising the use of oil for the immediate and long term benefits of the populace. In the 1990s, the main issues were the use of oil revenues to aid economic recovery/reforms, and the rising concerns for the protection of the oil producing environment, including the rights and livelihoods of the people living in the oil-rich Niger Delta region.

In setting about its task, this paper is divided into five sections. The introduction sets out the main issues in the paper. It is followed by a critical discussion of the theoretical perspective of the oil-conflict discourse as often represented by the resource-curse thesis, and providing a more nuanced conceptual approach to oil politics in Africa. The third section of the paper focuses on an analysis of the oil factor in Nigeria, while fourth section examines some of the challenges posed by the oil factor in a post-CPA Sudan. The fifth section sums up the analysis and proffers some suggestions for the use of oil in promoting development and unity in African oil producing states.

Conceptual Issues: Beyond the 'Oil Curse' in Africa

Much of the discourse on the oil-development nexus in Africa is related to the view that oil breeds corruption, poor governance, human rights abuses and ultimately violent conflict.[7] This perception is clearly a spin-off of the 'resource curse' thesis, which is a mainstream explanation for (resource) conflicts and insecurity in Africa. The thesis seeks explanations for the causes of violent conflicts by demonstrating how huge natural resource endowments dampen, rather than brighten the prospects for development, paradoxically motivating people to struggle over resources, breeding corruption, or acting as an incentive for armed groups to engage in conflict in order to exploit the opportunity to loot. It is hinged upon the resource wealth-vio-

[7] I. Gary and T. Karl, Bottom of the Barrel, Africa's Oil Boom and the Poor, Maryland: Catholic Relief Services, 2003; Human Rights Watch, Sudan, Oil and Human Rights, Washington DC, 2003; Coalition for International Justice, SOIL AND OIL: Dirty Business in Sudan, Washington DC: CIJ, 2006.

lent conflict nexus, and provides explanations why African countries remain poor and conflict-ridden, in spite of being relatively well endowed resource-wise. .

Ross (2003) presents a concise description of the 'resource curse' based on findings, "that natural resources play a key role in triggering, prolonging, and financing conflicts."'[8] In an earlier article, he had observed that, "many of the poorest and most troubled states in the developing world, have, paradoxically, high levels of natural resource wealth. There is a growing body of evidence that resource wealth may harm a country's prospects for development".[9] This echoes, among others, the views of de Soysa, which seek to draw a relationship or correlation between natural resources and civil war.[10]

In seeking to extend the borders of the connection between resource dependency and conflict, Ross, using regression models explored the oil – democracy nexus by examining the thesis that "oil and mineral wealth tends to make states less democratic."[11] Focusing on the causal mechanisms, identified as: the rentier effect, repression effect and modernisation effect, Ross attempts to analyse the "alleged link between oil exports and authoritarianism",[12] and concludes that "oil does greater damage to democracy in poor countries than in rich ones, and a given rise in oil exports will do more harm in oil-poor states than in rich ones".[13] However, it is not clear how oil does this beyond an assumption of its 'ineluctable' corruptive influence.

This perspective combines three objectives: explaining how the economic predation of resources fuels violent conflict, why states fail to transform resource-rich into prosperous industrialised economies and how natural resource wealth contributes to (the lack) of development. It shows how resource abundance tends to nurture poor governance and the absence of the rule of law, and blocks economic development, subverting the state and feeding violent conflict. In a sense, conflict is seen as being one of the consequences of the absence of growth. Beyond this lies the attempt to identify the 'type' of resources that trigger, or prolong certain kinds of conflict. It also seeks to demonstrate how institutional weakness or poor govern-

8 M. Ross, "Natural Resources and Civil war: An Overview", World Bank Research Observer, 2003.

9 M. Ross, "Does Oil Hinder Democracy?" World Politics, 53, 2001: 328.

10 D. De Soysa, "Paradise is a Bazaar? Greed, Creed, Grievance and Governance", Discussion Paper, WIDER, No. 42, 2001; P. Collier and A. Hoeffler, "Greed and Grievance in Civil War", 2001, at http://econ.world.org.

11 M Ross, "Does Oil Hinder Democracy?" World Politics, 53, 2001: 325-361.

12 Ibid.: 332.

13 Ibid.: 356.

ance could translate into the inability to effectively manage resource wealth and contribute to the lack of development, stability, or even conflict.[14]

The 'resource curse' thesis has contributed to a plethora of (econometric) modeling and statistical regression analysis of the resource-type, conflict-type analysis, which also seeks to calculate the probability and duration of conflicts in resource-rich, poor countries in the developing world. For instance, Ross is of the view that "lootable resources" such as minerals and drugs lie at the trigger non-separatist conflicts, while "unlootable resources" such as oil, natural gas and deep-shaft minerals, are implicated in separatist conflicts or civil wars.[15] On the other hand, there are those like Boschini and Patterson that argue resource-rich countries are only "cursed" if they have "low quality institutions" and what they refer to as the "appropriability" or profitability of the resource based on institutional capacities and national control. They further contrast resource-rich, but poor economies like Angola, Sierra Leone and the DRC, with oil-rich (and developed) Norway, explaining that the latter was able to transform its resource wealth on the basis of its institutional capacities. On this basis they doubt the veracity of perspectives that draw a simplistic linkage between resource wealth and the lack of economic development.

The picture that emerges is clearly one in which resource wealth is subversive of the development process. Operating within this perspective, Billon asserted that, "beyond increasing the risk of armed conflict by financing and motivating conflicts, natural resources also increase the vulnerability of countries to armed conflict by weakening the ability of political institutions to peacefully resolve conflicts."[16] Thus, apart from the risk of subverting development, natural resources increase the risk of war and insecurity.

The implications of the diagnosis cannot be lost, when it is noted that most of the recent civil wars and conflicts in Africa have taken place in countries that are indeed rich in natural resources, such as, Sierra Leone, Liberia, Cote d'Ivoire, Democratic Republic of the Congo (DRC), Angola, and Nigeria's restive Niger Delta oil region. This strongly supports the prognosis that African resource-rich countries appear to

14 A. Boschini and J. Patterson, "Resource Curse or not: A Question of Appropriability," SSE/EFI Working Paper Series in Economics and Finance, No. 534, September, 2003.

15 M. Ross, "Natural Resources and Civil war: An Overview", World Bank Research Observer, 2003; M. Ross, "How Do Natural Resources Influence Civil War? Evidence from Thirteen Cases", International Organization 58, 2004.

16 P. Billon, "The Political Ecology of war: natural resources and armed conflicts", Political Geography 20, 2001: 562.

be caught in a 'conflict trap'. Yet, in spite of its attractions, the 'resource curse' thesis does not fully capture the complex dimensions of the politics and international linkages that underpin violent conflicts in resource-rich African countries. Rather it overemphasises and exaggerates the role of a single factor, out of many, as the predisposing factor to violence. A deeper reflection shows that the reality is more of an interplay between a set of interrelated factors, rather than the inevitable result of a single determinant.

Even when the emphasis is placed on intensified struggles over 'scarce' resources, the fundamental questions about how such scarcities are produced, and the distributive inequities that underpin such scarcities are usually glossed over.[17] The second issue relates to the question of who the actors in conflict actually are. While most of the attention is often placed on local actors: the state/political elites, militia groups/warlords, and weak and inept bureaucracies, very little attention is paid to the role of external and transnational actors and the lack of transparency that shrouds the extent of their involvement in these conflicts.

In a rapidly globalising world, the international scramble for, and exploitation of Africa's resources has been intensified,[18] leading to unprecedented poverty, de-industrialisation and social crises, thereby worsening the conditions for civil strife. The nature and value of these resources in global markets: economic and strategic, the power relations corresponding to the exploitation of these resources and the ways such relations feed into issues of access, ownership, distribution, democracy and social justice are fundamental in understanding the conflicts across the continent. This shows that while the resource may be a curse for those that lose their land, homes, and rights for resource extraction to take place, it is a blessing for those extractive external forces and their local allies that control and sell these resources on the world market. The 'resource curse' thesis is thus 'an overloaded concept', and it does not adequately capture the histories, contradictions and various interests and processes at work in Africa's complex conflicts.[19]

[17] C. Obi, "Global, State and Local intersections: power, authority and conflict in the Niger delta oil communities", in T. Callaghy, R. Kassimir and R. Latham (eds.), Intervention and Transnationalism in Africa: Global-Local Networks of Power, Cambridge: Cambridge University Press, 2001.

[18] P. Bond, Looting Africa: The Economics of Exploitation. London and Pietermaritzburg: Zed Books and University of KwaZulu-Natal Press, 2006.

[19] M. Basedau, Context Matters – Rethinking the Resource Curse in Sub-Saharan Africa, Hamburg: German Overseas Institute, WORKING PAPERS: Global and Area Studies, No. 1, 2005; T. Mkandawire, "The Terrible Toll of Post –Colonial "Rebel Movements" in Africa: Toward an Explanation of the Violence of the Peasantry", Journal of Modern African Studies 40 (2), 2002; S. Adejumobi, "Conflict and Peace building in West Africa: the role of civil society and the African Union," Conflict, Security and Development 4(1), 2004.

The discussion so far shows that resources alone do not cause conflict. It is the way(s) in which they are constructed, transformed (produced), distributed, and mediated through market and power relations by certain interests that lead to conflict. Thus, by the time they feature in the "circuits of conflict", they are no longer "resources", but would have entered into other spheres as energy, profit, and power. The fundamental question then is whom has the power over these resources, for what purpose and how are the benefits shared in the context of state-society relations? This is partly relevant in explaining why resource-rich Norway is not embroiled in 'resource wars', while resource-rich Nigeria is confronted by insurgent militia in the Niger Delta.

A great deal of literature has emerged showing how the contradictions of intensified globalised oil exploitation in Africa feed into the deepening of social contradictions and violence in the Niger Delta region.[20] Although it is not possible to fully grasp the roots of the escalating conflict in Nigeria's Niger Delta outside of the "unique qualities of oil itself",[21] the state, local elite, militias, oil multinationals and trans-global networks that profit from the oil trade all play critical roles in the unfolding crisis. In the same manner, the Angolan and Sudanese civil wars were in part prolonged because of the role of international oil companies and the contestations between the states and the warring factions/rebels movements to control access to these strategic energy resources that are highly valued and much sought after in the global market.

While the possession of the natural resource is relevant, more fundamental is its economic and strategic value in the international market. It becomes even more critical when we consider that the African producer states have no real control over the technology of the 'production' of such resources or their global exchange value. They also lack the technology to mitigate against the effects of environmental pollution or degradation that are the inevitable consequence of the plunder of Africa's

20 See for example, C. Obi, "Global, State and Local intersections: power, authority and conflict in the Niger delta oil communities", in T. Callaghy, R. Kassimir and R. Latham (eds.), Intervention and Transnationalism in Africa: Global-Local Networks of Power, Cambridge: Cambridge University Press, 2001; C. Obi, The Oil Paradox: Reflections on the Violent Dynamics of Petro-Politics and (Mis)Governance in Nigeria's Niger Delta. Pretoria: Africa Institute Occasional Paper No. 73, 2004; C. Obi, Youth and the Generational Dimensions to Struggles for Resource Control in the Niger Delta. Dakar: CODESRIA Monograph Series, 2006; M. Fleshman, "The International Community and Crisis in Nigeria's Oil Producing Communities: A Perspective on the US Role," ACAS Bulletin 60/61, 2001; A. Rowell, J. Marriot and L. Stockman, The Next Gulf: London, Washington and Oil Conflict in Nigeria. London: Constablem, 2005.

21 M. Watts, "Resource curse? Governmentality, oil and power in the Niger Delta, Nigeria", Geopolitics 9(1), 2004: 76.

resources. It would then be apposite to place the argument of the 'resource curse' on its head by asserting that the real incentive for conflict is both internal and external. While the internal is connected to misrule and protests against exclusion and repression, the external is connected to the high premium placed on the extraction of strategic raw materials from Africa that provide the economic/monetary, strategic, and military resources for the expansion and reproduction of global capitalism by a hegemonic alliance of transnational elite and industrial powers.

The Oil Factor in Nigeria: From Foreign Concessions to National Ownership

The oil factor in Nigeria is partly embedded in the history of the oil industry in the country and the way this has impacted national development. The oil industry in Nigeria has gone through three phases: the oil concession, state participation, and deregulation eras. The earliest era had its roots in the first decade of the 20th century with pioneering oil exploration work by the German Bitumen Company based on a 1914 colonial Minerals Oil Ordinance granting the monopoly of oil concessions in Nigeria to "British or British-allied capital".[22] Under this law, Shell D'Arcy (later Shell-BP), was granted an oil concession covering the entire Nigerian mainland in 1938. Shell eventually struck oil in commercial quantity in 1956 in Oloibiri (in present-day Bayelsa state) in the Niger Delta, formally marking the inception of the oil era in the country. The discovery of oil in commercial quantity set the stage for the entry of other oil multinationals and national oil companies (Mobil, Texaco, Esso, Agip and Safrap), that took up the oil acreages given up by Shell in 1958. The early era of the oil industry was characterised by foreign control and non-participation by the Nigerian state that simply collected rents and taxes.

This trend changed by the 1970s largely because of the increased contribution of oil to national revenues, the "OPEC revolution" that led to the quadrupling of international oil prices, and the economic nationalism of the Nigerian post-civil war Nigerian military government that embarked on the indigenisation of the oil industry. The federal military government transferred "the entire ownership and control of all petroleum in, under or upon any lands on Nigeria", by enacting Decree No. 51 of 1969. It took up equity participation in all oil companies, and merged the Ministry of Petroleum Resources with the Nigerian National Oil Corporation (NNOC)

[22] Cited in C. Obi, Youth and the Generational Dimensions to Struggles for Resource Control in the Niger Delta. Dakar: CODESRIA Monograph Series, 2006.

to form the state oil corporation in 1977, named the Nigerian National Petroleum Corporation (NNPC). An inspectorate arm, the Petroleum Inspectorate, now autonomous and re-named the Department of Petroleum Resources (DPR) was established to regulate the oil companies operating in Nigeria.

The NNPC represented the state's (majority) interest in the oil industry, including its equity interest on a 60:40 ratio in the companies operating in the downstream sector.[23] Also in this sector, the federal government nationalised some oil marketing companies such as Esso, BP and the marketing arm of Shell, which were renamed Unipetrol, African Petroleum (AP), and National Oil. The federal government also built three new oil refineries: Warri (1978, capacity: 118,750 billion barrels per day (b bl/d)), Port Harcourt II (1989, capacity: 150,000 bbl/d), and Kaduna (1980, capacity: 110,000 bbl/d), apart from the one it had taken over earlier, Port Harcourt I (built in 1963, capacity: 60,000 bbl/d), to ensure secure supplies of refined products for the rapidly growing domestic market and provide revenue for government. Another aspect of the state's foray into the downstream sector was the commissioning of Petrochemical plants at Ekpan (near Warri), at Eleme (Port Harcourt II) and the Kaduna refinery. These were expected to use the feedstock from the refineries to produce raw materials for the manufacturing sector.

In the upstream sector,[24] the NNPC also had a 60:40 cost and profit sharing ratio with the oil companies. In the case of Shell Petroleum Development Company (SPDC), after the BP component was nationalised in 1979, the NNPC had 55 per cent, Shell, 30 per cent Elf (now Total), 10 per cent, and Agip (ENI), 5 per cent. The indigenisation policy of government, stopped short of the nationalisation of the oil industry, as it only sought for state participation in the operations of the oil industry. However, in spite of the state's ownership of oil, and having a greater share of oil profits (and costs), it still had a structurally unequal relationship with its partners, the oil multinationals. These were much wealthier and had control over oil technology and overall management of the companies.

The wealth from oil fed into a massive growth of the economy and the public sector. Massive infrastructural and welfare projects were embarked upon. These included steel complexes in Ajaokuta and Warri, cement plants, civil construction, educa-

23 The downstream sector of the oil industry refers to the processes related to the refining, storage, distribution and sale of refined products such as fuel, petrochemicals and gas.

24 The upstream sector of the oil industry refers to the processes related to the exploration and production of petroleum (oil) and natural gas.

tional and health institutions, stadia and complexes for cultural events, automobile assembly plants etc. Apart from this, massive amounts were spent on imports for the booming industrial sector, food and other luxury items. Although the government embarked on a heavy expenditure, funded by oil receipts, there was awareness that the economy had to be diversified and that national control of the oil sector was important.

The attempt to expand the industrial/manufacturing sector was in part driven by this awareness, but it suffered from two limitations. Firstly, industrialisation was oil-funded and entirely dependent on imports: raw materials, equipment, and spares. Secondly, agriculture, which had been the economic basis of the country before the advent of the oil boom, was neglected, turning the country from a food exporter to a food importer within a decade. As noted earlier, while Nigeria gained national ownership of the oil, it lacked the technological expertise of the sophisticated working of the oil industry. In a bid to bridge this gap, government embarked on the "Nigerianisation" of the top management positions in all the foreign oil companies operating in the country. Apart from this, it established the Petroleum Trust Development Fund and Petroleum Technology Development Fund to support the training of Nigerian oil professionals, the development of local oil infrastructure, and research. In addition, a Petroleum Training Institute (PTI) was established in Warri to train technicians for the oil industry.

The sudden downturn in global oil prices in 1977 and 1981 had disastrous consequences for Nigeria. The oil-dependent Nigerian economy went into recession as oil revenues shrank, and by 1982, the country had entered discussions with the International Monetary Fund (IMF). Many companies, without access to foreign exchange to import raw materials and other inputs, were shut down, and workers were retrenched as the oil dependent economy went into recession. The resort of the government to repression to stem the rising tide of opposition and protest compounded the economic crisis. These protests undermined the legitimacy of the newly reelected government of Shehu Shagari, and it was overthrown in a military coup in December 1983. However, the new military regime led by Generals Buhari and Idiagbon was itself overthrown within two years in a palace coup that brought General Ibrahim Babangida, to power in August 1985. A year later, General Babangida announced the adoption of a 'home grown' Structural Adjustment Programme (SAP) approved by the IMF and the World Bank as well as the country's creditors. It was within the rubric of SAP that a deregulation programme aimed at rolling back state participation in the economy began from the critical oil sector in Nigeria.

From State Ownership to Deregulation

Within this SAP framework, the government embarked on a new phase of a "de-indigenisation" of the oil industry, where the emphasis was on rolling back state participation, and opening up the oil sector to foreign and local private investments. The government sold off its equity participation in some of the downstream oil marketing companies, and commercialised the NNPC. In terms of the critical upstream oil production, sector it sought to promote more investments by the oil multinationals through a package of incentives and placing new oil blocks in the deep offshore and onshore on offer. These were directed at increasing oil production and exports, with a view to producing revenues for external debt management and economic recovery programmes.

