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Review

Sino-Sudan relation: Mutually beneficial or neo-colonialism

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In this article, Sino-Sudan relation is explored simply, and then the related knowledge of neo-colonialism is put forward. Sino-Sudan relation is analyzed in four aspects according to the related knowledge of neo-colonialism. It is concluded that Sino-Sudan relation is mutually beneficial, not neo-colonialism. Finally, it is suggested China should intervene in Sudan's internal affairs moderately and take corresponding responsibilities.

Key words: China, Sudan, mutually beneficial, moderate intervention, taking responsibilities.

INTRODUCTION

China and Sudan, two geographically very distant countries, are closely linked together because of oil. Since the 1990s, Sino-Sudan relationship has developed quickly. With the oil as the core, these two countries have wide cooperation in economics and trade, agriculture, industry, infrastructure and so on. One viewpoint (Yitzhak, 2009) is that Sino-Sudan relation is neo-colonialism. This viewpoint is refuted in this article. It is argued that Sino-Sudan relation is mutually beneficial, not neo-colonialism. First of all, Sino-Sudan relation is summarized in the following.

The brief history of Sino-Sudan relation

In February 1959, China established diplomatic relation with Sudan, their friendship has spanned more than half a century. China and Sudan are developing countries, their economies have their own advantages, and their

economical complementarities are very strong. The economic and trade exchanges are frequent, the engineering cooperation is flourishing.

The Chinese government has been helping Sudan to develop basic industries. In the past, China had provided long-term interest-free loan for Sudan's infrastructure such as roads, bridges, etc.

Since the 1980s, Chinese companies were contracted to construct Sudan's ports, water conservancy, electricity, bridges, roads and so on. From 1981 to August of 2000, the labor cooperation contracts between China and Sudan had been up to 702 items, the contract amount was 1.72 billion dollars, and the finished part was 1.45 billion dollars (Mei, 2002). Chinese finance and companies have played a notable role in constructing power stations and electricity networks (Daneil and Luke, 2011). In the 21st century, China has been helping Sudan in the development of economics and society.

When it comes to Chinese import and export trade,

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Sudan is a broad and important market. China is Sudan's top trading partner. According to Bank of Sudan statistics, China accounted for 76% of Sudan's exports and 22% of imports from 2005 to 2009 (Daniel and Luke, 2011). In 2013, the volume of bilateral trade was 4.5 billion dollars, increasing 20.05 percent over the same period compared with last year, Chinese export was 2.4 billion dollars, increasing 10 percent, and Chinese import was 2.1 billions dollars, increasing 35.2 percent.¹

The oil cooperation is the core of the relationship between China and Sudan. In 1995, invited by Sudanese government, CNPC (China National Petroleum Corporation) set up offices in Khartoum and began to participate the petroleum bidding and exploration of Sudan. Two years later, the Great Nile Petroleum Operating Company (GNPOC) was formed. CNPC's stake of GNPOC was 40 percent. In 1998, CNPC's construction arm, China Petroleum Engineering & Construction (Group) Corporation (CPECC), participated in the construction of the 1,500-kilometer-long GNPOC pipeline from Blocks 1 and 2 to the Red Sea. It also built a refinery near Khartoum with a 2.5 million-ton processing capacity (Human Rights Watch, 2003).

For the time being, CNPC has had upstream investment projects in Blocks 1/2/4, Blocks 3/7, Block 6 and Block 15. CNPC also invested to build Khartoum refinery and chemical plant. The crude oil pipelines of Blocks 1/2/4, of Blocks 3/7, and Block 6 were also constructed by CNPC.² China has become a major player in Sudanese oil industry. "The importance of Chinese investment in the oil sector in Sudan compared to that of other Asian countries over the period 1999-2008 is demonstrated by China's large share in oil concessions (6-95%), total oil investment (47.3%), upstream oil investment (43.8%), downstream oil investment (56.9%), oil pipe lines (47.6%), oil refinery (50%), petrochemicals (95%), oil refinery and petrochemicals (51%) and oil marketing, industry and manufacturing (12.5%) (Mohamed, 2013)."