Some Nigerian companies also got licenses to explore for, and produce oil, but most of them, due to the huge costs or capital requirements involved, remained marginal players. Oil multinationals consolidated their hold over the industry in this 'de-indigenisation' phase, concentrating on the upstream sector, but also dominating the downstream marketing sector – where some Nigerian "independent marketers",[25] were becoming increasingly visible and accounted for 30 per cent of the domestic market. During this period, the effort made to commercialise Nigeria's four (state-owned) refineries did not succeed, partly for political reasons, and because of the poor condition they were in. The situation worsened under the successive military regimes until the country was returned to democratic rule in 1999

The coming to power of a new democratic government under retired General Olusegun Obasanjo (who had been Nigeria's military Head of State from 1976 – 1979) provided a new boost for the deregulation of the oil industry in Nigeria. From 1999, all existing 'price subsidies' in petroleum products were 'removed,' after about eight price increases, in what is really a process of closing the gap between domestic and global prices of refined petroleum products. It also represented a form of sales tax on refined petroleum products leading to a substantial rise in domestic fuel prices, with its attendant multiplier effects – a rise in the price of local goods and services. In addition, from 1999-2003, about US$250 million was spent on the repair and maintenance of oil depots, pipelines, and other oil infrastructure. The paradox of Nigeria being Africa's largest oil producer (and the world's seventh largest), and exporter of crude oil, and a net importer of significant amounts of refined petroleum products has strengthened the case for the privatisation of its state-owned refineries.

25 Indigenous privately owned Nigerian oil marketing companies.

The federal government divested its shares from the oil marketing companies, such as the National Oil and Chemical Marketing Plc (NOLCHEM, now Conoil), African Petroleum Plc (AP) and Unipetrol Plc (now Oando) from 2000-2002 resulting in the privatisation of these companies. There were also plans to privatise the NNPC's marketing arm – the Pipelines and Products Marketing Company (PPMC), while investors were invited to bid for the establishment of private refineries in the country. It was expected that new investments would expand private domestic participation in the downstream sector, while making up for the shortfall in domestic products' supplies as a result of the near-collapse of Nigeria's four refineries with a combined installed capacity of about 450,000 bpd. About eighteen companies were given approval in 2002 to build refineries in Nigeria.[26] In January 2006, the head of the NNPC, announced that government and five oil companies: Shell, Chevron Texaco, Exxon Mobil, Total and Agip (ENI), had concluded plans to build refineries with a combined installed capacity of 1 million bpd in the country. Another aspect of the current policy relates to the consolidation of the equally strategic Nigeria Liquefied National Gas (NLNG) Project (NNPC – 49%, Shell – 25.6%, Elf – 15%, and Agip (ENI) – 10.4%) and the (WEPCO) West Africa Gas Pipeline Project (Chevron Texaco –38%, NNPC – 25%, Shell - 17%, GNPC & VRA – 17%, SoBeGaz – 2%, SoToGaz- 2%) expected to provide immense profits the NNPC and its partners.

The government also provided incentives designed to attract more investments into the upstream sector of the oil industry with the aim of doubling daily oil production from the present 2.5 mbd to 5 mbd by the end of the decade. In response Shell, Chevron Texaco and Exxon Mobil announced plans to increase their oil investments in Nigeria. Shell which accounted for half of Nigeria's oil production, had since the 1990s, expanded the activities of its other wholly foreign owned subsidiaries in Nigeria: Shell Nigeria Exploration and Production Company (SNEPCO) working on the Bonga offshore deepwater oil block, Shell Nigeria Gas (SNG), and (as yet inactive) Shell Nigeria Oil Products (SNOP – marketing) to take full advantage of the deregulation of the oil industry.[27]

Apart from the oil, multinationals, new oil investors from all parts of the world have arrived on the Nigerian oil scene as the government seeks to earn increase its

26 Alexander's Gas and Oil Connections, "Company News: Africa", Vol. 7, Issue no. 12, June 13, 2006, at www.gasandoil.com.

27 A. Rowell, J. Marriot and L. Stockman, The Next Gulf: London, Washington and Oil Conflict in Nigeria, London: Constable, 2005: 102-103.

oil reserves, earn more revenues, and diversify its dependence on western oil companies. The new entrants into the upstream sector include, China National Offshore Oil Company (CNOOC), China Petrochemical Corporation (SINOPEC), China National Petroleum Corporation (CNPC), Korean National Oil Corporation (KNOC), Statoil of Norway, and Petrobras of Brazil.

This is indicative of two broad developments in Nigeria: the increased opening up of the upstream to national oil companies from Asia and South America and some foreign independent oil companies.[28] Second, is the state's promotion of Nigerian participation in the oil industry by insisting on local content in all joint venture oil contracts? The policy also provides that 10 per cent of each Oil Exploration License (OEL) granted to investors should go to Nigerian oil companies. Thus, rather than a complete surrender to foreign oil companies, the Nigerian state has sought to redistribute the benefits from oil investments by reserving a certain percentage of participation in oil investments and contracts for Nigerian oil companies. This clearly shows a nationalist perspective that seeks to ensure some meaningful Nigerian participation in the operations of the strategic oil sector.

In spite of the new policies, the oil sector in Nigeria faces formidable challenges. The NNPC produces (excluding oil produced under JVA's) a mere 15,000 barrels of oil,[29] out of Nigeria's daily output of almost 2.5 million barrels produced mainly by the oil multinationals, leaving a few Nigerian oil companies, Amni International, Deibri and Consolidated Oil, to produce little oil from marginal or small fields. The regulatory arm of the oil industry, the Department of Petroleum Resources (DPR), though autonomous, faces severe limitations. These are related to problems of limited funding, capacity, and equipment to effectively monitor the sophisticated operations of the oil industry.

Without downplaying the enormous revenues that have flowed to the Nigerian state as a result of its ownership of oil, the international oil companies: Shell, Chevron Texaco, Exxon Mobil, Total and Agip (and oil-service companies linked to them), that exercise a monopoly over oil technology, have considerable leverage in terms of management expertise, capital, and political back-up from the US and EU states. It is therefore an uphill task for Nigeria to regulate effectively the operations of these global oil giants. In relation to this point, it has been observed that in the current

28 Independent Oil Companies are privately owned enterprises with their operations restricted to oil exploration and production alone.

29 Nigerian National Petroleum Corporation, 2007, at www.nnpc-nigeria.com.

phase of the globalised oil production, the 'four sisters' depend more on contracting the tasks of 'construction, installation', 'searching for and wining oil' to transnational oil service companies (such as Willbros[30] and Halliburton, that also hire contract oil workers) in which they also have substantial interests.[31] In this context, the oil multinationals largely "administer multiple contracts with oil service providers",[32] the costs of which are largely borne by the Nigerian state., without any transfer of technology or skills.

Thus, it is at the level(s) of the collection, and distribution of oil revenues, that state ownership of oil represents real power. Since this power resides in the state's ownership of oil, the capture of state-power is the ultimate price of the zero-sum politics between competing factions of the ruling elite, and between the hegemonic elite and the majority of Nigerians who live below the poverty line.

Oil and Power: The Volatile Mix

Oil politics in Nigeria finds expression at four levels: the struggles between factions of the dominant elite for control of oil; a control that resides in the capture of federal power; the struggles between the elite and the people over the distribution of oil benefits; and the struggle for resource control that pitches the ethnic minorities of the oil producing Niger Delta region against the federal government and its partners, the foreign oil companies. The struggles at the factional level are complex and contradictory. They could assume national versus foreign cleavages, political or regional cleavages, or even reflect personality differences between individual key players. The national-foreign cleavages operate at a very high level, and are not easily visible given the secretive nature of oil deals and the reality that the state while "owning" the oil still relies on foreign companies and technology to 'produce' the oil.

However, at the national level, the stakes involved are often very high, which explain the zero-sum struggles for state power. As a result, there is little incentive to

30 Following the kidnapping of some its workers, Willbros sold off its Nigerian subsidiary to Ascot Offshore Nigeria Company Limited for $155.3 million, and left the Niger Delta in February 2007, after 45 years of operations in the region.

31 A. Rowell, J. Marriot and L. Stockman, The Next Gulf: London, Washington and Oil Conflict in Nigeria, London: Constable, 2005: 103; V. Menotti, The Other Oil War: Halliburton's Agenda at the WTO, International Forum on Globalization 3, 2006, at www.ifg.org/reports/WTO-energy-services.htm.

32 V. Menotti, The Other Oil War: Halliburton's Agenda at the WTO, International Forum on Globalization 3, 2006, at www.ifg.org/reports/WTO-energy-services.htm.

voluntarily surrender power given the limited autonomy of the state, and the fact that those who lose out, lose everything. The high stakes involved also suggest that those excluded will either seek inclusion or overthrow those in power at any cost. This is one of the factors that explain some of the military interventions that took place in Nigeria.

Such considerations were also at play, when in 1967, the Eastern region of Nigeria seceded from the federation, by declaring itself as the state of Biafra. An important aspect of that war was the claim of Biafra to the oil in the Niger Delta and the determination of the federal government to establish control over the oil in the region. Biafra was defeated and Nigeria essentially became united around oil, which served as the fiscal basis of the post-war national state. This factor of unity later became a source of bitter contestation, the most prominent of which is known as the struggle for resource control.

Ethnic Minorities and the Struggle for Resource Control in Nigeria's Niger Delta

The struggle for resource control is rooted in the perceived distributive inequities in the federal distribution of oil revenues since the end of the Nigerian civil war. At the heart of the discontent of the ethnic minorities was the abandonment of the derivation principle of allocation, which provided that revenues derived from natural resources should be allocated in proportion to the amount contributed to the national purse by the various units (regions/states) of the federation. In the 1950s and 1960s the application of this principle ensured that the three regions (based largely on cash crop economies) each allocated 50 per cent of their contributions to the federal purse. This placed them largely in control of the revenues derived from agricultural and mineral resources within their regions.

However, from 1970, federal control of oil led to the progressive reduction of derivation as a revenue allocation principle and its replacement by the Distributive Pool Account (DPA) or Federation Account that emphasised population size and equality of states as principles of revenue allocation. This new system shifted the control of resources from the regions (now called states) to the federal government (by implication retaining the control of most resources by a federal government controlled by the three majority ethnic groups, which had also controlled the regions). As a result the derivation principle was reduced from 50% in 1970, to 5%, 1.5%, and then 3% by the mid-1980s.[33] The ethnic minorities of the Niger Delta saw the abandonment of derivation for allocative principles that favoured the majority ethnic groups and federal government as an act of injustice and further evidence of their exploitation and marginalisation in a highly centralised Nigerian federation.

From 1967, although the ethnic minorities of the Niger Delta gained some measure of local autonomy and self-determination as a result of the states creation exercise(s) and the national unity project gave some Niger Delta elite access to lucrative state and federal appointments and patronage, the people felt short-changed. In spite of their support for the federal side during the war, they remained marginalised from the control of the oil produced from their region. The progressive abandonment of the derivation principle implied that their states could not claim or control the oil produced within their territories. Following their protests, the derivation principle in federal allocations to states was increased to 13 per cent after Nigeria's return to democratic rule in 1999. However, there have been increased protests from the Niger Delta that the upward review has not gone far enough in addressing the grievances and needs of the region.

This sense of grievance has been worsened by federal neglect, widespread impoverishment,[34] militarisation and increased oil-related environmental degradation of the Niger Delta.[35] It was also believed that a 'distant' federal government dominated by elite from the majority ethnic groups, and foreign oil multinationals had no regard for the rights and welfare of the ethnic minorities of the Niger Delta.

The struggle for resource control is directed at a return to "the principles of true federalism" which demands for a re-negotiation of the structure of the Nigerian federation in ways that transfers power over the oil to the oil-producing states of the Niger Delta. At stake is a derivation-based redress in Nigeria's fiscal federalism, which also implies a fair distribution of the oil revenues between the various groups in the country. It has also been fought on the legal terrain, where the oil producing states unsuccessfully contested federal government control of oil revenues from offshore oil fields (in the Atlantic Ocean off the Nigerian coast) at the Nigerian Supreme court.

33 J. Ejobowah, "Who Owns the Oil? The Politics of Ethnicity in the Niger Delta of Nigeria", Africa Today, 47(1), 2000.

34 UNDP Nigeria, Niger Delta Human Development Report, Abuja: UNDP, 2006.

35 C. Obi, Youth and the Generational Dimensions to Struggles for Resource Control in the Niger Delta. Dakar: CODESRIA Monograph Series, 2006.

The campaign of the delegates from South-South (Niger Delta) states for resource control (demanding that the derivation principle of revenue allocation be raised from 13% to 25% and then 50% within five years) at the 2005 Nigerian Political Reform Conference (NPRC) did not succeed, prompting most of them to boycott the closing session of the conference. Part of the fall-out from the rejection of the demand for an increase in the derivation oil formula to 25 % by the conference, was the escalation in the agitation by militant groups in the Niger Delta. Resource control implies that the claim of ownership is perceived by the oil minorities of the Niger Delta as the basis upon which they can negotiate from a moral standpoint for a fair (re)distribution of oil revenues, following decades of neglect by the federal government. For the more radical militant groups, resource control is synonymous with 'ethno-national liberation' (of their land and natural resources) from 'internal colonisation' by a federal–oil multinationals' hegemony.

Since January 2006, the violent activities of ethnic militias intent on resource control have escalated. Of note are the activities of the Movement for the Emancipation of the Niger Delta (MEND), which has attracted local and international attention by kidnapping and holding hostage some expatriate oil workers, blowing up oil installations and attacking security personnel in the Niger Delta. These militia groups were partly the result of the militarisation of the region, the organised large-scale theft and sale of oil tapped from oil pipes (illegal oil bunkering), and the struggle for power by the Niger Delta elite with links to the Nigerian state and the ruling party. These violent groups provided alienated, unemployed and marginalised youth, (some of them university and high school graduates), with a platform to challenge the federal hegemony over oil. It also allowed them to tap into a groundswell of anger against the state and the oil multinationals drawing attention to their cause, and benefitting as individuals from their capacity to unleash violence capable of disrupting a critical transnational energy resource flow.

Following the internationally well-known Ogoni resistance campaign in the early 1990's led by the Movement for the Survival of Ogoni People (MOSOP), the largest of the Niger Delta oil minorities, the Ijaw mounted a new struggle for the control of oil.[36] In December, Ijaw youth from six states of the Niger Delta, organised under the Ijaw Youth Council (IYC), met in Kaiama, the birthplace of Ijaw martyr Isaac Adaka Boro. At the end of the meeting, on December 11, 1998, the IYC drew

[36] C. Obi, Environmental Movements in Sub-Saharan Africa: A Political Ecology of Power and Conflict, Geneva, UNRISD, Civil Society and Social Movements – Paper No.15, 2005: 6-11.

up the Kaiama Declaration, which asserted that, "all land and natural resources (including mineral resources) within the Ijaw territory belong to the Ijaw communities and are the basis for our survival". The IYC refused to recognise "all undemocratic decrees that robbed the Ijaw of the right of ownership and control of our lives and resources, which were enacted without our participation and consent." On this basis, they demanded for "self-government and resource control by the Ijaw people," and gave all oil Multinationals an ultimatum to quit the Niger Delta by 30th of December 1998, "until issues related to the ownership and control of Ijawland and oil were resolved"..[37]

In response, the federal government declared a state of emergency in the Niger Delta, and flooded the region with armed troops. Ijaw protesters were arrested, and shot at by anti-riot police during demonstrations in support of the Kaiama Declaration.[38] The Ijaw local resistance was repressed, but as in the case of the Ogoni, it survived, and regenerated itself particularly after the return to democratic rule in 1999. Across the Niger Delta, other radical groups organised around the demands for the control of local autonomy, and self-determination for the control of oil (for their development) appeared. These included the Movement for the Payment of Reparations to Ogbia – Ogbia Charter of Demands, Egi people – Aklaka Declaration, Oron National Forum - Oron Bill of Rights, Ikwerre Charter of Demands, among others.[39]

The complex architecture of the violent conflicts in the Niger Delta includes the conflict between the people and the state-oil business alliance, within the Niger Delta elite, and within or between communities, and militant groups. Some of the conflicts have taken place within and between oil communities usually over local politics, disputes over boundaries and the sharing of compensation money/payments by oil companies. Above all, the most obvious contestation pitches the people of the Niger Delta against the federal government and oil companies in what is really a socio-political critique of an oil political economy that expropriates the people, pollutes, and under-develops their region. In response, the government neither recognised these groups nor responded to their demands. Rather, what can be gleaned is the use of a carrot and stick policy in responding to the Niger Delta crises.

[37] United Ijaw, 2007, at www.unitedijawstates.com/kaiama.htm.

[38] C. Ukeje, "Oil Communities and Political Violence: The Case of Ethnic Ijaws in Nigeria's Delta Region - group of 3", Terrorism and Political Violence 13(4), 2001: 29.

[39] Niger Delta Women For Justice, 2007, at www.ndwj.kabissa.org/.

While government created the Niger Delta Development Commission (NDDC) in 2000 (and the Council on the Socio-economic Development of the Coastal States of the Niger Delta COSEDECS) in 2006, it has also applied maximum force against communities that are perceived as threatening the state-oil business alliance. Thus, in 1999, the federal army completely razed the town of Odi in Bayelsa state in the Niger Delta, in a military operation aimed at protecting oil installations.[40]

Since then, other communities that have attempted to challenge federal authority have been similarly treated in the midst of the continued militarisation of the Niger Delta. Other examples were the military raid on Odioma in February 2005 following a dispute with a neighbouring community Nembe-Bissambiri, over payments from Shell. The troops sacked Odioma and seventeen people were reportedly killed. In a similar incident in 2006, another oil community, troops went to Gbaramantu, and about fifteen people reportedly lost their lives. Other communities have also come under fire as a result of the attempts of the military to 'flush out' militants. Unfortunately, the use of force to put down agitation in the troubled oil region and the use of armed groups by some local elite has contributed to the proliferation of youth militias, who are forcefully demanding resource control amid the escalating tensions and frustrations in the Niger Delta.

These examples underscore the emerging challenges in the Niger Delta. On the one hand, it is about how to resolve the festering discontent over the distribution of oil benefits in ways that address the concerns and rights of the people of the oil producing states and give them a full sense of Nigerian citizenship. It also touches upon the unity and security of Nigeria and the security of global oil investments in Nigeria's Niger Delta and the country itself. The Nigerian experience shows both sides on the coin: the blessings and the pains of the oil wealth. Excepting that oil is harnessed through national control, and oil power is democratically defined/mediated in the context equitable state-society relations, the risk is that it would become a volatile brew, with severe social and political consequences.

Challenges of the Oil Factor in a Post-CPA Sudan

A lot of the literature on the oil industry in the Sudan (Africa's third largest oil producer), is recent, and tends to dwell more on the oil-conflict nexus, particularly

[40] C. Obi, The Oil Paradox: Reflections on the Violent Dynamics of Petro-Politics and (Mis) Governance in Nigeria's Niger Delta. Pretoria, Africa Institute Occasional Paper No. 73, 2004: 21.

against the background of the recently concluded civil war. In this regard, the dominant perspective has been framed within the human rights and security implications of oil drilling in Sudan.[41] The place of oil in the relations between northern and southern Sudan, the role of western oil companies, and the rising profile of Chinese and other Asian oil companies have also attracted a lot of attention.

However, in the post-CPA period more attention is focused on the implications of the wealth-sharing provisions of the CPA as it relates to oil, conflict resolution and the post-war reconstruction process. The challenges of the oil factor in the post-CPA are multiple.. They are embedded in the country's history, the role of international and local actors, state-society relations, the equitable sharing of oil wealth, particularly with regard to the rights of the oil producing regions of the South. Other considerations include: the political will to drive the amicable and democratic resolution of the national unity question; the reaching of a consensus on the control of oil; institutionalising local capacity as it relates to the complex operations of the oil industry; security and post-war reconciliation and reconstruction. A more immediate concern is the implementation of the CPA agreement as it relates to the oil industry in Sudan, the rights of the inhabitants of oil-rich lands in Southern Sudan, and the ways in which emerging concerns, contradictions and disagreements are managed. At the heart of these challenges is the resolution of the new power arrangement in Sudan within the complex and volatile context of the political economy of oil, the country's chief revenue earner.

Oil exploration in Sudan started in 1959 when the Italian oil company Agip started oil exploration operations in the Red sea area.[42] Other oil companies from the US and France followed but failed to strike any oil. In 1975 US oil giant Chevron was given oil concessions in parts of Central and Southern Sudan. Four years later (in August 1979), Chevron struck oil in "Abu Jabra and then al Sharaf, on the border between Darfur and Kordofan. They soon went on to make major discoveries in Western Upper Nile in what is now Block 1, near Bentiu – developing the Muglad Basin and two huge oil fields of Unity and Heglig – both in the South".[43] As

[41] Human Rights Watch, Sudan, Oil and Human Rights, Washington DC, 2003; Coalition for International Justice, SOIL AND OIL: Dirty Business in Sudan. Washington DC: CIJ, 2006; Refugees International Bulletin, Sudan: Exploration Fuelling Displacement in the South, June 14, 2006

[42] P. Verney, Raising the Stakes: Oil and Conflict in Sudan, West Yorkshire, Sudan Update, December: 12, 1999.

[43] Coalition for International Justice, SOIL AND OIL: Dirty Business in Sudan. Washington DC: CIJ, 2006: 6.

noted earlier, the discovery of oil in southern Sudan, which had been involved in a civil war with the northern-dominated central government, further complicated the crisis by bringing in new strategic, religious, regional, political, and international dimensions to the long-running conflict. The feeling in the south, that the north wanted to grab its oil, quickly reinforced the resentment and resistance against the northern-led central government. Thus, the contesting claim to oil became a feature of the Sudanese civil war from 1980, particularly after then President Nimeiri announced plans to re-draw the boundaries between the northern and southern provinces, with a view to placing the oil fields in the north.[44]

Following security concerns linked to the rebel Sudanese People's Liberation Army (SPLA) activities in its areas of operation in the South that led to the death of several of its oil workers, pressures from international human rights groups and the US government, Chevron was forced to withdraw from Sudan in 1992.[45] After Chevron's exit, other oil companies took over. These included, Concorp International, Gulf Petroleum Sudan, Arakis Energy (Canadian), Talisman (Canadian), Lundin Petroleum AB (Sweden), and Österreichissche Mineralölverwaltung Aktiengesellschaft (OMV), Austria, which operated with other international and local oil interests.[46] The foreign oil companies later sold their interests and left, due to security concerns, pressures from human rights groups and governments in their countries, and their own corporate risk-benefit analysis in relation to their oil investments in Sudan.[47]

This situation paved the way for the full emergence of a joint venture partnership – the Greater Nile Petroleum Operating Company (GNPOC), between the state-owned Sudan National Petroleum Corporation (Sudapet 5%), and the Chinese National Petroleum Corporation (CNPC, (40%), Malaysia's Petronas (30%), and India's Oil and Natural Gas Corporation (that took over Talisman's interests in 2003). This group commenced the export of oil from Sudan in 1999. More recently, the

[44] P. Verney, Raising the Stakes: Oil and Conflict in Sudan, West Yorkshire, Sudan Update, December: 12, 1999; E. Reeves, "Oil Development in Sudan", ACAS Bulletin 60/61, 2001: 15.

[45] E. Reeves, "Oil Development in Sudan", ACAS Bulletin 60/61, 2001: 15.; L. Patey, A Complex Reality: The Strategic Behaviour of Multinational Oil Corporations and the New Wars in Sudan, Copenhagen: Danish Institute for International Studies, DIIS Report No. 2, 2006: 14.

[46] L. Patey, A Complex Reality: The Strategic Behaviour of Multinational Oil Corporations and the New Wars in Sudan, Copenhagen: Danish Institute for International Studies, DIIS Report No. 2, 2006: 13-32; Coalition for International Justice, SOIL AND OIL: Dirty Business in Sudan. Washington DC: CIJ, 2006.

[47] L. Patey, A Complex Reality: The Strategic Behaviour of Multinational Oil Corporations and the New Wars in Sudan

Kuwaiti oil corporation, Marathon and France's Total have been closely associated with oil interests in Sudan.[48]

However, it is clear that Asian state oil corporations now dominate the upstream and downstream operations of the oil industry in Sudan. Many western commentators, NGOs and scholars have expressed a lot of concern over the implications of this development for oil western corporations, that lose out in the "scramble" for Africa's resources over concerns for "human rights, accountability and good governance", issues that Asian oil companies reportedly do not care about. While the international groups and NGOs pushing the human rights agenda are concerned that Asian oil capital fuels corruption in Sudan, and provides resources/facilities and ammunition/weapons to the Sudanese state for the repression/displacement of inhabitants of oil regions (to clear the way for oil operations) and other oppositional groups, the western strategic perspective is more concerned about the implications of the Asian (particularly Chinese) foray into Africa's oil reserves for the global energy security calculations of the West, particularly the US. There is no doubt that western energy security calculations are partly predicated upon a return to peace in Sudan, which would also provide the legitimacy for the return of western oil corporations to the country.

The history of oil in Sudan is clearly linked to the 'second phase of the civil war, the issue of national control, and the international political economy of oil. It should be emphasised that the issues that underpin the civil war in Sudan pre-date the discovery of oil in the country. While some care needs to be taken not to exaggerate the role of oil, it should be noted that the oil factor has complicated the picture, and driven up the stakes in controlling political/state power as a guarantee to controlling access and ownership over stupendous oil wealth.

A critical question is the nature of state–oil relations in Sudan, and the implication of the CPA agreement for the relations between the (northern dominated) central government and the south. It would appear that the Government of Sudan (GOS) and the Government of the Southern Sudan (GOSS) within the context of the CPA jointly own the oil, which is largely found in the South (controlled by the GOSS). Both are dependent on oil revenues produced by foreign oil companies. While the

48 C. Pinaud, Oil fact sheet on Sudan, 2006, at www.UnderstandingSudan.org; K. Adar, "Ethno-religious Nationalism in Sudan: The Enduring Constraint on the Policy of National Identity", in S. Baker, M. Dodds and M. Meshack (eds.) Shifting African Identities, Pretoria: Human Sciences Research Council, 2001: 98.

GOS has largely controlled the oil before the CPA, the new agreement proposes the equitable re-distribution of oil revenues between northern and southern Sudan.

Several issues arise from this. Oil accounts for an estimated 70% of Sudan's export earnings and is critical to national development as well as post-war reconstruction in the South. Yet, both the (central) Sudanese state (GOS) and the GOSS lack the control over the technology and sophisticated operations of the oil industry, which has implications for its capacity to regulate the industry, or fully tap into the linkages and transformative potential of its oil resources. This also impinges upon the role of the National Petroleum Commission (NPC) as provided for by the CPA, to regulate the oil industry in Sudan. Although the NPC has been established with equal membership from the GOS and GOSS, it has been beset with teething problems linked to issues of capacity and 'oil politics'. In particular, pressures from the international community that it was not fully operative in terms of its strategies for regulating the oil industry, and ensuring transparency in the flow of oil revenues.[49]

This problem is even more acute in the Southern Sudan, which is the host of the oil industry, but has been largely excluded and marginalised from its operations until very recently. The implication of this is two-fold: the foreign companies will have some considerable leverage over the state(s) in matters relating to oil production and earnings, and the states' limited capacities will be sharply refracted into the acute politics of the sharing/distribution of oil revenues in a rather fragile and volatile environment. While the CPA provides for a 50/50 sharing formula between the GOS and GOSS (with 2% reserved for the producing state), there are concerns that the implementation of the oil-wealth sharing provisions of the CPA is being delayed at the expense of Southern Sudan.[50] There are also problems with border demarcations between the north and south in oil producing areas, knowledge about how much oil is produced and how to calculate what is due to each region.

According to a recent newspaper report in Sudan, "corruption, insecurity and bad faith on the part of the Khartoum government in sharing oil profits is slowing down Southern Sudan's recovery from years of civil war".[51] In the same report, one of the contradictions within Southern Sudan is also identified as corruption leading to the Southern Sudan President's suspension of three officials over a scandal. Other con-

49 Sudan Tribune, Sudan oil commission to hold meeting Monday, 2006, at www.sudantribune.com.

50 D. Goldwyn, Sudan: Implementing the Wealth-Sharing Provisions of the CPA is Vital, Centre for Strategic and International Studies (CSIS), 2006, at http://forums.csis.org/Africa.

51 T. Kago, "Corruption, insecurity threaten Sudan's CPA", Sudan Tribune, 2006, at www.sudantribune.com.

cerns include insecurity in the region and the slow pace of implementing the basic provisions of the CPA in the midst of rising expectations of the 'peace dividend' in the war-ravaged and impoverished South.

This illustrates that the risk of politicisation of oil in the context of the post-war transition in Sudan is very high. As in the Niger Delta (or the South-South geopolitical zone of Nigeria), the issue of oil is directly connected to the struggle for local autonomy, and self-determination in a hither-to marginalised Southern Sudan. It thus introduces elements of fragility and uncertainty about the future relationship between the GOSS and GOS, should Southern Sudan vote to 'go it alone' in the future. The basis of national unity hinged upon oil in the Sudan will ultimately depend on the ability of all the factions to reach a consensus. In particular on the equitable sharing of the oil wealth, and the production and sharing of oil wealth in ways that address the needs and human security of most of the citizens of the country, especially those that bear the environmental and social costs of oil production and the scars of decades of war, exploitation and marginalisation. The issue then may not be the risk of an oil war – which apparently is real, but the challenge of fostering national trust and consensus and building an equitable social contract between the Sudanese state and its citizens as the bedrock for a national unity and a sustainable post-conflict transition process.

Oil as a Factor of National Unity and Development: Nigeria and Sudan

The cases of Nigeria and Sudan clearly show the centrality of oil to national unity and development in post-war contexts. In both cases, oil has also been as the heart of distributive politics that have been perceived as discriminating against the regions from which the oil wealth originates. As such, oil has become the whetstone of demands for local autonomy and self-determination by those marginalised by the hegemonic distributive logic, and the basis for which the central governments, backed by foreign oil interests seek to contain and neutralise any threats to their monopoly control of oil. In the case of Nigeria, the long history of the oil industry and the economic nationalism of the post-civil war ruling elite provided some space to contest foreign domination and push for indigenous participation in the industry. The politics around oil was also mediated through the adoption of affirmative-action-type policies such as the creation of more states and 'federal character', which sought to provide for an even national spread or balance in the distribution of opportunities/development projects and federal appointments. Although these policies have not been very effective, they have provided some measure of integration at the elite level.

In spite of this, the economic crisis of the 1980's partly worsened by the impact of the collapse of the oil-dependent external sector following two global 'oil shocks', and the globalisation of the oil industry has weakened national control of the industry in Nigeria. As a result, the intensification of politics around the structural inequities and contradictions on which the Nigerian national project was built have found expression in the zero sum factional struggles for federal power, and the politics of resource control.

Several lessons flow from the Nigerian experience. The first is that in oil-dependent contexts, the capacity of national management of the oil industry is a key element of being able to harness oil wealth for national development or transformation. Secondly, the relationship between the state and oil is fundamental to the question of 'who gets what, when and how much'. Thirdly, the inequitable distribution of oil wealth lies at the heart of conflict, and becomes even more so, when the location of oil reserves coincides with historically defined cleavages along the lines of ethnic/religious identity, or relations of domination and marginalisation. Fourthly, oil is a strategic commodity that will always be of international interest. Thus, an understanding of oil conflict is incomplete without capturing its external underpinnings.

The key issue is to have a holistic view of oil, particularly its political/strategic, social, and economic ramifications. In oil-dependent African countries, oil is the key to the processes of class formation and accumulation of wealth. The stakes in controlling oil are always high as both the Nigerian and Sudanese cases show. As such, oil can act as a basis for national unity where a national class is fundamental to the accumulation process. However, it can paradoxically be the basis for disunity and separatism, where the fairness of the hegemonic project of national unity in a multi-ethnic context is bitterly contested by those who feel that they have been sidelined or cheated. This explains the complex politics in Nigeria and how these continue to pose challenges to its unity and development.

The lessons from the foregoing for a post-CPA Sudan are very instructive. A lot depends on the political elite of the GOS and GOSS to democratically address the challenge of building a national consensus on how to equitably share the oil revenues for the social development of Sudan. Both need to work towards building the capacity necessary to manage complex and sophisticated operations of the oil industry in the interest of the Sudanese people. There is also the need to include those parts of the country currently engulfed in 'new wars' in the processes of conflict resolution, national reconciliation, and peace building.

Much would also depend on the political will and capacity to implement the key provisions of the CPA, and ensure the effective and equitable distribution of oil revenues, while addressing the post-war reconstruction needs of Southern Sudan and other parts of the country. Post-war peace and development will ultimately depend on an inclusive and constructive national reconciliation process the development of welfare infrastructure, alongside the diversification of the economy and away from complete dependence on the production and export of crude oil. For Sudan and other African petro-states, two issues are imperative: getting the oil politics right, and using the oil wealth for broad-based social development – and making that transition from the 'oil curse' to the 'oil blessing'.

'POST-CONFLICT' OIL GOVERNANCE: LESSONS FROM ANGOLA?

Polly Ng and Philippe Le Billon

Introduction

Oil wealth has long proved an ambivalent asset for producing countries. If oil wealth can provide the means of improving the lives of citizens, and fast-track recovery from deadly conflicts, the recent literature has demonstrated how oil dependence can prove counterproductive to economic development and social well-being.[52] Oil dependence is also associated with poor governance and corruption, as guaranteed resource revenues for the state create a democratic deficit. There is also good evidence that oil dependence contributes to armed conflict, as different groups struggle to control territories where resources are located.[53] This so-called 'resource curse' is not inevitable, however.[54] Under the right conditions, revenues generated by natural resources, including oil, present enormous opportunities, and particularly so for poor countries emerging from decades of conflicts like Angola and Sudan.

In February 2002, Angolan troops killed UNITA's leader, Jonas Savimbi, putting an end to 27 years of civil war. This military victory, and the subsequent amnesty and peace agreement with UNITA troops on 5 April 2002 allowed the government to claim that the country had finally made a durable transition to peace after two failed peace agreements in 1991 and 1994 (and even though a secessionist rebellion was continuing in Cabinda, see below). In the five years following the termination of armed conflict, Angola's annual gross oil revenues nearly quadrupled from US$8

52 R. M. Auty, Sustaining Development in Mineral Economies: The Resource Curse Thesis, London: Routledge, 1993; T. L. Karl, The Paradox of Plenty: Oil Booms, Venezuela, and other Petro-states, Berkeley CA: University of California Press, 1997; J. D. Sachs and Andrew M. Warner, "Natural Resources and Economic Development. The Curse of Natural Resources", European Economic Review 45, 2001: 827-838; R. M. Auty (ed.), Resource Abundance and Economic Development, Oxford: Oxford University Press, 2001; M. L. Ross, Extractive Sectors and the Poor. New York: Oxfam America Report, 2001; M. L. Ross, "Does Oil Hinder Democracy?", World Politics 53, 2001: 325-41.

53 J. D. Fearon, "Primary commodity exports and civil war", Journal of Conflict Resolution 49 (4), 2005: 483-507.

54 P. Stevens, "Resource Impact: curse or blessing? A literature survey", Journal of Energy Literature 9, 2003: 3-42; H. Mehlum, K. Moene and R. Torvik, "Cursed by Resources or Institutions?", The World Economy 29 (8), 2006: 1117–1131.

to US$30 billion.[55] Although some of this revenue went to foreign oil companies recouping major new investments (i.e. 'cost oil'), this unprecedented wealth held much potential for consolidating peace and improving the situations of the overwhelming majority of Angolans, who live in poverty.[56] Fiscal, budgetary, and development policies by the government of Angola are of course key to realising such potential, even if the country holds much potential outside the oil sector. A simulation of expanded oil production in Angola between 2001 and 2010 suggests that if policies are right, oil revenues have the ability to significantly reduce poverty levels by 2010.[57] To improve the well-being of the poor, rather than simply promote economic growth, such policies need to specifically target the poor and seek to reduce inequalities through income redistribution, the improvement of social services and infrastructures, as well as reviving the agricultural and industrial sectors. Development economist Paul Collier articulates in more details the priority actions that Angola should take, so that it 30 years its situation resembles more the track followed by Malaysia, rather than that of Nigeria (see Box 1).[58]

Despite continued conflict in Darfur and renewed uncertainty in the south, opportunities are also currently available for Sudan, with the cessation of its long and intractable civil war in the south under the 2005 Comprehensive Peace Agreement and the rapid development of its oil sector since 1999. This paper examines the situation of oil governance in Angola prior to and after the termination of its civil war in 2002 in order to draw observations that may be of some relevance for the Sudan. Not all 'lessons' from Angola will be applicable to Sudan, as many factors distinguish the two countries but in both cases a fundamental challenge remains: the governance of the oil sector for sustainable peace and the betterment of their people.

55 IMF. Angola: 2006 Article IV consultations preliminary conclusions of the IMF mission, 2006.

56 On oil taxation in Sub-Saharan Africa, see B. Leenhardt, Fiscalité pétrolière au sud du Sahara: la répartition de la rente, Afrique Contemporaine 216, 2005: 65-86.