Now China has built a complete oil industry system that includes production, refinery, transportation and market. It can be said that CNPC's oil project in Sudan is the model of Sino-Africa cooperation in the new era. It has become the business card that the Chinese oil company uses to enter African oil-producing countries.

THE RELATED KNOWLEDGE OF NEO-COLONIALISM

Neo-colonialism is the opposite of old-colonialism. Old-colonialism was the naked aggression, plunder and

exploitation that the developed capitalist countries exerted on colonial, semi-colonial countries of Asia, Africa and Latin-America in world modern history. After World War II, the national liberation movement rolled on with full force and old-colonialism collapsed. It was no longer in existence. However, during the process of withdrawal, for the sake of protecting their own interest, the colonialist transformed old-colonialism into neo-colonialism by every possible means. Through this way, they could continue controlling, plundering and exploiting those countries that had got political independence, and keeping the attachment that the new-born countries had to the Suzerain, keeping the old unequal international relations and economic order (Zhang et al., 2007). As Ghana's first post-independence President, Kwame Nkrumah argued "the essence of neo-colonialism is that the state which is subject to it is, in theory, independent and has all outward trappings of international sovereignty. In reality, its economic system and thus its political policy is directed from outside (Kwame, 1965). Compared with old-colonialism, neo-colonialism has been more subtle. It penetrates developing countries politically, economically, militarily and culturally. Now, neo-colonialism still exists.

According to Alfred Abioseh Jarrett's view, it has two meanings. First, there is the African version of neo-colonialism, by which the indigenous African leaders and chief officials are engaged simultaneously in massive exploitation of their people and in contributing greatly to the economic progress of developed countries. Second, the term "neo-colonialism" can be applied to the exploitation and control developed nations exert over independent developing countries of Africa (Alfred, 1996). From the emergence of neo-colonialism, it has indicated the unequal relation between countries, it means exploitation and control. All of these provide the guidelines for analyzing Sino-Sudan relation.

Mutually beneficial, not Neo-colonialism

China's cooperation with Sudan is a fine example of the cooperation among developing countries. China and Sudan share the same historical experience and face with the common development tasks. Their cooperation is equal, mutually beneficial. It could be explored in four aspects as follows:

Firstly, China and Sudan are equal; it could be found that there is no exploitation in China's cooperation with Sudan. In 1989, supported by National Islamic Front, Brigadier Basher initiated coup, the elected government was overthrown and a military junta was formed. Hassan al-Turabi, the leader of National Islamic Front became the actual ruler of the country. When Sudan's National Islamic Front (now the NCP) seized power in 1989, its ideological agenda and links to terrorism quickly led to international isolation and, ultimately, unilateral U.S. economic sanctions (International Crisis Group (ICG), 2012). Because of deteriorating relationships abroad, and

¹ See the website of ministry of Foreign Affairs of the People's Republic of China, Countries and Organizations-Africa-Sudan-bilateral relations, http://www.fmprc.gov.cn/mfa_chn/gjhdq_603914/gj_603916/fz_605026/1206_606236/sbgx_606240/ accessed by 10/17/2014.

² CNPC, Report of 'CNPC in Sudan', http://www.cnpc.com.cn/cnpc/Sudan/country_index.shtml, p.8, accessed by 10/06/2014.

pressure from the West in particular, the regime looked to China to develop its oil sector and found a willing partner (International Crisis Group (ICG), 2012). Therefore, China entered into Sudan when Sudan found herself in an isolated international situation.

Sudan has benefited much from this kind of cooperation. Above all, Sudan has got the developing fund and technology. Over the last decade, Beijing's energy firms have invested between \$3 billion and \$ 10 billion in the Sudanese energy sector, stuffing at least \$ 250 million a year into Khartoum's pockets (Peter, 2007). With the help of China, Sudan's oil industry has been explored and developed greatly.