57 L. L. Shirima n.d., The micro impacts of expanded oil production on poverty in Angola: simulations 2001 to 2010 "World Bank Institute", at http://old.developmentgateway.org/download/220521/Angola_Oil.doc Accessed: 2 March 2007.

58 P. Collier, "Angola: Options for Prosperity", Department of Economics,

Oxford University, 2006, at http://www.eitransparency.org/UserFiles/File/PaulCollierKeynotePresentationAngola.pdf Accessed: 2 March 2007.

BOX 1 – Angola: options for prosperity, according to Paul Collier

Get the macroeconomic basics right (this is easy)

1. Run a fiscal surplus within three years so as to avoid any fiscal exposure in case of declining oil prices.
2. Set a medium-term smoothing rule such as budgeting on a five-year oil price moving average, but not a 'Future Generations Fund' that would build financial assets in New York rather than productive assets in a poor country like Angola.
3. Lock-in to low inflation, by running a fiscal surplus and appointing an independent and accountable central bank governor.

Reform public spending (this is pretty hard)

1. Create evaluation and procurement systems for infrastructure, basing project funding on economic rate of return, project awarding through competitive and honest tender process, and budgetary allocation according to absorptive capacity and recurrent expenditures.
2. Massively increase the size and accountability of social spending.
3. Distribute some oil money directly to households, rather than only through the government.

Constrain the prospective emergence of political patronage (this is very hard)

1. Set up checks and balances.
2. Limit campaign finance.
3. Improve citizen information.

Manage post-conflict divisions (this is moderately easy)

1. Promote broad-based growth so as to reduce inequalities.
2. Prioritise social expenditures so as to improve the well being of the poorest.
3. Deeply cut military spending, as evidence suggests that high military spending post-conflict increases the risk of further conflict.

Growing the non-oil economy (this is moderately easy)

1. Deregulate and de-tax the non-oil economy
2. Encourage small-scale construction
3. Help agriculture to adjust to Dutch disease (esp. effect of overvalued exchange rate)

Oil Governance in Angola Pre-2002

Like Sudan, Angola is an oil producer of growing regional and international importance. The oil boom of recent years has made the country a giant of sub-Saharan Africa's oil industry. Endowed with exceptional petroleum resources, proven crude oil reserves have increased enormously in the past decade due to the discovery of deep-sea oil fields; estimates vary from 5 to 25 billion barrels.[59] The country's level of crude oil production has quadrupled in the past two decades from an average of 280,000 barrels per day (bpd) in 1968[60] to approximately 1.57 million bpd in December 2006[61] and is second only to that of Nigeria in Sub-Saharan Africa. Oil production is expected to continue increasing with the discovery and operation of new oil fields, with the potential to surpass 2 million bpd during 2007 and nearly double above 2005 levels by 2010.[62] This sharp increase is of immense interest to many importing countries, most notably the US that aims to increase its oil supply from Africa. Angola is already China's largest supplier of oil as well as its second largest trading partner in the region. Together, the US and China share 75 percent of Angolan oil exports (40 and 35 percent respectively).[63] Angola has recently gained substantial leverage in diplomatic and economic relations with international organisations such as the World Bank and the International Monetary Fund and with North America and Europe.[64] The country's rising international standing was also confirmed by its admission into the Organisation of Petroleum Exporting Countries (OPEC) as a full member on 1 January 2007.[65]

In tandem with rising oil production and revenue levels, the Angolan economy has experienced rapid rates of growth. The country's GDP was projected US$11 billion in 2002 to $57 billion in 2007.[66] Five years after the end of war, Angola remains overwhelmingly dependent on its oil sector; which generates 40 percent

59 Organisation of Petroleum Exporting Countries. Angola facts and figures, 2005.

60 Energy Information Administration. Country analysis briefs: Angola, 2006.

61 S. Voss, IEA cuts 2007 oil demand forecast on mild weather, 2007.

62 IMF. Angola: 2006 Article IV consultations preliminary conclusions of the IMF mission", 2006.

63 EIA, 2006.

64 Africa Research Bulletin. Cooperation and trade Angola-China, 2006. See also I. Taylor, China's oil diplomacy in Africa, 2006.

65 Ghaida Ghantous, OPEC concerned about price, to act if needed, 2006.

66 International Monetary Fund. Country information Angola, 2007; Afrol News, Angola doubled oil revenues in 2005, 2005.

of the GDP[67] and approximately 90 percent of government revenues[68], despite its potential for a diversified economy, infrastructure reconstruction, and rebounding agricultural production.[69] Most resources and sectors, especially agriculture and manufacturing, remain largely undeveloped.[70] More importantly, although the end of war and resettlement has greatly improved the life prospects of the population, oil wealth has materialised few benefits for the majority of Angolans, as it remains an enclave economy largely isolated from Angolan society.[71] Capital-intensive operations provide few job opportunities, employing only 15,000 individuals, and local economic spin-offs are limited by the sector's weak forward and backward linkages to domestic oil supply and refining industries.[72] Because of the few direct connections between the petroleum sector and the population, the development of Angolan economy and society are dependent on the redistribution of oil rent by the government towards social sectors such as education, health, and basic infrastructure. The Popular Movement for the Liberation of Angola (MPLA) government has long neglected public welfare, allocating oil revenues defence and security imperatives, debt servicing, and funding the lifestyle of the ruling elite.[73]

Abundant and secure oil rent allowed the MPLA party to wage a long and violent civil war against the National Union for the Total Independence of Angola (UNITA) since the mid-1970s. The offshore location of the bulk of Angola's lucrative oil fields protected them from UNITA attacks and enabled the government to sustain production and profit throughout the period of civil war, much of which was spent on the construction and maintenance of a powerful, capital-intensive military.[74] The share of the country's GDP spent on defence and security during the last years of civil war was among the highest in the world, consuming 26 percent of the GDP in 1999 but dropping to 7 percent in 2001 and 2002, still high by international standards, as UNITA forces weakened after years of aggressive military advances by the national Angolan Armed Forces (FAA).[75]

67 MBendi, Angola: oil and gas – overview, 2005.

68 EIA 2006.

69 T. Hodges, The role of resource management in building sustainable peace, 2004.

70 Ibid.

71 P. Le Billon, Aid in the midst of plenty: oil wealth, misery and advocacy in Angola, 2005.

72 T. Hodges, The role of resource management in building sustainable peace, 2004.

73 Ibid.

74 Ibid.

75 Ibid.

Military expenditures were financed through non-transparent budget allocations, oil-serviced commercial loans passing through the national oil company, and bonuses to international companies for oil concessions.[76] The accounting of the Angolan government's budget and expenditures has been extremely opaque. The government's practices have long fallen short of basic requirements for fiscal transparency and accountability, such as the standards set by the International Monetary Fund's (IMF) *Code of Good Practices for Fiscal Transparency*, which requires open disclosure and reporting to encourage governmental accountability.[77] In the period between 1998 and 2002, 36 percent of expenditures occurred outside the government's legal policies and procedures and were not recorded in official accounts while 11 percent could not be accounted for at all.[78] Lack of transparency has hampered efforts by the Angolan public and media to hold the government accountable for revenue allocation. Corruption has been reported as widely prevalent among the elite in the form of embezzlement as well as patronage to maintain political power, while petty corruption among lower ranking civil servants is also widespread.[79] This lack of transparency has also generated significant international concern, most notably by the IMF, despite major commercial interests at play among major donors.[80]

The MPLA government has resorted to oil-backed loans in the last few decades to service large fiscal deficits, which included sizeable operational deficits in the BNA. Plentiful oil revenue from high oil prices and increasing oil production led to permanent increases in expenditures on the military and civil administration as well as spending on goods and services and transfers to the economy.[81] These government policies proved unsustainable during periods of falling oil prices, such as during the late 1980s when expenses from a new military campaign coupled with reduced oil revenues led to a financial crisis that forced the government to enter into debt renegotiations with the IMF.[82] Moreover, permanent spending increases dependent on oil revenue financing have created continuing large non-oil fiscal deficits (the total fiscal deficit disregarding oil revenues), which are covered by loans using earmarked oil shipments as collateral. In December 2002, Angola's external debt totalled $5.3

76 P. Le Billon, Aid in the midst of plenty: oil wealth, misery and advocacy in Angola, 2005.

77 Human Rights Watch. The oil diagnostic in Angola: an update, 2001.

78 T. Hodges, The role of resource management in building sustainable peace, 2004.

79 Ibid.

80 For a review of transparency issues in Angola, see J. McMillan, Promoting transparency in Angola; Human Rights Watch. Some transparency, no accountability.

81 J. Gasha and G. Pastor, Angola's fragile stabilisation, 2004.

82 P. Le Billon, Aid in the midst of plenty: oil wealth, misery and advocacy in Angola, 2005.

billion arrears, for which the government was not eligible for debt restructuring in the Paris Club, due to its inability to provide the necessary information for the process stemming from the lack of transparency of its practices.[83] More recently an oil-backed loan of $2 billion from China financed transportation expenditure, most notably railways, leading other donors to raise issues about undermining donor leverage for better governance.[84]

Since military spending and debt financing claimed the bulk of oil revenues, the budget for social sectors experienced decline throughout the 1990s, resulting in insufficient levels of governmental services that were not adequately amended by international aid that concentrated on food security.[85] In addition, resource allocation within the social sectors has been highly inequitable, as elite interests such as the provision of international medical evacuation and overseas scholarships for the *nomenklatura* were given priority over the basic needs of Angolan society.[86] Consequently, poor oil governance in Angola prior to 2002 created a 'duality of wealth and misery'; in 1999, the country was ranked the fifteenth most undeveloped country,[87] with the second worst level of under-child mortality.[88]

Angola's Transition to 'Peace'

Angola's decades-long civil war came to an end with the signing of the 'Memorandum of Understanding for the Cessation of Hostilities and the Resolution of the Outstanding Military Issues Under the Lusaka Protocol' on 4 April 2002 by the military leaders of the FAA and UNITA. The conclusion of the conflict was the result of the MPLA's definitive military victory over UNITA, which produced a government-driven end to armed hostilities that excluded all political and social stakeholders other than the two sides of the conflict and left unaddressed important considerations for effective change.[89]

The ruthless campaign conducted by the Angolan Armed Forces to defeat UNITA

83 T. Hodges, The role of resource management in building sustainable peace, 2004.

84 OECD. Angola – African Economic Outlook 2005-2006, 2006.

85 R. Aguilar, The evolution of the new private sector: the case of Angola, 1999.

86 T. Hodges, The role of resource management in building sustainable peace, 2004.

87 UNDP. Human Development Report, 1999.

88 UNICEF. Un futuro de Esperanca paras as Criancas de Angola, 1999.

89 G. Meijer, From Military Peace to Social Justice: The Angolan Peace Process Accord: An International Review of Peace Initiatives, Issue 15, Conciliation Resources, London, 2004.

had severely weakened their adversaries (and forcedly relocated and impoverished local populations) through three years of relentless advances and struck the fatal blow on 22 February 2002 when government forces killed UNITA leader Savimbi on the battlefield. Savimbi's death afforded the MPLA the opportunity to force an absolute surrender but it instead chose to enter into negotiations to adjourn military activity. On 13 March, the government issued a unilateral ceasefire and put forth a 'Peace Plan' that proposed the settlement of unresolved military issues under the guidelines set by the Bicesse Accords 1991 and the Lusaka Protocol 1994; the disarmament and resettlement of former UNITA soldiers; the reintegration of UNITA into Angolan politics; and an amnesty for all war crimes committed by both sides. The plan also announced the intention to include all Angolans in the peace negotiations, in particular the Catholic Church, other political parties, and civil society organisations. Although the churches, independent media, and the UN initially welcomed the plan for its inclusive approach, it was drafted without the consultation or involvement of the National Assembly and the government did not follow through with its pledge to work with its people. It refused calls by the wider public to allow civil society, national and international media, or UN observers to oversee the negotiation process, claiming that the participation of third parties would disrupt talks.[90]

The exclusive nature of the Memorandum of Understanding is also evident in the amnesty provisions approved by both sides and conferred by parliament, which was criticised by 63 smaller political parties in an ignored letter to President dos Santos. Ibrahim Gambari, then UN Under-Secretary for African Affairs, warned that the amnesty would not be recognised by the United Nations but his statement was considered unsolicited and potentially upsetting to the air of optimism created by the official conclusion of civil war.[91]

Political issues were largely left out of the negotiations, which were understood as military talks by both sides of the table. Discussion focused on the technicalities of ending armed conflict and the logistics of quartering and demobilising UNITA forces. Important concerns regarding political reconciliation and democratic governance – such as the manner in which UNITA leaders would be integrated into state and government structures, unfilled parliamentary positions, the nature and date of the next election, and the constitution – were shelved for later deliberation.

90 A. Griffiths, The end of the war: the Luena Memorandum of Understanding, 2004.

91 Ibid.

In his speech on the eve of the Memorandum signing ceremony, President dos Santos pledged to hold free elections but did not set a definitive date.[92]

At best, the signing of the Memorandum of Understanding established a technical peace that has been slow in completing the tasks of demobilisation and reintegration of UNITA forces, resettlement of internally displaced persons (IDPs) and the disarmament of the civilian population. To date, UNITA's army of 100,000 soldiers have been disbanded[93] but only after a period of critical humanitarian situation in the government-managed quartering and gathering areas.[94] Four million IDPs have been resettled but many are experiencing conflicts over ownership as the title of the land to which they previously had customary and informal rights is currently held by influential elites.[95] Approximately 400,000 refugees that fled to neighbouring countries have returned to Angola but to extreme social hardship.[96]

The technical terms of the Memorandum allowed the government to establish a military peace with UNITA without making any concessions for effective change and to further consolidate the position of power it had been cultivating during the conflict. Resource partitioning and governance issues that initiated and perpetuated the war have remained largely unaddressed, as the government's military victory has allowed it to delay the political opening up of institutions and Angolan society and continue restrictions on political competition and commentary.[97]

Oil, Peace and Prosperity?

The preservation and consolidation of the power of the MPLA party through the military peace established by the government's definitive military victory and its skilful manoeuvres in the Luena peace process has meant that the government has had little incentive and has therefore taken little action to change its method of oil governance despite the opportunities for overcoming the legacies of civil war presented by rapid expansion of oil production and rising oil revenues.

92 Ibid.

93 Trocaire, Angola: four years of recovery, 2006.

94 J. Gomes and I. Parsons, Sustaining the peace in Angola An overview of current demobilization, disarmament and reintegration, 2003.

95 Trocaire, Angola: four years of recovery, 2006.

96 Ibid.

97 G. Meijer, 2004.

There have been no legislative changes regarding allocation of oil revenues and, although some positive changes have been made, the problems of government misallocation of oil rents, the lack of transparency, and pervasive corruption stemming from poor governance persist in the post-war period and undermine the development of democratic peace and the improvement of the lives of Angolans. Defence and security expenditures continue to claim a portion of oil revenues that is disturbingly high for peacetime. The proportion of total expenditures captured by defence and public order rose to 13.8 percent in 2003, dropping slightly to 12.5 percent in 2004. Such priorities threaten to crowd out much needed spending on the provision of elementary services to the public and infrastructure reconstruction.[98]

The government maintains its reliance on costly oil-backed loans from commercial banks to pay back its public external debt, which currently amounts to over $2 billion excluding late interest.[99] A comprehensive report released in January 2004 by Human Rights Watch (HRW), including an IMF requested 'oil diagnostic study' points to continuing deficiencies in transparency in oil governance and concludes that "[t]he Angolan government has consistently mismanaged its substantial oil revenues and, despite rhetorical comments, has yet to demonstrate a meaningful commitment to reform."[100] The report prompted the MPLA government to begin a supposed audit of SONANGOL in October of the same year. Some commensurate efforts to improve transparency have been taken. In 2004, Angola agreed to participate in the IMF General Data Dissemination System and requested the organisation's Fiscal Affairs Department to undertake a report on the Observance of Standards and Codes (ROSC) regarding fiscal transparency, including on revenues from oil and other natural resources. The ROSC review is ongoing as of January 2007. The government has also acquiesced to a World Bank program that would provide technical support on transparency. To date, two petroleum revenue management workshops have been held in Luanda for both government administrators and members of civil society. Angola has been considering participation in the Extractive Industries Transparency Initiative (EITI) since 2003, but has not yet done so.[101] Despite these steps to improving accountability, the government does not sufficiently report how it spends its oil revenues, a critical component especially since revenues have been increasing due to new oil bonus payments, generous loans from

98 World Bank, 2005: Pp. i.

99 IMF, Angola: 2006 Article IV consultations preliminary conclusions of the IMF mission, 2006.

100 Human Rights Watch, Some Transparency, No Accountability: The use of oil revenue in Angola and its impact on human rights summary, 2004.

101 EITI, Angola, 2007.

China, and buoyant oil prices.[102] Despite many promises made to the IMF, there is still a lack of budgetary transparency, with Angola ranking as the second least transparent government in a survey of 40 countries.[103] Angola also remains among the world's most corrupt countries, even if its ranking improved from 98th out of 102 countries (1.7/10) in 2002, to 142nd out of 163 in 2006 (2.2/10) according to Transparency International's Corruption Perceptions Index.[104] Hence, the IMF and other lending institutions maintain wariness towards the Angolan government and demand that greater transparency in revenues and expenditures is needed before they are willing to extend formal lending programs to the country.[105]

Corruption continues to be a serious problem, with recent scandals evidencing the prevalence of corruption. In 2003, the Angolan government installed Pierre Falcone as its representative to UNESCO so that he could escape French judicial authorities for his involvement in arms trafficking in exchange for oil in 1993.[106] The Angolan National Police arrested more than 100 protestors in November 2005 when they charged the government with mis-spending billions of public dollars. Though most were released within 24 hours, 27 individuals, who were identified as members of the opposition Party for Progress (PADEPA) were detained and some reported mistreatment by the police. The incident prompted Arvind Ganesan, director of HRW's Business and Human Rights Program to state that, "[t]he Angolan government should tackle corruption and mismanagement, not arrest those who publicise the problems. Arresting critics shows the government isn't serious about reforms to improve transparency and curb corruption."[107]

The conclusion of four decades of armed conflict in 2002 has also brought few changes to Angola's political regime and governance. Despite the message of forgiveness, national reconciliation, and reconstruction and the promise of free elections given by President dos Santos before the Memorandum signing ceremony, military peace has allowed the MPLA party to effectively continue single-party politics, with little room for political opposition and effective challenging of autocratic structures and further hindering the consolidation of peace.

[102] Human Rights Watch, Angola: New OPEC member should tackle corruption not critics, 2006.