With the development of oil, Sudan's economy entered a period of rapid growth. The oil development not only has increased Sudan's government revenue, but also has positive effects on other aspects of social life. From the World Bank report, Sudan is in the 10th year of its longest and strongest growth episode since independence, benefiting from the advent of oil in 1999 (World Bank, 2009). The size of its economy, measured by nominal gross national product, has grown fivefold—from \$10 billion in 1999 to \$53 billion in 2008. Per capita income, a summary measure of the living standard of average citizens, has increased from \$334 to \$532 (constant 2000 USD) over the same time period (World Bank, 2009). The economy has changed considerably since the onset of oil. Oil wealth has enabled Sudan to roll out a massive expansion of its physical and social infrastructure. The road network has increased from 3,358 kilometers in 2000 to 6,211 kilometers in 2008, electricity generation has more than doubled from 2,569 MW to 5,506 MW during the same period and the number of children enrolled in primary schools has registered a sharp increase from 3.3 million to 5.3 million in a span of eight years (World Bank, 2009).

Sudan was one of the poorest countries in the world. Because of the oil exploration and development, there has been an earth-shaking change in Sudan's economy and society. All these changes have only taken place after the oil cooperation with China. These facts prove that what China has done in Sudan is not resource plunder but a great help for Sudan's development.

Secondly, there is no political and economical control for Sino-Sudan relation. China has pursued the principle of non-interference in Sudan's internal affairs and does not have any interest in Sudan's internal affairs. The fact that cannot be ignored is Sudan's oil was explored and developed in the context of civil war. By 1983, the second civil war between the north and the south broke out. For more than a decade, the civil war in Sudan deterred many western oil companies. However, civil war did not stop Chinese oil companies from entering Sudan. With the mutual efforts of China and Sudan, in 1999, Sudan became an oil-exporting country.

However, the oil does not solve the civil war. On the contrary, it aggravated the civil war. In order to ensure the

case that Chevron withdrew Sudan would not happen and the safety of international oil companies to develop oil, Khartoum slaughtered or expelled the locals around the oilfields. Expansion of oil development has continued to be accomplished by the violence displacement of the agro-pastoral southern Nuer and Dinka people from their traditional lands atop the oilfields. Members of such communities continue to be killed or maimed, their homes and crops burned, and their grains and cattle looted (Human Rights Watch, 2003). The locals benefited nothing from the oil development, became homeless and displaced. What Khartoum did violated human rights seriously.

The deterioration of human rights situation caused widespread concern in the international community, Khartoum was in great pressure. The Chinese government did not make any condemnation about Sudan's government's deeds. In an interview in Sudan's capital, Khartoum, Energy and Mining Minister Awad Ahmed Jaz praised his Chinese partners for sticking to trade issues. "The Chinese are very nice," he said, "They don't have anything to do with any politics or problems. Things move smoothly, successfully. They are very hard workers looking for business, not politics (Peter, 2004)".

From Awad Ahmed Jaz's word, China only concentrates on her own commercial interest. China does not have any control on Sudan. One of the striking characteristics of neo-colonialism is the control that one country exerts on another. It goes without saying that when it comes to Sino-Sudan relation, there is no control. How can it be called neo-colonialism?

Thirdly, Sino-Sudan relations is the outstanding model among developing countries. It is well-known to us that China is the biggest developing countries in the world; Sudan was one of the most undeveloped countries. In 1990s, with the deterioration of economic situation, Sudan was eager to explore her own oil. Because of the limit of fund and technology, Sudan had to turn to foreign aid.

In 1997, the U.S.A. imposed economic sanctions on Sudan, which banned oil companies of the U.S.A. from doing business in Sudan. It provided an opportunity for Chinese oil companies to enter Sudan. For Sudan, the cooperation with China avoided the bad effects caused by the sanctions of the U.S.A.; its international existence space was expanded. For China, the oil cooperation with Sudan not only satisfied domestic need, but also opened overseas market.

It is China that has helped Sudan to realize the dream that the oil not only meets Sudan's domestic demand, but also exports to other countries. From this point, Sudan's President Omar al-Bashir praised the creativity of the Chinese oilmen and honored the hardships they faced in bringing the oil industry to life after Western companies had abandoned Sudan. "We express our gratitude to CNPC, to the Chinese government, and to the Chinese people," he said (Luke, 2014), "China is a true friend and

partner of Sudan. Oil cooperation between Sudan and China has brought not only oil to the people of Sudan, but also peace.” (Luke, 2014).

For China, CNPC’s investment in Sudan has brought large profits for itself. CNPC had received revenue of more than U.S. \$600 million from the GNPOC concession since exports began in September 1999, and Sudan accounted for two-thirds of CNPC’s overseas production in 2000 (Human Rights Watch, 2003). Sudan was China’s sixth-largest oil supplier in 2007, accounting for 6 percent of China’s total crude imports; Sudan has become a key theatre in China’s African equity oil investment (Eric, 2007). From this it could be concluded the biggest distinguishing feature of Sino-Sudan relation is “win-win”.

In addition, Both China and Sudan are developing countries; the governments should have played a great role in the state’s modernization. As a result, most of their cooperation is confined to the high-level officials. Therefore, superficially, their cooperation is similar to the country’s relations under the old colonialism. Under the old-colonialism, the leaders of the colonized country were the accomplice in exploitation of their own people with the colonial country. The cooperation between China and Sudan is the model of government officials. Under this model, the cooperation is confined to government with government or government with the companies that belong to government. It is totally different from the relations between the colonial countries and the leaders of colonized one. The leaders of Sudan do not help China to exploit Sudanese people.

Fourthly, China Aids to Sudan. Sino-Sudan relation is one of the epitomes of Sino-African relations. Since the founding of the People’s Republic of China, she has persisted in supporting Africa, and helped African countries to eliminate poverty, improve the people’s livelihood, promote the economical development and social progress, Sudan is no exception. For example, the significant investment of China in the oil sector in Sudan motivated China to increase its aid and development assistance, loans and grants to Sudan. For instance, over the period 1999-2009 China’s share of total loans and grants has ranged from 7% to 76%, and the average share has increased over time (Mohamed, 2013). New Chinese dam projects in eastern Sudan, and ongoing efforts to promote an ‘agriculture renaissance’ for Sudan’s post-secession, post-oil economy, demonstrate China’s reformulated importance in the north (Daniel, 2012). In July 2011, Sudan split, southern Sudan became an independent country, China supported Sudan’s economic and social development as always. In January 2012, China and Sudan signed an economical and technical cooperation agreement, which is free aid. Additionally, the project hand-over certificate that 30 wells would be drilled by China in Darfur also was signed.³

³The government of China and the government of Sudan signed an aid agreement’, see the website “Economic and Commercial Counselor’s Office of the Embassy of the People’s Republic of China in the Republic of Sudan”,

When it comes to the medical and health cooperation, China and Sudan signed two project contracts in May 2012.⁴

China also contributes its own strength to solve social crisis. When the Darfur crisis broke out, in order to ease the humanitarian crisis in Darfur, Chinese government has provided humanitarian supplies worth \$12.9 million, and donated \$18 million to the special mission of African Union who carries out the peacekeeping mission in Darfur.⁵ Besides this, Chinese Energy Company also takes its social responsibilities when it explores and develops Sudan’s oil.

According to CNPC’s Vice President Wang Dongjin, CNPC had donated more than \$50 million to Sudan’s social and economic development in the form of infrastructure and training. In addition to the construction of roads and bridges, the company had set up 10 hospitals, built 25 schools, donated educational materials to more than 200 schools, drilled 200 water wells, trained more than 1000 Sudanese professionals and provided scholarships for 30-50 students annually to attend China Petroleum University.⁶

Therefore, a series of cooperation efforts between China and Sudan have shown that what China has done in Sudan is not neo-colonialism. Neo-colonialism is one kind of system which indicates unequal international relation. Under this system, the developing countries that have got political independence are enslaved to developed countries politically, economically, militarily and culturally. As far as Sino-Sudan relation is concerned, Sudan is independent politically, economically, militarily and culturally. China never intervenes in Sudan’s internal affairs; there is no control, no plunder, and no exploitation. The energy cooperation between China and Sudan is the normal investment and trade behavior in the international society. It has been underway in accordance with the rules of international market. It is the need for common development of China and Sudan, it opened up the new model of South-South cooperation. There is no ground and no reason to definite Sino-Sudan relation is neo-colonialism. Just as the minister of energy and mining of Sudan Awad Ahmad Jaz said, “Sudan has many partners, while China is the best of them. Sudan always lists the cooperation with China as the first.”⁷

<http://sd.mofcom.gov.cn/article/d/201201/20120107933921.shtml>, accessed by 10/30/2014.