[103] International Budget Project, Open budget initiative 2006, 2006.

[104] Transparency International, Corruption Perceptions Index, for 2002 and 2006.

[105] UNHCR, Human Rights Watch world report 2005 – Angola, 2005.

[106] T. Hodges, The role of resource management in building sustainable peace, 2004.

[107] Human Rights Watch, Angola: New OPEC member should tackle corruption not critics, 2006.

Although opposition parties and civil society groups have repeatedly called for elections, to curb the MPLA from enlarging its mandate without popular support and to terminate the autocratic rule of the party and the President, national elections have been just as repeatedly delayed. The government's commitment to hold elections in late 2006[108] was delayed and elections are instead set for 2008.[109] Hence, the MPLA party continues to have a majority in the National Assembly so is at liberty to pass any law it wishes. As such, it has approved a draft Constitution in 2004 that preserves Presidential and central power. The President has the authority to dissolve Parliament and to install and discharge provincial governors, the President of the BNA, and members of judicial bodies as well as direct their activities.[110]

Freedom of expression, association, and assembly remains feeble. Political opponents suffer violence from the police, military, the Civil Defence Organisation, and MPLA allies. The government limits spaces and opportunities for democracy by tightly controlling state-owned media, frequently omitting critical voices and arguments, and prohibiting the Catholic broadcasting station, Rádio Ecclésia, from broadening its signal outside of the capital city.[111] Such restricting policies have marginalised opposition parties and civil society groups and resulted in a democratic deficit whereby there are few to no voices presenting public concerns in a constitutional manner, such as, rampant abuses of authority and worsening social conditions in the political arena. Abuses include the compulsory relocation of housing to facilitate real estate interests; the demolition of markets without the construction of compensating resources; and flagrant threat by policemen towards *kinguilas* (informal currency changers) and *zungueiras* (street vendors). Poverty remains extreme; with 2004 data ranking Angola 79th of 102 developing countries according to UNDP's Human Development Index,[112] and 70 percent of the population living on less than a dollar a day.[113] The new public budgets have seen an increase in social services but there is a lack of comprehensive study to assess the evolution of social indicators after five years of 'post-conflict' reconstruction.[114] Although the percentage of

108 UNHCR, Human Rights Watch world report 2005 – Angola, 2005.

109 Angola Press Agency, Angola: Official outlines ruling MPLA priorities for 2007, 2007.

110 Lopes, 2004.

111 UNHCR, Human Rights Watch world report 2005 – Angola, 2005.

112 UNDP, Human development report 2006 Human development indicators Country fact sheets Angola, 2006.

113 Lopes, 2004.

114 For a recent review, see http://mirror.undp.org/angola/LinkRtf/Angola_MDG_Prog_Report_2005.pdf (poverty data is lacking, school enrollment is up, infant mortality is stagnant). Angola: Fast growth. Africa Research Bulletin: Economic, Financial and Technical Series 43 (7), 17037A–17038C.

social spending in public expenditures increased from 12.7 in 2003, to 20.1 in 2004, and 29 in 2005, lack of comprehensive budgetary transparency and study assessing the evolution of social indicators prevents a thorough assessment of the impacts of these changes after five years of 'post-conflict' reconstruction.[115] In 2004, less than 2 and 5 percent of the GDP were spent on health and education respectively; such shares are some of the lowest in the region, which averages 6 and 10 percent in both sectors.[116]

Although the government has finished its Poverty Reduction Strategy Paper in November 2005 and is working with the World Bank to monitor and evaluate the progress of its *Estratégia de Combate à Pobreza* (Strategy to Combat Poverty or ECP),[117] NGOs and civil society organisations are concerned that the administration will bypass the grassroots programmes that they feel would be most effective at addressing poverty in favour of large-scale and expensive infrastructure projects that will not materialise benefits for the majority of Angolans.[118] The lack of democratic recourse has compelled civilians to increasingly resort to violent demonstrations to decry abuses of power and express their frustrations with poverty. However, these public outbursts have only allowed the MPLA to justify increased expenditure on means of repression.[119]

Angola's 'Other Conflict': Cabindan Secessionism

Two major differences between Sudan and Angola are the nature of the conflict and its mode of settlement. In Sudan a secessionist conflict was achieved through a negotiated agreement that increased the autonomy of the south, while in Angola an insurrectionist movement was militarily defeated. Angola, however, is also facing a secessionist conflict in Cabinda, where the majority of 'Angolan' oil has been produced since the late 1950s and where a third of current production continues to take place. Separated from the rest of Angola by a 60 km wide strip of DRC territory, Cabinda has a 'native' population of about 600,000 (with 400,000 living

115 For a recent review, see http://mirror.undp.org/angola/LinkRtf/Angola_MDG_Prog_Report_2005.pdf (poverty data is lacking, school enrollment is up, infant mortality is stagnant). Angola: Fast growth. Africa Research Bulletin: Economic, Financial and Technical Series 43 (7), 17037A–17038C.

116 World Bank, 2005: Pp. i.

117 Ibid. No date given. Poverty Reduction Strategy Papers (PRSP).

118 IRIN, Angola: Oil rich but dirt poor, 2005.

119 Lopes, 2004.

abroad), making it in theory a middle-income country.[120] The Angolan government has pursued an array of strategies to secure its hold on Cabindan oil, including a *de facto* military occupation of this relatively small territory; military support for pro-Angolan neighbouring regimes; negotiations with FLEC factions; and a special tax regime for the province (10 percent of oil revenues from the province).

In August 2006, the Angolan government signed a Memorandum of Understanding (MoU) with Antonio Bento Bembe, a former FLEC-FAC leader claiming to represent Cabindan civil society (the *Fórum Cabindês para o Diálogo* or FCD) but whose authority many Cabindan organisations and FLEC historical leaders have rejected.[121] Months before the MoU was signed, Bembe had been arrested in Holland and was to be deported to the US for the kidnapping of a US citizen but a deal was reportedly struck with Angolan authorities for him to 'represent' FLEC-R and FCD in negotiations in exchange for his amnesty and non deportation to the US. The MoU does not grant independence or autonomy to Cabinda but only a 'special administrative status' within a 'complete and indivisible state' of Angola. This 'peace deal' does grant a blanket amnesty and (potentially lucrative) governmental positions to FLEC fighters.[122] Although the text of the MoU itself was not accessed, there does not seem to be any specific provision granting new oil rights for the province. The deal also coincides with the start of on-shore oil exploitation in Cabinda, some of which had been delayed because of security concerns. By early 2007, however, pro-independence websites and government military officers continue to report skirmishes between FLEC and FAA troops.

Lessons from Angola?

The evolution of the Angolan oil sector in relation to 'post-conflict' peace-building suggests that high income has promoted the pre-existing political status quo that maintained in place the largely authoritarian regime. Not only did the Angolan government 'win' the war against UNITA (and corner key FLEC factions), but its growing geo-strategic and commercial importance as well as its high economic growth are making it relatively immune to both external and domestic political op-

[120] P. M. Martin, The Cabinda connection: an historical perspective, 1977; J G. Porto, Cabinda: Notes on a soon to be forgotten war. Institute for Security Studies, 2003.

[121] Africa Research Bulletin: Political, Social and Cultural Series. Cabinda Timeline 43 (10), 2006, 16825B–16825C.

[122] Africa Confidential, Cabindan Dreaming 47 (17), 25 August 2006, 5. Fiéis de Bento Bembe serão incorporados nas FAA e na Policia Nacional angolana. Idinda.com, 4 January 2007.

position. At the external level, the Angolan government has been able to convince foreign governments to work in 'partnership' with it. At the domestic level, the government has been able to 'purchase' or 'cow' political opposition in the face of rapidly rising inequalities and postponed general elections. The result has been 'regime stability' but a fragile peace. Even though rising oil revenues could (and should) greatly improve social conditions, the shortage of transparency in government practices and the lack of accountability created by both the democratic deficit and by the government's restrictions on political opposition and criticism mean that oil rent continues to benefit few in Angolan society.

Oil has so far contributed to peace building through post-conflict reconstruction and development-oriented initiatives. Although Official Development Aid to Angola increased sharply in 2004, many western donors have been reluctant to provide unconditional support given the level of revenues collected by the government and its relative lack of progress on key governance issues. As a result, domestic revenues (as well as grants and loans from less demanding donors, notably China and to some extent the US and Portugal) have addressed demobilisation efforts and some of the massive needs of the population. Oil revenues have helped to finance the necessary processes of demobilisation, disarmament and reintegration, though progress in these areas remains slow and ongoing. Social spending has improved significantly but not by the leaps and bounds that it should, given the abundance of oil revenue.

There may be some relevant insights for the situation in Sudan:

- Oil revenues tend to maintain the power of former elites. It is thus important to integrate reforms at an early stage before leverage is further undermined and vested interests consolidated.
- The nature of conflict termination is influential on how oil governance and political regime may affect the aftermath of civil war. It is thus important to articulate a negotiated settlement with broader reforms.
- There are strong linkages between political governance and oil governance. Political opening and power sharing between different groups in society (e.g. a diversity of political parties, media watchdogs, civil society organisations, and members of the public) as well as mechanisms to hold the government transparent and accountable for responsible expenditure for oil revenue can increase regime legitimacy and progressive reforms, notably through a better allocation of oil revenues. This allocation should neither focus on a 'populist' agenda of poverty alleviation reminiscent of selective patronage politics; nor should it concentrate on an 'elitist' agenda of economic modernisation characterised by

crony capitalism. Rather, this allocation should seek to address the immediate needs of population, while aiming for a genuine opening of the economy and society in general.

CHINA'S INVOLVEMENT IN ARMED CONFLICT AND POST-WAR RECONSTRUCTION IN AFRICA: SUDAN IN COMPARATIVE CONTEXT

Daniel Large

Introduction

The role of China in Africa is receiving unprecedented attention in the wake of China's 'Year' of Africa in 2006. The salient reason for Africa's importance to China is the continent's capacity and potential for supplying China with a range of natural resources, besides the additional reasons of political relations and the African market for Chinese business. This major driver of China's reengagement with Africa has been much remarked on. Thus far, however, there has been little analysis and even less research on how Chinese actors have been involved in armed conflict and in the related arena of post-war reconstruction.

China's relations with Sudan are currently at the foreground of its African relations. China is a key link for modern Sudan's relatively new oil sector, an internationalised industry founded in relations of violent local extraction. The relatively recent achievement of a functioning commercial oil sector and the comparatively short gestation of an associated political economy of oil has taken place largely been under Northern Sudanese control. However, it has had, and will continue to have, a pronounced impact on Southern Sudan.

This paper sketches a preliminary comparative assessment of China's role in armed conflict, post-war reconstruction and the peace process after the Comprehensive Peace Agreement (CPA) in Sudan. It proceeds by locating China's involvement in Sudan within a broader African context in an attempt to show that much of the behaviour of Chinese actors in Sudan is consistent with wider trends, whilst also being characterised by distinguishing factors that are conditioned by the Sudanese context. It begins by surveying China's involvement in armed conflict in Africa, including Sudan, before looking at China's involvement in post-war activities in Angola and Sudan and concluding with an assessment of China in Sudan after the CPA.

A number of caveats should be noted at the outset. First, like China-Africa relations more generally, there are significant knowledge gaps on this subject; what follows does not claim to begin to be comprehensive. Second, terms such as 'China' and 'Africa' are employed as convenient shorthand for what are entities that are obviously more complex. Third, there is no intent to suggest that China's reengagement in Africa has had a disproportionately significant impact on armed conflict in Africa. Chinese actors are by no means uniquely implicated in conflict-fuelling resource extraction activities. Just as the broad nature of China's trade with sub-Saharan Africa follows and reinforces the existing structural subordination of resource-endowed African economies in the world, the involvement of Chinese actors in conflict-fuelling activities follows a similar logic of established resource extraction dynamics. As such, the similarities between Chinese and more established actors should be remembered and the temptation to present China's African involvement as somehow qualitatively different, resisted.

China and Armed Conflict in Africa

The historical background to modern China's involvement in armed conflict in Africa is important and presents a marked contrast to the profile of its more recent involvement.[123] The types of armed conflict that the revolutionary People's Republic of China (PRC) became involved in throughout Africa were importantly different in nature. Communist China's interventions in armed conflict were not connected to China's material needs or demand for resources. These were generally politically motivated initiatives made in the context of an extension of radical politics on the mainland or as part of wider strategic maneuvering *vis-à-vis* Western powers and the Soviet Union. The extension of Sino-Soviet rivalry into the African theatre would have particular ramifications for shifting Chinese involvement that intensified after 1968, when Soviet incursions in Africa were seen by the ruling Chinese Communist Party as a threat to China. This prompted support for Biafran succession, developing Zaire as a centre for resisting Soviet advances through military means, and following earlier support for the MPLA and UNITA, the extension of support to the FNLA in Angola (National Front for the Liberation of Angola). By training and supporting the FNLA, Beijing aimed to thwart the Soviet-backed MPLA until its proxy forces were defeated in late 1975. Even after that, it tried to compensate for its inferiority through other strategic means.

The militant revolutionary phase of China's Third World policy, lasting, with some variations, from the late 1950s through to the late 1960s, had mixed results, as did

[123] See S. F. Jackson, "China's Third World Foreign Policy: The Case of Angola and Mozambique, 1961-93", The China Quarterly 142, 1995: 388-422.

China's continued efforts to provide military assistance to armed struggles. Not long after Zhou En Lai declared from Mogadishu in 1964 that revolutionary prospects in the continent were 'excellent', the PRC at various points in time supported liberation struggles in Guinea-Bissau, Angola, Mozambique (FRELIMO), Zimbabwe (ZANU), and southwest Africa (SWAPO). Material assistance and arms were supplied but a poor China emphasised guerrilla warfare education and training, especially theory, notably at the Nanjing Military Academy.[124] In contrast to the PRC's support for 'revolutionary armed conflict' in other parts of the African continent, Beijing did not assist Sudan's rebel Anyanya 1 after 1955, an armed struggle that might have otherwise been viewed as a people's struggle worthy of Chinese support. Instead, it continued to support the government in Khartoum having decided, it seems, that any other policy would jeopardise relations with a friendly government and the Middle East. Furthermore, as Khartoum's support for Congolese nationalists in 1964 was in keeping with the PRC's policy, Beijing expressed concern when the Congo threatened to help the rebels in Southern Sudan. Hoping that the conflict could be resolved within a framework of unity in Sudan, it even went so far as to announce its willingness to assist Sudan against such foreign intervention.[125]

The broad contrast in Africa between a PRC propelled by politics-in-command and reform/opening era China, especially after 1989, where economics and material needs would assume a more central role in guiding relations with the continent, reflects far-reaching changes in China's domestic politics and development. Overall, the PRC's involvement in late and post-colonial African conflict arenas had been driven by a combination of political and strategic motivation not connected to material needs or demand for resources.[126] In recent years, however, and continuing the pattern set in the 1980s, the political factors driving Chinese involvement in armed conflicts connected with liberation struggles have changed considerably. Chinese state politics and diplomacy serves to promote China's new resource and emerging geopolitical needs and agenda. The results of the shift in China's economic relationship with the African continent since 1989 have borne fruit and have been especially evident in the past six years. Supported by state-to-state relations, China's new relations with Africa embrace a new multiplicity of state-owned or backed companies,

124 See P. Snow, The Star Raft: China's Encounter with Africa. London: Weidenfeld and Nicolson, 1988: 105-143 for more detail.

125 A. Ogunsanwo, China's Policy in Africa, 1958-71. Cambridge: Cambridge University Press, 1974: 174, citing the People's Daily 28 January 1964.

126 B. D. Larkin, China and Africa 1949-1970: The Foreign Policy of the People's Republic of China. Berkeley: University of California Press, 1971: 93.

private companies, joint ventures, or local government sponsored trade initiatives, some occurring outside the scope of Beijing's formal influence. Cumulatively, these are producing a new economic geography throughout Africa, of which investment in conflict-affected areas is a part, and the geopolitical dynamics accompanying China's rise in Africa show signs of the potential for new conflicts. China's involvement largely remains predominantly via state-connected commercial engagement mechanisms, but the new array of Chinese businesses and investors is beginning to produce a broader spectrum of commercial engagements.

In the latest phase of China's involvement in Africa, Chinese actors have been linked with armed conflict in a number of areas. The first, prominent example is that of arms supplies, an area where hard information is lacking.[127] China ranks 11th for aggregate arms exports between 2001-2005 in the global arms trade.[128] China is clearly not alone in being an arms supplier to Africa but appears behind Russia. Small arms accounted for a significant proportion of transfers. Chinese support at the first Forum of China Africa Cooperation in 2000 for arms control, specifically to counter the illicit proliferation and trafficking of small arms, was apparently a concession following South Africa's insistence on including Article 18 'Co-operation on Arms Control' in the Beijing Declaration. How far in practice, however, the Chinese government has allowed Article 18 to restrict its arms exports, or been able to do so, is debatable. While the Chinese government's 2005 White Paper on Arms Control is a further attempt at regulation, the issue continues to raise wide concern within and outside Africa.[129] For example, the appearance of Chinese light arms in the hands of DRC government forces, and militia in eastern DRC attests to the impact of arms sales in helping to sustain and lubricate long-running low intensity conflicts. In the recent case of Darfur, China is one of Sudan's more visible arms suppliers today - and it has been so for over 30 years, prominently since 1971. The arms embargo on Sudan established under UN Security Council Resolution 1556 (2004) required all states to prevent the 'sale or supply' of arms to Darfur. UN investigators found no evidence China was defying the embargo and supplying arms

[127] This is not helped by the fact that, for example, China does not declare sales to the UN Register of Conventional Arms Transfers which covers major weapons systems. An overview is provided in M. Curtis and C. Hickson, "Arming and alarming? Arms exports, peace and security", in The New Sinosphere: China in Africa, L. Wild and D. Mepham (eds.). London: IPPR, 2006: 37-46.

[128] A total of $1,583 compared to Russia's $28, 982 or America's $28,236. SIPRI Yearbook 2006. Armaments, Disarmament and International Security. Oxford: Oxford University Press, 2006: 481.