⁴ Ibid.

⁵Zhuanjia, [Experts]: ‘zhongguo shi jie jue da’erfu’er wenti jianshexing lilian’, [China is the construction power to solve Darfur problem], 9/24/2007, *Jiefangjunbao*, [Liberation Army Daily], <http://www.chinanews.com/gn/news/2007/09-24/1034131.shtml>, accessed 10/16/2014.

⁶ PRC/SUDAN: Chinese oil company vp discusses Sudan with Se Graton, 2009 June 1, http://www.wikileaks.org/plusd/cables/09BEIJING1435_a.html, accessed by 11/17/2014.

⁷Ma Haibing, Li Zhiqiang, ‘zhongguo dai gei women shiyou he heping’, [China brings us peace and oil], *Guangming ribao*, [Guangming Daily], 02/20/2007, http://www.gmw.cn/01gmr/2007-02/20/content_545013.htm, accessed by 10/28/2014.

CONCLUSION AND SUGGESTIONS

Though Sino-Sudan relation is mutually beneficial, there is still something worthy of note. Because the oil exploitation is very closely associated with civil war, in order to ensure the smooth progress of oil exploration, Sudan armed forces and militias assisted by the government provided protection for CNPC. The result was that CNPC was self-closed; they did not contact the locals. The tension between the locals of the oil fields and Khartoum was shifted to CNPC, which not only made the personnel of CNPC unsafe, but also made the locals be full of hostility toward CNPC. CNPC's encounter in Sudan is the expansion of Sudan's internal contradictions. This means China should make some adjustments in her own foreign policy.

Moderate Intervention

The "Five Principles of Peaceful Coexistence" are mutual respect for each other's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's internal affairs, equal and mutual benefit, and peaceful co-existence. They were raised by China in Asian-African Bandung Conference of 1955 and have become the base of Chinese foreign policy. In 1995, CNPC entered Sudan, in more than ten years of Sino-Sudan cooperation, China has adhered to the principle of non-interference in Sudan's internal affairs, paid little attention to southern Sudan's poor human rights situation, and has not exerted any diplomatic pressure on Khartoum. A former Chinese deputy foreign minister probably sums up Beijing's view toward Sudan cogently: "Business is business. We try to separate politics from business...the situation in Sudan is an internal affair, and we are not in a position to impose upon them (Peter, 2007). However, it is very difficult to separate politics and business. Sometimes, diplomacy is the continuation of the internal affairs. China's principal of non-interference in Sudan's internal affairs has provided opportunities for CNPC to enter Sudan, but it has affected CNPC's interests in Sudan.

When the cooperation among countries has become very close, when a country's internal affair has become the focus of international attention, at this time, it is not wise to adhere to the principal of non-interference in internal affairs. Because it would not only leave China disadvantaged in the international community, but also damage China's own national interests. The oil development of Sudan has brought disaster to the locals such as Dinka and Nuer living near the oilfields. They were expelled and killed.

When Khartoum's atrocities were exposed, China's principle of non-interference in Sudan's internal affairs had made CNPC rush into danger. This kind of principle has got the recognition of Khartoum, but lost the support of the locals. It is not only Sudan People's Liberation

Army was full of hostility towards CNPC, but also the locals around the oilfields. In the long run, this means greater instability and threats. Therefore, when China cooperates with a country like Sudan, it is necessary for China to be concerned for the latter's human rights, and exerts appropriate pressure on Sudan to solve domestic humanitarian crisis, which can create a better environment for development. When the Darfur crisis broke out, the changes of Chinese government's attitude showed that active participation is conducive to safeguarding its own interests.