[129] *China's Endeavors for Arms Control, Disarmament and Non-Proliferation, 1 September 2005.* 'Firmly combating illegal activities in the field of small arms and light weapons (SALW) is of great importance to maintaining regional peace, stability and development, fighting terrorism and cracking down upon such transnational organized crimes as drug-trafficking and smuggling.'

directly to Darfur, but found that Chinese weapons sold to Khartoum were likely to end up there. The report of the UN Panel of Experts established under Resolution 1591 found that: "Shell casings collected from various sites in Darfur suggest that most ammunition currently used by parties to the conflict in Darfur is manufactured either in the Sudan or in China".[130] It also found that 222 vehicles, including 212 military trucks, were procured from Dongfeng Automobile Import and Export Limited in China. The consignee was Sudan's Ministry of Finance and National Economy, apparently on behalf of the Ministry of Defence.[131] According to Ernst Jan Hogendoorn, one of the UN panel experts, 'China has been, and continues to be, a major supplier of light weapons to the government of Sudan and many of the neighbouring states'.[132] Another report found Norinco arms used by fighters for the Chadian United Front for Democratic Change outside El Geneina, Western Darfur photographed on 28 February 2006.'[133]

While in the current phase arms transfers appear generally to be less politically directed than formerly and often commercially channeled, close military exchanges form part of the recurring package of political relations China cultivates with many African states. In Nigeria, the Chinese government moved adroitly after a Nigerian-US agreement on security assistance in the Niger Delta in December 2005 was reportedly delayed due to Washington's concerns about corruption and human rights abuses. As the US tried to tie its involvement to political change, Beijing intervened and Nigeria will now source patrol boats from China.[134] Arms are sometimes included in aid packages accompanied by Chinese military assistance, primarily in the form of training. In the case of Chad's switch to Beijing in mid-2006, for example, President Deby reportedly explained to the Taiwanese President Chen Shuibian, that because of the seriousness of the civil unrest caused by the rebels, he had to make compromises with the Chinese government 'for the survival' of Chad.[135] The Chadian delegation to the 2006 Forum of China-Africa Cooperation discussed military cooperation, followed in early 2007 by a military cooperation and assistance programme from Beijing.

[130] Report of the Panel of Experts established pursuant to paragraph 3 of resolution 1591 (2005) concerning the Sudan (30 January 2006), para. 125, p. 37.

[131] Ibid. para 126. p. 37.

[132] O. McDoom, "Chinese arms in Darfur: the twisted trail of weapons", *Reuters* 19 June 2006.

[133] Amnesty International. People's Republic of China: Sustaining conflict and human rights abuses, June 2006: 12.

[134] "Nigeria shifts to China arms", Financial Times, 28 February 2006.

[135] "Taiwan Foreign Minister Regrets Diplomatic Break With Chad", Taipei Times, 7 August 2006.

The second area is Chinese involvement in resource extraction programmes that have been of a conflict-fuelling nature. Rather than isolating these as distinctively 'Chinese', they should be considered as essentially following in the wake of, and thus similar to, other corporations involved in the globally operating political economy of resource-extraction related conflict. Although certain Chinese state-owned enterprises operate with state backing in ways that other private companies do not, there are also independent businesses all of whom can benefit from the high premium placed by the Chinese government on establishing and maintaining good political relations with African states. In many ways, this is to be expected given the nature of resource extraction activities. Given the economic geography of resource-related Chinese investment and involvement in the African continent, its role in activities that can or do feed into conflict might be expected.

Illegal logging has been one area where Chinese enterprises have contributed in places to conflict-fuelling extraction activities. An estimated 60 per cent of Africa's timber exports are destined for the China market. Chinese (and Taiwanese) logging companies have been linked to the over-exploitation of forest resources. Liberia illustrates the entanglement of Chinese, together with other companies, in extractive trade relations interlinked with relations of violence. Timber became the largest sector of Liberia's considerable export economy during the Charles Taylor regime, when timber firms were crucial sources of income sustaining Taylor's predatory regime. Chinese importers were one source of strategically important income for Taylor, importing roughly 46 per cent of Liberia's exported timber in 2000, compared to France's 18 per cent.[136] Both China and France opposed sanctions on Liberian timber until early 2003, in large part because of a dependence on Liberian timber imports after declining supply from other West African countries. After coming under international public scrutiny by human rights organisations, both agreed on sanctions being placed on Liberian timber exports in July 2003.[137]

Mineral extraction is another area where Chinese enterprises have followed paths similar to those of other corporate actors in becoming imbricated in conflict-fuelling activities. Chinese natural resource extraction activities in the DRC provoked concerns in the wake of Chinese corporate involvement in the Congolese mineral market, especially in the Copperbelt of Katanga Province. Figures on China's im-

[136] Africa Research Bulletin, 2001.

[137] P. Johnston, "Timber Booms, State Busts: The Political Economy of Liberian Timber", Review of African Political Economy 101, 2004: 446.

ports of the DRC's cobalt ores indicated that the average value of cobalt being exported each week in 2004 from Katanga was some $1.7 million US, much of which reportedly headed to China. Feza Mining, a joint venture between the Chinese company Wambao Resources Corporation and Congolese businessmen linked to President Joseph Kabila, was finishing a pyrometallurgic plant scheduled to produce 1,000 tonnes of pure cobalt per year.[138]

Finally, and most importantly, there is oil. China obtains about 30 per cent of its oil imports from Africa, mainly Angola, Sudan, Equatorial Guinea, the Republic of Congo and Nigeria. Oil is at the forefront of emerging geopolitical competition playing out around the world, including the Caspian Basin, but in the past two years has been especially prominent in Africa, largely due to recent interest in Chinese activities there. In the context of the role of Chinese actors in resource-related conflicts, China's links with Nigeria have significantly expanded in recent years.[139] This has contributed to its being drawn into resource politics. In Nigeria, China faces the same difficulties as established corporate investors in guaranteeing its primary interests and oil-related investments in particular. This was illustrated when nine China National Petroleum Corporation (CNPC) Chinese oil workers were abducted in late January 2007 and held hostage in the Niger Delta, following a separate kidnapping of 5 telecommunications workers in southern Rivers state.[140] The Movement for the Emancipation of the Niger Delta has also threatened the Chinese.[141] While China's role in the Nigerian oil sector should be kept in proportion,[142] it is another indication of the challenges it faces in this key area of resource extraction.

Oil and Armed Conflict in Southern Sudan

Sudan was the fourth country in the African continent to recognise China when it established diplomatic relations on 4 February 1959. Its post-independence civilian

138 A. Zajtman, "Chinese demand boosts DR Congo mines", *BBC*, 16 March 2005.

139 S. Srinivasan, Bang for Barrel: who will get the most out of the Sino-Nigerian relationship?. Paper presented at the conference, A 'Chinese Scramble'? The Politics of Contemporary China-Africa Relations, Cambridge, 12 July 2006.

140 E. Harris, "Captors release nine Chinese oil workers in Nigeria", Mail & Guardian 5 February 2007.

141 "We wish to warn the Chinese government and its oil companies to steer well clear of the Niger Delta… The Chinese government by investing in stolen crude places its citizens in our line of fire." C. Timberg, "Militants Warn China Over Oil in Niger Delta", Washington Post, 1 May 2006.

142 China's oil relations started in July 2005 when a 5-year renewable contract to provide 30,000b/d was signed for $800 million. In January 2006 the Chinese oil company CNOOC Ltd announced it was paying US$2.27 billion for a 45 per cent stake in Nigeria's offshore Block 130 owned by SA Petro.

and military governments have generally maintained good relations with China. Oil dominates Beijing's relations with Khartoum inside Sudan and in the international political arena. Exports of crude oil to China reached as high as 80 per cent of Sudan's total crude exports on average between 2001-2004. According to official statistics, this amounted to approximately 7 per cent of China's oil imports (though this had been higher at some 11 per cent) and in 2002 supplied China with its highest volume of crude imports from Africa.[143] Close state-state connections underpin current relations. The Chinese governments desire to earn favour amongst Sudan's ruling elite was symbolised by the completion of the Chinese-built Khartoum refinery in time for 30 June 1999, the tenth anniversary of the coup that saw the National Islamic Front take power in Sudan.

China did not attain its structural position in the oil sector and economy of northern Sudan overnight: a longer history of relations underpins contemporary ties. China's past aid programmes in Sudan include forms of barter trade, concessionary loans, arms transfers, and its post-1972 Addis Ababa peace agreement aid programme as well as symbolic construction projects implemented by Chinese contractors featuring roads, bridges and Khartoum's Friendship Hall.[144] After initial hesitancy from Beijing about thickening its Sudan ties after 1989, witnessed during the visit to Beijing by the new Sudanese President Bashir in November 1990, the experience of international political isolation for both post-Tiananmen China and post-NIF coup Sudan would contribute to the development of political and oil-sector ties. Prior to the entry of Chinese oil companies, a small number of Chinese businesses established footholds in Sudan facilitated by a raft of bilateral agreements concerning trade promotion and official cooperation from 1993. Sudan served as an arena for the technical development of China's oil industry, and assumed an important place in China's overseas oil expansion process.

From the mid-1990s, the vertical integration strategy pursued by Chinese oil companies aimed to enable Sudan to function as an oil exporter, and entailed building the required infrastructure as well as to drilling for and extracting oil. A Chinese trade official boasted: "We started with Sudan from scratch…When we started there, they were an oil importer, and now they are an oil exporter. We've built refin-

143 At 6.42 mt. Tian Chun Rong, "2002 nian - zhongguo shiyou jin chukou zhuangkuang fenxi" [An Analysis of the Condition of China's Oil Imports in 2002], *Guojin Sheyou Jingji* [International Oil Economics] 11 (3), 2003: 26-27.

144 See A. Abdalla Ali, The Sudanese-Chinese Relations Before and After Oil. Khartoum: Sudan Currency Printing Press, 2006 for his account of China's aid programme during the 1970s.

eries, pipelines and production."[145] In terms of China's main oil stakes, CNPC has a 40 per cent stake in the Greater Nile Petroleum Operation Company. Established in late 1996,[146] this is developing blocks 1, 2, and 4 in Western Upper Nile. The first phase of developing Blocks 1, 2 and 4 has been completed by CNPC. Annual production officially totals some 1.5 million tons (30,100 bpd).[147] CNPC assumed a 41 per cent stake and Sinopec a 6 per cent in the second major consortium of Sudan's oil sector, the Petrodar Operating Company which was set up in October 2001 to develop Blocks 3 and 7.[148] On 21 July 2003, CNPC subsidiary the China National Oil and Gas Exploration and Development Corporation announced its discovery of a 'world-class large oilfield' in the Mulut Basin, then CNPC's largest overseas production base. Recently CNPC started operations in blocks 3 and 7 in Sudan with annual output estimated at 10 million metric tons of crude.

However, while China and its companies have attracted and continue to attract the clear majority of attention and scrutiny in Sudan, these are part of a wider cast of actors that together are better thought of as, broadly speaking, an 'Asian' as opposed to a narrowly 'Chinese' phenomenon (not to mention the other companies such as Total who remain involved). "Sudan has largely become a hunting ground for Asian firms",[149] "a centre for Asian operators, with India's ONGC having spent billions of dollars in the last two years gaining a strategic foothold."[150] This is also true not just for the Asian corporations, whose structural foothold is stronger than any of the Western majors, but also for the web of active oil industry service sub-contractors.[151]

The development of the oil sector in Sudan was deeply implicated in the political economy of conflict in Southern Sudan. Most prominently in the 1990s, oil and the

145 Deputy director of the West Asian and African Affairs division of the Trade Ministry, "China in Africa: just business", New York Times 10 August 2004.

146 Other stakeholders in this consortium are Petronas (30 per cent), ONGC Videsh (25 per cent) and Sudan's state oil company Sudapet (5 per cent).

147 Dow Jones, China's CNPC starts operations at key Sudan oil fields, 1 August 2006.

148 Petronas took 40 per cent, and the Al Thani Corporation (UAE) a 5 per cent stake.

149 "Sudan licensing ready", *Africa Oil and Gas* 8 (3), 11 February 2005: 7.

150 "ONGC wants more in Sudan", *Africa Oil and Gas* 7 (13), 2 July 2004: 5.

151 Such as Malaysia's MMC, which won a US $65.6m contract to construct the 490km export pipeline from Petrodar in 2004, Malaysia's Ranhill which won a $239.5m contract to build the central processing facility in Al-Jabalyn, or India's Dodsal group, which won a $230m contract for series of pipelines across the country. "Sudan US $66m pipe award", *Africa Oil and Gas* 7 (15), 30 July 2004: 4.

territorial control of oilfields became a fundamental dynamic in the war.[152] In the long, complex history underlying Sudan's civil wars since independence in 1956 and after 1983, oil was one unusually significant factor amongst others behind conflict, influencing patterns of military engagements and government responses to rebel movements, including the destructive government mobilisation of militia proxies in Southern Sudan. The Sudan People's Liberation Army (SPLA) had opposed Chevron's oil development operations in Heglig and Unity when its rebellion started from 1983. The pattern that played out during the 1990s would continue the process of oil development intertwined with shifting patterns of violent conflict. [153]

Particularly from the mid-1990s, oil companies were dependent on Sudanese government armed forces and proxy militias for exploiting oil reserves and in turn, the military needed oil revenue. One manifestation of this in practice can be seen in conflict patterns related to oil development on the ground. In 1999, for example, the Adar Yale field was protected by a network of military barracks and checkpoints after being vulnerable to SPLA advances south of the Damzin hydroelectric dam.[154] The construction of army garrisons corresponded to the expansion of oil development in Western Upper Nile, as Gagnon and Ryle showed. The agro-economy of the Nuer and Dinka groups in the region revolved around seasonal movement back and forth between permanent villages and cattle camps. While the Government of Sudan (GOS) armed forces were restricted to garrison towns and roads connecting with the north, its military strategy against the SPLA was to support proxy forces (northern Baggara Arab militias and Nuer groups from the south) in attacks on Nuer and Dinka settlements and cattle camps. The results of these were often to drive their inhabitants into Southern Sudan, government garrison towns or to the government-controlled north of the country, especially Khartoum. The people of Western Upper Nile, including those in the Greater Nile Petroleum Operating Company (GNPOC) and Talisman concession, were viewed as an obstacle to further oil development by the GOS and its armed forces.[155]

The SPLA declared oil installations military targets. Its leader, John Garang, announced in August 1999 that the new oil pipeline connecting the Southern oil fields to refining and export facilities at Port Bashir on the Red Sea coast, as well

[152] P. Verney, "Raising the Stakes: Oil and Conflict in Sudan", *Sudan Update*, 2000.

[153] The best overview is D. H. Johnson, The Root Causes of Sudan's Civil Wars. Oxford: James Currey, 2003.

[154] *Africa Oil and Gas Bulletin* 2 (1), January 2000: 19.

[155] G. Gagnon and J. Ryle, Report of an Investigation into Oil Development, Conflict and Displacement in Western Upper Nile, Sudan: 48.

as the oilfields and oil company workers were regarded as legitimate targets by the SPLA and would come under attack. Not only did the SPLA apply military pressure on the GOS, but oil facilities were also targeted for sabotage by other groups. In January 2000, the GOS was reportedly losing around $1 million US in revenue every two hours from oil spilling from the bomb-damaged pipeline from Heglig to the Bashair oil port on the Red Sea. This was attributed to Eastern Sudan's armed opposition group the Beja Conference, part of the umbrella opposition coalition National Democratic Alliance, and was the third such attack after the pipeline became operational in August 1999.[156]

One of the grievances consistently expressed by Sudanese military had been its lack of the financial and material means to effectively wage war. The start of a functioning oil export industry in Sudan significantly changed this. Oil revenues accruing to the GOS increased by a massive 875.7 per cent between 1999 and 2001. Oil revenues in Sudan increased dramatically from SD15.7 billion ($61 million US) in 1999 (from the four months of production after the oil came on-stream) to an estimated 135.4 billion dinars ($596 million US) in 2000 and some 153.2 billion dinars ($675 million US) in 2001.[157] Oil revenues provided hard currency not just for arms purchases but also the Chinese-assisted development of a domestic arms manufacturing capability by the GOS.

The Chinese and other Asian oil companies exploited measures designed to apply pressure on the GOS, including economic sanctions on US business with Sudan.[158] There were no governance preconditions for Chinese companies engaging with Sudan. The successful development and running of Sudan's upstream amidst the civil war demonstrated a willingness to transgress the limits binding Western investors, the absence of investment constraints and complicity in violence. Furthermore, the state-backed CNPC had the benefit of state-directed political support and was not significantly affected by international transparency demands (although CNPC did make the gesture of signing a Code of Ethics in 2000, in part because of pressure from Talisman within the GNPOC). In Sudan the Chinese found an opportunity others would not or could not touch; its oil companies stepped up operations as Western companies such as Talisman came under pressure to withdraw and did so.

[156] Hart's Africa Oil and Gas 3 (2), 26 January 2000: 3.

[157] G. Gagnon and J. Ryle, Report of an Investigation into Oil Development, Conflict and Displacement in Western Upper Nile, Sudan: 35.

[158] L. A. Patey, A Complex Reality: The Strategic Behaviour of Multinational Oil Corporations and the new wars in Sudan, Danish Institute of International Studies, DIIS Report, 2006: 47.

China and Post-War Reconstruction in Africa

China's chequered history with UN peace operations was until recently conditioned heavily by its own experience as a newly independent and vulnerable country emerging from occupation, the anti-Japanese war and its own civil war. One of the first threats the PRC faced was the UN military operation in Korea. Before its 1971 entry into the UN, the PRC denied that the UN had authority to handle international disputes and peacekeeping; between 1971-1981, it had a policy of non-participation in UN votes and operations; in the 1980s, it supported most UN resolutions concerning establishment peacekeeping operation.[159] In recent years, China has officially supported conflict resolution in Africa in various practical ways, as part of what could be a broader trend of involvement in post-war theatres. This has been predominantly bilateral, in keeping with China's broader practice of strict bilateralism in its African diplomacy. At the opening of the second China-Africa Cooperation Forum in Addis Ababa in mid-December 2003, Chinese Premier Wen Jiabao committed China to continued participation in UN peacekeeping operations in Africa and assisting "the peacekeeping efforts of African regional organisations".[160] The Summit's Action Plan pledged China's continuing "active participation in the peacekeeping operations and de-mining process in Africa."[161] This has continued and was restated in the China's African Policy of January 2006.[162] Reportedly, the Chinese government contributed financially to the Somali and Sudanese peace processes. It sent over 500 blue helmets to Liberia in 2003 (after the incoming Liberian government ended its diplomatic relations with Taiwan), and some 220 to the DRC in 2004.[163] The total number of Chinese military personnel sent on peacekeeping missions in Africa to date stands at over 1,400.

Investment by Chinese companies in war-affected countries and those emerging from war is another broad trend across Africa, linked to the targeting of what are otherwise considered high-risk markets. In contrast to the multilateral nature of 'international' post-conflict aid and development programming, and its established institutional apparatus of UN agencies, IFIs and assorted NGOs, Chinese involve-

159 B. N. Tzou, "The PRC's Policy Toward UN Peacekeeping Operations", *Issues and Studies* 34 (5) 1998: 102-122.

160 Speech by Chinese Premier Wen Jiabao at opening ceremony of China-Africa Cooperation Forum 15 December 2003.

161 Forum on China-Africa Cooperation-Addis Ababa Action Plan (2004-2006).

162 China will support "...within our own capacity. It will urge the UN Security Council to pay attention to and help resolve regional conflicts in Africa. It will continue its support to and participation in UN peacekeeping operations in Africa.