When the Darfur crisis broke out in 2003, Khartoum used petrodollars to arm the forces and Arab militias to disperse the blacks in Darfur. China did not make any condemnation on this matter. Chinese officials also believed that what was happening in Sudan was in an internal affair that could be left to the Sudanese central government to handle. That needs to be resolved by an African Union (AU) peacekeepers force instead of a UN peacekeeping force (Gaafar, 2010). China abstained from voting UN resolution of No.1556, No.1564, No.1591, and No.1593 that focused on resolving the Darfur crisis. China had endured great pressure. Some people even boycotted Beijing Olympics of 2008 on the grounds of Chinese attitude towards the Darfur crisis (David, 2007).

Under great pressure, China sent a special envoy to help Khartoum resolve the Darfur crisis. The deputy foreign minister Zhai Juan visited Sudan four times. In February 2007, Chinese President Hu Jintao visited Sudan and put forward a four-point principle on solving the Darfur issue. In May, Darfur special representative of the Chinese government, Liu Guijin visited Sudan. After his visit, Sudanese government announced Sudan fully accepted the third phase of the program of An Nan plan unconditionally, and agreed to deploy AU-UN hybrid forces in Darfur.⁸ The Chinese government has played a construction role in solving the Darfur crisis. China was the only country to engage in direct diplomacy and negotiated directly with Bashir, and successfully pressured Khartoum to cooperate with the UN and other IGOS. It is noteworthy that China used direct bilateral diplomacy instead of sanctions, which China believes are tools of coercion (Caroline et al., 2012).

China's attitudes towards the Darfur crisis have changed from self-protection under the principle of non-interference in internal affairs to active participation. It is the demand of reality. China has formed close relation with Sudan, China has had its own overseas interest in Sudan, and any change in Sudan politics would have an effect on China's relation with Sudan. In the contest of international forces, when one country's interests have been involved into another country's affairs, adhering to

⁸Waijiaobu fayanren Qin Gang's jiu Sudan zhengfu tongyi zai Darfur bushu feimeng-lianheguo hunhe budui da jizhewen' [Foreign Ministry Spokesperson Qin Gang's remarks on Sudan's consent to deploy the AU-UN hybrid forces in Darfur], 06/13/2007, http://www.fmprc.gov.cn/mfa_chn/fyrbt_602243/t329633.shtml, accessed by 11/12/2014.

stay out is not the best way to protect its own interest. Sometimes, moderate intervention is a good choice. Certainly, moderate intervention means to help related countries and international organizations to solve the crisis, it is not control and not neo-colonialism either.

Take responsibilities

With the rapid growth of China's economy and the policy of "go out", Chinese companies have gone to the world, especially Africa. When it comes to China-Africa cooperation, China should take some responsibilities. For Sino-Sudan relation, it is necessary that China handle the relation with Khartoum well, but it is equally important to coordinate the relations with the locals around the oilfields.

For Sino-Sudan cooperation, the northerners benefited much, while the southerners were excluded. The oil business does not produce many jobs, particularly for low-skilled workers. Moreover, employment decisions—even for temporary, low-level positions—are often made in Khartoum and, as a result, northern Sudanese and foreigners fill most positions (Luke, 2012). In a recent example, local people were promised work but in January 2006, buses came bringing newcomers from the north, causing anger amongst the local youth (ECOS, 2006). Throughout that period, Khartoum tightly controlled relations with China from the centre, largely preventing its ally from having contact with the Southern rebels. Beijing reciprocated by dealing almost exclusively with the central government (ICG, 2012). The rights of the locals around the oilfields were mostly neglected because of Khartoum's intentional blockade and CNPC's coordination. The corporate responsibility of the Asian national oil companies was misplaced and manipulated by the Sudanese government and the destructive environmental impact of the oil industry threatened the livelihoods of local populations (Luke, 2014).

In the second part of this paper, CNPC has done a lot of work in taking responsibilities, most of it was confined to the northerners, and the locals around the oilfields did not get much from oil development. For safety's sake, CNPC seldom communicated with them, which isolated CNPC and put CNPC at a greater risk. The threat and risk that CNPC faces are much greater. Even after Sudan's-running civil war between the Sudanese government and the SPLA ended in 2005, local armed militias that once fought for the government in the civil war and rebels from Sudan's other civil war in Darfur targeted the oil industry. They opposed the work of CNPC and OVL (India's national oil company) because of the lack of development in oil regions and the revenue the oil industry was generating for Khartoum (Luke, 2014).

In October 2008, nine CNPC oil workers were kidnapped in south Kordofan by Arab Misseriya. The kidnappers demanded that Chinese oil companies leave the region because oil had brought no jobs or

development (Luke, 2014). "We don't have any material demands. We want Chinese companies to leave the region immediately because they work with the government", said Abu Humaid Ahmed Dannay, the leader of the kidnappers.⁹ Under the model of government officials, keeping good relation with Khartoum only obtains the government's permission and this breaks away from the locals around the oilfields. It is because of this model that the evaluation of government officials like president Bashir and the minister of energy and mining toward China is positive, while the evaluation of the ordinary people, especially the locals around the oil fields is negative. Two opposite evaluations indicate China should change the way of thinking when cooperating with Sudan, jump out the model of government officials, and take more responsibilities in Sino-Sudan cooperation.

Chinese officials have realized this problem. In Juba, the Chinese Economic and Commercial Counselor Zhang Yi believed that in order to reduce the risk of insecurity, companies should contribute to local welfare and communicate the nature of their investment projects with local populations. Zhang also suggested that companies operating in South Sudan should incorporate security costs in their daily operational budgets (Safeworld, 2013). Therefore, in international cooperation, Chinese companies should consider improving the welfare of the locals, providing employment opportunities for them, changing the relatively closed working model, establishing effective ways of communicating with the locals. Through this way, it will not only lower the risk to Chinese companies' overseas investment, but also achieve greater gains.

Conflict of Interests

The authors have not declared any conflict of interests.

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Review

India – Iran relations: Prospects and challenges

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In past few years both India and Iran have been working towards managing its energy and economic cooperation under the shadow of the United States (US) and European Union (EU) sanctions. Despite the tightening of sanctions, India cannot halt the import of crude oil from Iran given its dependence on Iranian oil. Equally important is the regional security dynamics, particularly the developments in Afghanistan in the post-2014 scenario. In addition, the unfolding of Syrian crisis and the impact of the 'Arab Spring' has implications for both India and Iran. This paper attempts to bridge the various views and ideas on bilateral relations between India and Iran and the onus on the former to steer its diplomacy and national interest without undermining the fundamentals of its partnership with key allies such as the USA, Gulf Cooperation Council, and Israel. The results indicates that while India is concerned with balancing of forces to maximize its national interest Iran strives to shape a post-sanctions foreign policy that is reflective of the regions ancient links and the traditional Euro-centric foreign policy leanings. The gains from cooperation therefore becomes dependent on a new diplomatic momentum that is devoid of interference and victimization from outside.

Key words: India, Iran, economic and security cooperation, geopolitics, strategic natural resources, international relations.

INTRODUCTION

The India and Iran relations span centuries marked by meaningful interactions. The two countries shared a border till 1947 and share several common features in their language, culture, and traditions. Both South Asia and the Persian Gulf have strong commercial, energy, cultural and people – to – people links.

Independent India and Iran established diplomatic links on 15 March 1950. The Shah visited India in February/ March 1956 and former Prime Minister Pandit Jawaharlal Nehru's visited Iran in September 1959. Former Prime

Minister Smt. Indira Gandhi visited Iran in April 1974 and former Prime Minister Shri Morarji Desai visited in June 1977. The Shah, in turn, visited India in February 1978. The two countries have in place several bilateral consultative mechanisms at various levels which have formed the framework for high level meetings on regular basis. In addition, the Institute of Defence Studies and Analyses (ISDA) of India and the Institute of Political and International Studies (IPIS) of Iran hold regular round table to exchange views and ideas on bilateral and

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multilateral issues.