163 An engineering battalion and a medical unit stationed at Bukavu.

ment is predominantly business related. For example, Chinese companies invested in Sierra Leone with the renovation of Freetown's Bintumani Hotel even before the civil war ended in January 2001. China is the only country to demonstrate any serious interest in investing in Sierra Leone.[164] However, compared to more developed markets for Chinese businesses such as South Africa, Nigeria or Angola, the Chinese business presence is comparatively small and showcased by the Magabass Sugar Complex run by the China National Complete Plant Import & Export Corporation. There are currently only three Chinese construction companies in Sierra Leone. The Chinese presence in Sierra Leone remains limited because of the small market. Officially, Chinese companies are also spending $200 million US to revive Sierra Leone's tourism industry.[165]

As an emerging donor once again, in different circumstances from its past, overtly political donor roles, China has made token humanitarian assistance gestures in various conflicts. In November 2006, the World Food Programme welcomed China's first donation of $1.75 million US since its graduation from food aid at the end of 2005.[166] Beijing clearly has the desire to be seen as acting as a progressive force in Africa – by its own population in China and by the world at large – and the official Chinese interest in conflict resolution and peace-related activities is part of China's broader re-engagement with Africa. Thus far, the pattern seems to have involved seeking maximum credit for minimal input in multilateral settings, and a tendency to argue in favour of local, regionally or African Union brokered political settlements to conflict as part of its adherence to support for African state sovereignty.

China in Post-War Angola

Angola is currently China's key supplier of oil in Africa and is the leading example of Chinese involvement in a 'post-war' context today. Angola's relations with China had been complicated by fluctuating alliance patterns during its civil war and China's support for the MPLA's rivals. However, recent commerce has produced closer relations. Official China-Angolan trade was some $4.91 billion US in 2004 and $6.95 billion US in 2005, with China running a considerable trade imbalance (im-

[164] See Centre for Chinese Studies, China's Interest and Activity in Africa's Construction and Infrastructure Sectors, Centre for Chinese Studies, Stellenbosch University, 2006. It is interesting to remember that there has been little demand from Chinese sources for diamonds, of which much has been covered in the context of fuelling conflict.

[165] "Chinese companies build up reputation in scramble for Africa", Xinhua, 15 July 2005.

[166] World Food Programme, press release, 2 November 2006.

ports totaling $6.58 billion US in 2005).[167] With a growth rate of some 16 per cent in 2006, Angola is one of the world's fastest-growing economies on paper, despite ranking low (161st out of 177) on the 2004 UN Human Development Index.

The background to China's rapid ascendancy in Angola is Luanda's turn to Beijing amidst faltering negotiations with the IMF. After Angola's finance minister visited China in November 2003 to discuss a loan package in 2004, China announced a $2 billion US oil-backed loan. Officially, the total amount currently loaned to Luanda is in the region of up to $6 billion US (other estimates put the amount at more than $9 billion US). The terms and conditions of Chinese credit in Angola are unknown.[168] However, it was quickly advanced. In January 2005 Exim Bank extended an oil-backed $1 billion US credit line to the Angolan government payable at 1.7 percent over 17 years (subsequently lowered to 0.25 percent) and later increased to $3 billion US in March 2006.[169] This made China the most important economic actor in the process of Angola's post-war reconstruction. The primary purpose of the loan package was the reconstruction of Angola's infrastructure. The loan provided for 70 per cent of tenders for construction and civil engineering contracts to be awarded to Chinese companies. Thirty-five selected companies (mostly SOEs but also private) pre-approved by China were able to tender for contracts in the Angolan construction industry funded through Chinese credit.

The number of Chinese companies in Angola in the 18 months after the loan increased markedly. Between late 2004 and mid-2006, Chinese enterprises secured over $3 billion US worth of construction contracts all linked to the Chinese oil-backed credit line and mostly concerning government buildings and general national infrastructure.[170] The Luanda-based Chamber of Commerce for Chinese Companies in Angola, established in March 2006, has some 28 members.[171] The leading join-venture investment, announced in March 2006, is Sonangol-Sinopec

167 According to China Trade Statistics.

168 "In spite of the magnitude of China's projects in the country, very little is known about them." Paul Hare, "China in Angola: An Emerging Energy Partnership", China Brief 6 (22), 8 November 2006.

169 This section draws on the Centre for Chinese Studies, China's Interest and Activity in Africa's Construction and Infrastructure Sectors, Centre for Chinese Studies, Stellenbosch University, 2006.

170 Ibid.: 5.

171 Including the China National Machinery and Equipment Import & Export Corporation (CMEC), Jiangsu International, China International Water and Electricity Group, ZTE Corporation, Huawei, Sinosteel Corporation, China Petroleum and Chemical Corporation (Sinopec), China National Overseas Engineering Corporation (COVEC).

International (SSI), in which it appears that Sinopec holds a 55 per cent share.[172] The consortium had planned to develop a major refinery at Lobito, Sonaref, requiring a total investment of some $3.7 billion US. Sonangol and the Ministry of Petroleum had previously failed to attract investment from the oil majors because of concerns about the project's viability. However, negotiations between Sonangol and Sinopec broke down in March 2007.

With Angola, having even been labeled 'the China of Africa',[173] the impact of China's move into Angola has already been tangible in the area of infrastructure. "The entry of the Chinese construction companies into Angola, albeit controversial, has marked a period of rapid infrastructural regeneration. For Angola, a country only recently emerging from civil war, the rehabilitation of vital roads and railways, and the general development of infrastructure are of national priority to sustain economic growth and encourage investment. Chinese companies have made a broadly positive contribution in this regard."[174] Chinese loans have also been used for the upgrading of socially beneficial water sanitation and health facilities, such as the Luanda General Hospital, which was completed by the Chinese Overseas Engineering Company in February 2006. The airport at Viana, outside Luanda and the war-damaged Benguela railway are other projects. The Chinese aid programme outside the parameters of the loan does not seem to be extensive.[175] $100 million US of the credit line from China was also designated for upgrading health sector facilities in Huambo province. The money went towards rehabilitating and equipping the regional hospital in Huambo city as well as constructing two district hospitals.

China is the only country to make such amounts of money available to the Angolan government. Its funding has been "particularly welcomed considering the paucity of options available to the Angolan government and the urgency with which such funds are required for the reconstruction of the economy and the country's infrastructure."[176] In exchange for the loan, Angola is to provide China with 10,000 barrels of oil per day. China has increased the oil-backed loan several times, and it is

[172] Centre for Chinese Studies, China's Interest and Activity in Africa's Construction and Infrastructure Sectors, Centre for Chinese Studies, Stellenbosch University, 2006: 21.

[173] Africa Research Bulletin 43 (11), January 2007.

[174] Centre for Chinese Studies, China's Interest and Activity in Africa's Construction and Infrastructure Sectors, Centre for Chinese Studies, Stellenbosch University, 2006: 29.

[175] For example, the Chinese government donated about 960 tonnes of mainly agricultural products such as hoes and handles, axes, scythes, ploughs and machetes to Malanje province worth about US$1 million.

[176] Centre for Chinese Studies, China's Interest and Activity in Africa's Construction and Infrastructure Sectors, Centre for Chinese Studies, Stellenbosch University, 2006: 21.

"very centrally controlled by the Angolan government executive."[177] The Chinese loan deal represented a significant arrangement for the Angolan authorities prior to elections scheduled for 2007.[178] In Angola, China essentially replaced conditionality-ridden OECD donors and Bretton Woods institutions as the provider of credit for the country's post-war reconstruction period. Chinese funding diminished IMF influence and those other actors promoting the reform agenda in Angola.[179] While competition in the form of China meant that a monopoly of external conditionality was broken, the extent to which China has emasculated neither IMF influence, nor its ability to easily navigate the challenging terrain of Angolan politics should not be exaggerated. Angola continues to be interested in Paris Club debt rescheduling, maintains a dialogue with the IMF and the World Bank continues to be engaged. As one commentator remarked with regard to China's involvement: "Nothing should be taken for granted in Angola, even by China".[180]

The Role of China in Sudan after the CPA

The Comprehensive Peace Agreement (CPA) of 9 January 2005 between the Government of Sudan and the SPLM/An inaugurated a period of formal peace between Northern and Southern Sudan, as conflict in Darfur deepened and eastern Sudan continued to experience unrest. In the aftermath of the CPA, which has encountered a myriad of political and linked implementation problems, oil has emerged as a major destabilising factor threatening to undermine the accord. China's actual role in the CPA negotiations was minimal at best. However, when President Bashir met the visiting CNPC president Chen Geng on 13 November 2005 and commented that "CNPC brought us not only petroleum but also peace",[181] this was undoubtedly problematic. What is more certain is that China's role in Sudan after the CPA has not been involved in the international framework mounted to promote and implement the accord in conjunction with the Government of National Unity and the Government of Southern Sudan, and has been overshadowed by its diplomacy over Darfur.

There is no formal Chinese participation in 'international' recovery efforts under

[177] Ibid.: 38.

[178] Alex Vines, "The Scramble for Resources: African Case Studies", South African Journal for International Affairs 13 (1), Summer 2006: 71.

[179] Ian Taylor, China and Africa: Engagement and Compromise. Abingdon: Routledge, 2006: 91

[180] Paul Hare, "China in Angola: An Emerging Energy Partnership", China Brief 6 (22), 8 November 2006.

[181] "Sudanese president Bashir and CNPC president Chen Geng held talks", *CNPC*, 17 November 2005.

the CPA, from the donor conference to questions of practical implementation, bar the Chinese peacekeeping contingents. The Chinese government has, however, contributed to the UN Mission in Sudan (UNMIS). Most recently, it dispatched its second group of peacekeepers in mid-January 2007, the 435 peacekeepers including 275-soldier engineering division, a 100-soldier transportation and a 60-soldier medical division.[182] It has also contributed a small number of UNMIS police staff, including those working out of Juba whose responsibilities include the training of the police force. As one mode of national image projection, the caliber of Chinese personnel sent on such missions is high. However, beyond this, and in terms of the existing international donor and implementation architecture of the CPA, China does not appear to have been or be involved. China's wider ingrained preference for bilateral government relations characterises its involved-but-apart stance on UNMIS. This recalls its bilateral involvement in post-1972 Sudan but in a markedly different context. In view of its current investment in Sudan, it is striking that China is not appearing to demonstrate interest in operating beyond bilateralism and contributing to the multilateral programme. However, this is entirely consistent with the Chinese government's policy of only working with African governments.

Instead, alongside continuing close state political relations, China's predominant means of engagement has come through continued oil engagement and increased private sector efforts in Sudan. Oil operations have expanded after the CPA and remain at the forefront of official relations. On 16 November 2005, for example, at a ceremony attended by the long-serving Minister for Energy and Mining Awad Ahmed al-Jaz, CNPC president Chen Geng, and Li Changchun, standing member of the CCP Central Committee, progress in the jointly invested CNPC-Sudan Energy and Mining Ministry project to upgrade the Khartoum refinery was celebrated. The venture is projected to see an annual processing capability of 5 million tonnes.[183] Upgrading of the refinery was completed in June 2006, enabling a theoretical expansion to 100,000 bpd.[184] Beyond oil, however, Sudan is a comparatively established market for Chinese companies but one that has yet to substantially diversify beyond oil. The theoretical benefits of Chinese business activity in Sudan today are offset against employment practices widely reputed by many Sudanese to be, and reported as, not being locally embedded or providing substantial opportunities.

182 "China sends 435 peacekeepers to Sudan", *Xinhua*, 18 January 2007.

183 http://www.cnpc.com.cn/english/xwygg/news/200511250007.htm.

184 "Sudan's Khartoum refinery expanded, sees gasoline exports", *Reuters*, 10 July 2006.

Localised conflict has accompanied work on the controversial Meroe (Hamdab) dam in northern Sudan, an ambitious construction project at the fourth cataract of the Nile River. Chinese contractors won the bid for the contract with a $650 million US offering. Costing about $1.5 billion US, the project is financed largely by Arab multilateral and national funds and implemented by a joint venture involving the China National Water Resources and Hydropower Engineering and China Water Engineering. It appears that familiarity with Sudan, lower risks in the bid, and highly competitive conditions on pay and profit were influential in the bids success. There have been reports of tensions as construction has proceeded. In late 2005, for example, there were reports of disturbances in the Sani area connected to Chinese contractors installing electricity networks connected to the Hamdab (Merowe) dam occupying water wells in a Manasir nomad centre.[185] This appears to be one aspect of a broader contested displacement and relocation programme caused by the dam, and "tension between the Chinese contractors and the government on the one side and the affected people on the other side".[186]

More than any issue, however, Darfur has internationalised China's Sudan links and drawn closer attention to its wider involvement in the African continent. The Chinese and Sudanese governments have been – or at least want to be seen to be - in regular contact over Darfur. For Beijing, Darfur is a far more consequential foreign policy issue than Southern Sudan ever was. China's connection with ongoing conflict in Darfur contrasts with its earlier involvement in armed conflict in Southern Sudan. Three basic points are worth mentioning. Firstly, there is a different relationship to violence: Chinese companies were more physically involved in Southern Sudan, and overwhelmingly had, and continue to have, more assets in Southern Sudan than in Darfur. The Chinese role has assumed a much less involved form over Darfur: close association with the ruling National Congress party, *de facto* international sheltering of Khartoum, the legacy of its support for the establishment of an indigenous arms manufacturing capability in Sudan, or indirect supply of small arms. Second, there are different degrees of prominence. Chinese involvement in Southern Sudan was never so widely internationalised as Darfur. Charges of 'ethnic cleansing' or even genocide in Southern Sudan were not as successfully mobilised on a broad international basis as in Darfur. Sheltered previously, to an effective extent, from human rights advocacy against such companies as Talisman, Beijing has

185 "Row over water wells between Chinese, residents", Sudan Times, 29 November 2005.

186 Ali Askouri, "China's Investment in Sudan: displacing villages and destroying communities", in African Perspectives on China in Africa, F. Manji and S. Marks (eds.), Fahamu, 2007: 80.

had to defend its position in more public and protracted ways and has been exposed to international scrutiny of a kind that departs in significant ways from the 1990s. Whereas able to brush off criticism of its involvement in Southern Sudan, it clearly has had to respond to Darfur. Lastly, China's diplomatic strategy on Darfur has been pursued at a very different phase of China's involvement in Sudan, the region and in Africa. China's profile in Sudan and Africa during the 1990s was low. Today, China is importing Sudanese oil and looking to increase production, a contrast to its exploration and limited extraction activities in Southern Sudan during the war from 1996. Its infrastructure established, China now has investments to protect in Sudan.

The different phases of Chinese involvement on Darfur mark an evolution of its strategy and positioning. The conflict was for a long time a prominent international diplomatic issue, but within Sudan, China's main investments were not located in Darfur. Until mid-2006, Beijing was not actively interested in appearing to do more than offer its official line. The Chinese government consistently abstained at UN Security Council Darfur resolutions,[187] including resolution 1593 (the 'ICC Resolution') of 31 March 2005. There are indications that it diluted the more interventionary measures proposed, including an oil embargo. At the same time, the use of symbolic aid has been one feature of China's diplomacy over Darfur aimed at an international audience, in part, but especially a domestic audience. According to Wen Jiabao, in June 2006 the Chinese government granted the African Mission in Sudan a total of $3.5 million US in budgetary support and humanitarian emergency aid, with some $1 million US of the aid targeted for budgetary support of the AU mission and the other $2.5 million US aimed at lessening the suffering of the local population.[188]

The debate about transferring the African Union mission in Darfur to a UN mission in 2006 saw a shift in the public Chinese stance toward wanting to be seen, at least, as lobbying Khartoum to allow UN peacekeepers into Darfur.[189] China's ambassador to the UN, Wang Guangya, is widely acknowledged as being key to securing Sudanese acceptance of the November 2006 'Annan Plan' agreement committing the government to a ceasefire and an expanded AU/UN force in Darfur

[187] Resolution 1556 (30 July 2004), Resolution 1564 (18 September 2004), Resolution 1590 (24 March 2005), and Resolution 1591 (29 March 2005).

[188] "Congo-B: China Gives $3.5m Budgetary Support to AU Mission in Darfur", IRIN, 21 June 2006.

[189] "China Pushes Sudan to let troops into Darfur", Reuters 15 September 2006.

in three phases. Beijing's insistence on an internal Sudanese solution remained.[190] China abstained on Resolution 1706, providing for the transfer of AU peacekeepers currently in Darfur to a UN force, but has signaled acceptance in principle of a UN force subject to the consent of the government in Khartoum. Beijing's most noteworthy public statement on Darfur prior to February 2007 was its call for a "comprehensive political solution" to the conflict.[191]

In the build up to President Hu Jintao's visit to Khartoum in February 2007, the Chinese government attempted to stress its "constructive role" over Darfur.[192] The appointment of the Assistant Foreign Minister Zhai Jun as a special envoy upgraded China's diplomatic role over Darfur. This continued Beijing's attempt to maintain fidelity to its principle of non-interference. Additionally, it attempted to ensure that the Chinese government wasn't seen to be responding unduly to the US government pressure on Beijing over Darfur, whilst also continuing to state Beijing's willingness to assist if requested by the Sudanese government and emphasising the need to promote the political process of negotiating peace.[193] However, it did signal the Chinese government's desire to be, and be seen to be, involved.

The Chinese President's visit had been much anticipated in Khartoum; Sudan had been conspicuously omitted from the list of countries visited by Chinese leaders during 2006. As the Minister of Energy and Mining Awad Ahmed al-Jaz said: "We have been waiting for the visit for a long time".[194] The visit itself included separate meetings between President Hu with the First Vice-President of Sudan, Salva Kiir, and Second Vice-President Ali Osman Mohamad Taha that reportedly commented on the importance of peace and ethnic unity (or 'solidarity') to the development of Sudan.[195] One aspect mentioned, an apparent gesture of sensitivity towards its reputation, was that "The Chinese Government will encourage more well-established Chinese enterprises to participate in Sudan's economic constructions."[196] President Hu visited the Khartoum Oil Refinery, met Chinese Embassy staff, representatives of the Chinese UNMIS peacekeeping and Chinese companies. Prior to this visit,

190 "Chinese VP urges talks on Darfur", Xinhua, 7 September 2006.

191 "Chinese envoy calls for "comprehensive political solution" to Darfur issue", Xinhua, 12 December 2006.

192 "China to continue constructive role in Darfur", *Xinhua*, 29 November 2006.

193 "Zhai Jun says: During his visit in Africa, Hu Jintao will discuss Sudan's Darfur issue", Xinhua, 24 January 2007.

194 "Sudan looking forward to Chinese president's visit: official", Xinhua, 1 February 2007.

195 "China's Hu says ethnic unity important for Sudan's prosperity", Xinhua, 2 February 2007.

196 "Chinese president meets Sudan vice-presidents, comments on Darfur", Xinhua, 2 February 2007.

the Chinese government had contributed largely symbolic aid after the CPA but President Hu unveiled a package that included an interest-free loan of RMB 100-million for a new presidential palace, and debt cancellation of up to $70 million US.

President Hu's meeting with President Bashir was most prominent. It reportedly featured discussions about continued political cooperation, including on regional and international issues, and on deepening "pragmatic cooperation" including in the areas of telecommunications, irrigation, energy, and infrastructure construction.[197] On Darfur, the public statements on the nature of discussions were revealing and represented a significant evolution of China's approach. These included the need for a "comprehensive ceasefire", and acceleration of "the political negotiation process" involving rebel non-signatories to the Abuja Accord plus the need for humanitarian assistance. In this vein, the Chinese government committed RMB 40 million in aid for Darfur.[198] Suggestions on what was actually said even went as far as a reported comment by Hu told Bashir to the effect that "Darfur is a part of Sudan and you have to resolve this problem".[199] The immediate reaction from external commentators was that the Chinese response had not gone far enough.[200] However, Beijing's positioning on Darfur has discernibly changed in a way that seemed unlikely until recently. The public/private fissure on its formal/informal role and attempted leverage that has characterised Beijing-Khartoum relations over Darfur should be borne in mind, but the Chinese government has appeared to be willing to go more public on its once more private frustrations. It wants an enduring political settlement to the conflict, and in line with African policy networks in Beijing, clearly does not welcome the scrutiny and international condemnation it has attracted on the issue of Darfur. At the same time, it also apparently sees no inconsistency between this aim and deepening ties with the government of Sudan and the National Congress Party (NCP) in particular. Its suspicion of the possible non-humanitarian motives, forwarded by Washington in particular, does not appear to have been entirely dispelled.

[197] "Chinese, Sudanese presidents discuss bilateral ties, Darfur issue", Xinhua, 2 February 2007.

[198] "To help the people in the Darfur region improve their living conditions, China has again decided to provide 40 million-yuan worth of aid to the Darfur region." Cited from "Chinese, Sudanese presidents discuss bilateral ties, Darfur issue", Xinhua, 2 February 2007. This amount roughly equates to just over $5 million.

[199] O. McDoom, "Hu tells Sudan it must solve Darfur", Mail & Guardian, 3 February 2007.

[200] Including the Save Darfur Coalition: "Chinese President Hu Jintao Appears To Devote Little Attention to Darfur During Sudan Visit", 2 February 2007.

China in Sudan: Looking Forward

Can China contribute more to development after the CPA? One answer is that as other international actors involved in implementing the CPA, China could indeed do more. The Chinese government prizes political stability above all in its Sudan relations. While it has exploited instability in Sudan, it has an interest in the success of the CPA and above all an enduring political framework in Sudan within which to continue its relations. Today, this interest in the implementation of the CPA, including navigating key hurdles in 2009 and 2011, would appear to present one self-interested reason for greater practical engagement. However, the close relations Beijing has developed with the NCP in particular has attracted criticism within Sudan and render China's current involvement to some extent interlinked with the ruling regime. Overall, it appears that Beijing will deal on a pragmatic basis with whatever political situation produced by the CPA process, including, potentially, a new and independent Government of Southern Sudan.

The terms of the CPA itself provide model principles governing responsible and socially beneficial management of oil resources in Sudan. Whilst on paper offering the prospect of GOS "remedial measures" for oil contracts with "fundamental social and environmental problems", and allows for compensation,[201] it is unlikely that these can or will be translated into any sort of wide reality for the affected populations in oil-producing areas. As one recent report noted, "impoverished civilians have seen very little progress".[202] At times this has prompted armed resistance, including, for example, the killing of a Petrodar team leader on 25 January 2006 and requests by local Dinka for the SPLA to rearm them as protection against local militia in their home areas.[203] One area where Chinese oil companies could undoubtedly do much more in order to contribute towards an enhanced popular reputation is on the question of implementing such applicable provisions of the CPA. This is unlikely to happen beyond limited gestures, such as attempts to demonstrate Chinese oil company commitment to implementing socially beneficial programmes. According to one official report, CNPC has been "promoting local economic development through petroleum cooperation" and "is also committed to its social responsibilities" . For

201 "Persons whose rights have been violated by oil contracts.... On the establishment of these violations through due legal process the Parties to the oil contracts shall be liable to compensate the affected persons to the extent of the damage caused", CPA, at 4.5.

202 "Oil Development in northern Upper Nile, Sudan", European Consortium on Oil in Sudan, May 2006.

203 Ibid.

instance, it has invested more than 30 million dollars in Sudan's public facilities such as hospitals, schools, roads, and portable water wells.[204]

Beijing may well want to be seen to be doing more to contribute to the success of the CPA but its own involvement is largely occuring outside the agreement. It employs a highly principled language in is African relations. It naturally wants to be regarded favourably within Africa and on the world stage.[205] As attention to China's African relations has increased, and with it different engagement initiatives, there has been an evolution in official responses. The tendency to reflexively dismiss criticism has been superseeded at times by greater acknowledgment of areas of difficulty. However, today – as before during the 1990s – the Chinese government and official sources argue that its commercial activities in Sudan are contributing positively to the country's economic development.

China's political and commercial relations have overwhelmingly been conducted with Northern Sudan, even if, in the case of oil, this has affected most directly the South while the economic benefits are most visibly demonstrated in signs of elite prosperity in Khartoum. One of the notable events linking China's relations with Sudan and the 'Arab' world was the Sino-Arab Friendship conference, which was established after its first meeting at the end of November 2006 in Khartoum.[206] This featured a delegation representing the Chinese Sino-Arab Friendship Association and representatives of over 20 Arab NGOs and associations. It was due to have its headquarters in Khartoum, reportedly at the initiative of the Arab League, and hold meetings every two years.[207]

Given the history and nature of China's relations with the government of Sudan, this Sino-Arab Friendship conference provoked reaction from Southern Sudanese, complaining about China's continued preference for 'Arab' Sudanese. This illustrated broader grievances in popular attitudes toward China in Southern Sudan. The SPLM's China policy after the war formally ended was to turn 'enemies into friends'. In the context of the post-CPA and pre-2011 referendum on independence for Southern Sudan, and with the referendum of 2011 looming, Beijing made

[204] "China, Arabian States Vow To Promote Petrochemical Cooperation", Xinhua, 8 September 2006

[205] B. Gill and Y. Huang, "Sources and Limits of Chinese 'Soft Power'", Survival 48 (2), 2006: 17-36.

[206] "Conference of Sino-Arab Friendship held in Khartoum", *Xinhua*, 29 November 2006.

[207] "Chinese-Arab friendship conference decides to hold regular meetings", Xinhua, 29 November 2006.

overtures to the SPLM and must have planned for an independent Southern Sudan. A high-ranking SPLM delegation led by current Government of South Sudan (GOSS) Salva Kiir visited Beijing in March 2005 and a friendship agreement between the SPLM and the CCP was subsequently signed.

Chinese business has made limited entry into Southern Sudan and Juba. After GOSS President Salva Kiir's comments to President Hu Jintao welcoming Chinese participation in Southern Sudan's post-war construction,[208] this might be the early stages of what could see greater Chinese involvement in infrastructure construction. In the context of the GOSS's neighbours, however, there may be an emerging regional dynamic to China's policy and practical involvement in Sudan that can be detected in recent investment patterns and diplomatic efforts. The Ugandan government has been trying to get Chinese backing to building a railway to Juba. The Kenyan government has stepped up its cooperation with Beijing, including granting oil exploration rights to CNPC. More importantly to current armed conflict and politics in Khartoum, and very much less clear at this stage, is the impact of Chad's diplomatic switch to Beijing from Taipei in August 2006 and how this will affect Chinese policy on Darfur.

Conclusion

The role of China in Sudan contrasts with Angola, the leading case of significant Chinese post-war involvement, in a number of areas. First, the Chinese government and Chinese companies have a more central role in funding and implementing the physical reconstruction of Angola than in Sudan. In contrast to Angola, a rare example of a country with the means to finance its reconstruction programme, Sudan's trade relationship with China occurs alongside relations with the international development system dedicated to implementing the CPA. The impact of China's move into Angola has been tangible in infrastructure construction in what would appear to be an infrastructure-led growth strategy directed by the Angolan government. Not dissimilar to Sudan in the 1990s, Angola represented a significant growth opportunity for Chinese investors and the Chinese government benefited from particularly poor IMF-Luanda relations. However, in Angola, China entered a developed oil market with a sophisticated technical and political apparatus dedicated to managing its resources as opposed to Sudan whose own oil industry is less developed. Thus, Angola's state company Sonangol

[208] "Chinese president meets Sudan vice-presidents, comments on Darfur", Xinhua, 2 February 2007.

has a far more significant role in the industry that Sudan's fledgling national oil companies. China's oil relations with Angola and Sudan today reflect very different extraction situations (greater reliance on buying oil versus on site extraction and physical presence).

There are additionally a number of prominent points of concern in Angola that are applicable in Sudan. These include the lack of a developed institutional framework and government capacity or inclination to monitor investment, and whether enough is being done to cultivate the development of local companies and/or small and medium enterprises in Angola. Given the 70/30 formula in favour of Chinese companies for contracts under the loan, there is debate about 'whether the Angolan government has ownership of the reconstruction process.[209] In Sudan, like Angola, there are questions about the extent to which the oil industry will deliver wider benefits beyond its current narrow elite beneficiaries and if the violence that has accompanied the arrival of oil in modern Sudan will be confined to the past.

For all the media tendency to present China as an exceptional actor in Africa, its various and increasingly diverse business are also subject to and involved in politics. Both Sudan and Angola, in different ways, exemplify the evolving possibilities afforded to ruling regimes by the expanded range of options for external patronage that China has enabled. A major area of potential impact is that the government of Angola will be able to ignore governance reform and will be buttressed by China's non-interference. In this, however there is no zero-sum effect: Luanda's ability to engage a range of external actors continues. In Sudan, the Chinese government's relations with the National Congress Party have enabled it greater room for diplomatic manoeuvre. In comparative context, Sudan is a noteworthy example of Chinese involvement in armed conflict connected to its oil operations in the 1990s. The structural presence of Chinese commercial interests is being consolidated in Sudan, where the uncertain North-South peace process is proceeding as conflict continues in Darfur. For all the prominence of China's relations with Sudan, its actual contribution to the formal implementation of the CPA is marginal, alongside its preferred bilateralism and interest in a continued emphasis on its own investments.

Whilst this paper has not systematically or deeply explored China's involvement in armed conflict and post-war reconstruction, it has surveyed these areas. Chinese

[209] Centre for Chinese Studies, China's Interest and Activity in Africa's Construction and Infrastructure Sectors, Centre for Chinese Studies, Stellenbosch University, 2006.

actors are no means uniquely implicated in conflict-fuelling resource extraction activities in different parts of Africa. If the broad nature of China's economic relations with sub-Saharan Africa follow and reinforce the existing structural subordination of resource-endowed African economies in the world economy, Chinese conflict-fuelling activities follow a similar logic of established resource extraction. The tendency to present China's African involvement as somehow qualitatively different should be resisted. Rather than establishing a new, illiberal 'Chinese' political economy of resource extraction, the current nature of China's expansion in Africa is more likely to deepen the existing political economy of natural resource extraction, especially in the oil sector.[210] However, as Chinese investment continues to spread and deepen, it is likely that resource conflict politics will also become more prominent and significant an issue in China-Africa relations.

[210] R. S. de Oliveira, The Geopolitics of Chinese Oil Investment in Africa, Paper Presented at the conference, "A 'Chinese Scramble'"? The Politics of Contemporary China-Africa Relations', 11 July 2006.

Appendix
Khartoum Conference: Oil Development in Sudan after the CPA

The Khartoum Conference brought together 10 Sudanese and international academics to discuss critical issues surrounding Sudan's budding oil sector connected to peace and development in the country, such as development in the South from oil wealth, environmental management, internal border disputes, the role of international oil companies, and that of China as a major player in the oil industry.[211] The participants ranged from academics, students, government officials, NGOs, oil company representatives as well as local and international media. The conference aimed to build on the accomplishes made at a similar event organised by the New Sudanese Indigenous NGOs Network and the European Coalition on Oil in Sudan that took place in Juba, Sudan on November 1st and 2nd, 2006.[212] Given the political and economic importance of the oil sector in Sudan, the conference marked a starting point for improving dialogue, transparency, and accountability in oil development in support of efforts to ensure the successful implementation of the CPA. It also provided a forum for Sudanese academics to express their viewpoints and inform participants and the wider public on what had previously been cautious issues of discussion and debate.

The Khartoum Conference also sought to re-forge some of the long-broken connections with the academic community in Sudan, international universities and research centres in Europe. Previous institutional links had been mostly severed in the past two decades by the constrictive policies of the National Islamic Front (NIF) on institutes of higher learning in Sudan and the often-misplaced caution of outside organisations to engage with parties in the war-torn country. However, the signing of the CPA between the ruling National Congress Party, previously the NIF, and the SPLM in January, 2005 marked a hopeful turning point for both Sudanese and foreign institutions, albeit viewed with continual hesitation by some, for formal partnerships to be once again be established with one another.[213] More often than

211 For further information or to obtain papers presented at the conference please contact Luke Patey at DIIS (lpa@diis.dk).

212 ECOS. Oil and the Future of Sudan: Conference Report. www.ecosonline.org. November, 2006.

213 For instance, the Chr. Michelsen Institute's Peacebuilding in Sudan: Micro- Macro Issues, www.cmi.no and the University of Bremen's Governance and Social Action in Sudan after the Peace Agreement of January 9, 2005: local, national and regional dimensions, www.iwim.uni-bremen.de .

not, there is a tendency for the academic community to marginalise itself on such politically charged issues. Thus, one success of the Khartoum Conference was in demonstrating that the opportunity now exists for stakeholders to engage in dialogue on oil development and through it move forward, ensuring oil strengthens the peace process in the country.

The conference began with a presentation by Yassr Awad from the University of Khartoum. He highlighted that although natural resources have been associated with economic failure, political instability, and civil wars in resource-rich African countries, it is fundamentally a question of governance that determines whether their influence will be beneficial or destructive. Dr. Ashquar Abdalla Mattar from the Abu Dhabi National Oil Company then demonstrated that besides governments, other institutions play a role in developing hydrocarbons, and although Sudan was not able to maintain investment from large oil multinationals, the government was successful in exploiting independent and state-owned national oil companies from Asia to develop its oil resources. However, the economic benefits of oil development have not been widely spread out throughout the country. In his presentation, Dr. Ibraham Matouch of the University of Juba underlined the continual underdevelopment of the South despite the region's abundance of natural resource. He argued that the majority of oil earnings were going towards government salaries rather than towards developing other sectors of the economy, such as agriculture, and improving basic services in the South. Presentations by Dr. Asim Mughrabi and Dr: Mustafa Babiker of the University of Khartoum further highlighted failures in governance concerning the environmental management of Sudan. The environmental rules and regulations attached to oil development are being neglected by both the government and the oil companies. Environmental Impact Assessments are completed too late in the process of projects, little time is given to those completing them, and there is even less response by the companies to their findings. As a result, the environment has suffered under oil development, threatening Sudan's precious eco-system connected to the Sudd and Nile River, as well as the livelihoods of people in oil-bearing regions.

On the second day of the conference, Adil Omer Ali of the Ministry of Energy and Mining gave an overview of the oil sector in Sudan with regards to production and exploration and the structures of corporate consortiums. This was followed by a presentation of the involvement of oil companies in Sudan by Luke Patey, pointing out the significant influence of both the host government in Khartoum and foreign governments, particularly in Washington and Beijing, in dictating their corporate movements. Dr. Altyeb Haj Attia finished the opening session by outlining the problem of border disputes connected to the development of oil resources in Sudan with regards to the region of Abyei. Dr. Attia pointed out that the intervention of Khartoum in the region and its rejection of the findings of the Abyei Border Commission, which placed much of oil-producing regions in the South, is a clear example of high politics manipulating local relations between communities. The final session of the conference focused on the issue of China in Sudan. Daniel Large began by reflecting upon China's influence on conflict and post-conflict reconstruction in both Angola and Sudan. He highlighted how investment from China offers resource-rich African states a condition-free alternative to more conventional international donors. Large also forwarded questions of how China's role in Sudan would evolve in the future beyond oil and whether or not Beijing would get more involved in the implementation of the CPA. Finally, Dr. Ali Abdalla Ali reviewed the relationship between China and Sudan over the past several decades. He argued that since the inception of the oil industry in Sudan, China's relations in the country has changed drastically, from originally working in partnership with the Sudanese on development projects, to currently protecting their real interests in the country by insisting on complete control of all commercial activities, at a loss to the domestic economy.

In sum, the presenters at the Khartoum Conference made a clear call to both the ruling NCP and SPLM to be more protective of a broader-base of Sudanese interests in regards to oil development. These were connected towards ensuring a more widespread and equitable distribution of oil revenues throughout the country, but also to safeguarding Sudan's environment and utilising oil revenues for developing other sectors of the economy. The CPA has presented the provisions for deviation of oil revenues, settlement of border disputes in oil-bearing regions, and terms for control over the oil industry between the NCP and SPLM. However, these mechanisms have been frustrated by the NCP as it wrestles to maintain political control over the oil industry, and thus economic power, and the SPLM moves to establish its own industry in the South in clear violation of the peace agreement.

Thus, the tools to utilise oil development as a beneficial element in the successful implementation of the peace process have been made available by the CPA. However, this result is dependent on both the NCP and SPLM to abandon historical zero-sum logics and military legacies within government institutions. Opportunities for a possible unrecoverable crisis are clear if the intended democratic elections in 2009 and the southern referendum in 2011 become contaminated by the same political ills that have painfully clung to matters concerning oil development in the country to date. Oil is fundamental to Sudan's political future. Evidence from Nigeria and Angola clearly demonstrates that exclusive politics concerning oil will do little to improve either the well-being of the industry itself or the lives of everyday people in Sudan. Nonetheless, it has yet to be seen what will be the political stimulus that steers Sudan away from the harsh and paradoxical pattern of the conflict and under-development that is synonymous with oil in Africa.