Demography

Islamic Republic of Iran, capital Teheran, currency: Rial, area: 16, 48, 0000 Sq.Km, population; 78, 868, 711 other large cities; Esfahan, Mashad, Languages; Persian (Farsi) Turk, Kurdish, Arabic, Religions; Shia's Muslim 89 per cent, Sunni Muslims 9 per cent, Zoroastrian, Jewish, Christian and Baha'i 2 percent, Literacy; 91 per cent, Life expectancy; 71 years. Iran, formerly Persia, lies between Caspian Sea and the Persian Gulf and consists of central plateau surrounded by mountains. A popular revolution of Islamic charter swept the long-ruling Shah Mohammed Reza Pahlavi from power and installed a strict clerical leadership under Ayatollah Ruhollah Khomeini, spiritual leader of the Shia Muslim community. Iran is a country of great antiquity celebrated alike for its culture and military valour. Agriculture employee's 30 per cent of the labor force. The Chief products are wheat, barley, rice, fruits (largest producer of dates), wool and sugar beets. Iran is one of the biggest oil-producing regions in the Middle East. It owns 7.5 per cent of total world oil reserves and 15 per cent of global gas deposits. Emeralds and other gems are found in Khorassan and Kerman. Persian carpets, made on handlooms are famous.

Nuclear

India has publicly supported Iran's right to peaceful nuclear technology, but [now former] Indian External Affairs Minister Pranab Mukherjee has said that Iran must pursue a nuclear enrichment program "in accordance with its own international commitments and obligations, (and must) satisfy the international community that its program is indeed peaceful" (Pranab Mukherjee 2008). Although India voted in 2005 to take the issue of Iran's enrichment activities to the UN Security Council, it has since repeatedly insisted on a peaceful resolution to the conflict and stated it will not support any threats of violence made against Iran for its nuclear program. On December 31, Iranian Foreign Minister Manouchehr Mottaki expressed his country's disappointment to his Indian counterpart Somanahalli Malliah Krishna over India's vote in favor of a recent resolution by the International Atomic Energy Agency (IAEA) regarding Tehran's nuclear program. In his letter, Mottaki drew a parallel between Iran's nuclear program and India nuclear tests.

India and Saudi Arabia have together backed ongoing international efforts to resolve the controversy over Iran's nuclear program through dialogue and have requested that Tehran respond positively to efforts that could remove "doubts." In a declaration issued after a March 2010 meeting between visiting Indian Former Prime

Minister Manmohan Singh and Saudi King Abdullah, the two leaders called for continuation of these efforts. In March 2010, the Indian government stressed that it now perceives additional sanctions against Iran as counter productive.

Economic relations

Iran-India bilateral trade has increased in recent years, totaling \$14 billion in 2010 - \$1.4 billion increase over the previous year's numbers. Iranian hydrocarbon exports to India constitute most of this trade. India has sought to buy oil and gas from Iran to help feed its energy needs, generated by the country's rapid development. India's cooperation with the United States, however, has slowed the development of relations with the Islamic Republic, particularly as the US and Iran have clashed over the latter's nuclear enrichment activities.

The two countries have long been exploring the feasibility of the Iran-Pakistan-India Pipeline (IPI), which would provide India with a steady source of Iranian natural gas. The project has been opposed by the United States as it would provide Iran with extra revenue, undermining sanctions targeting the Iranian nuclear program. As of May 2009, India remained noncommittal due to a combination of factors, including price disputes with Pakistan, anti-Iranian pressure from the United States, security concerns (and the possibility of less expensive domestic alternatives). Consequently, that same month, Iran and Pakistan signed a deal to begin construction without India's participation. Iranian Foreign Minister Manouchehr Mottaki has said that, in lieu of cooperation from New Delhi, China is keen to join the Pakistan-Iran project. Mottaki noted that work on the gas pipeline would begin soon and that Beijing is likely to join the project. According to a poll taken in February 2010, majority of Pakistanis believes that the project would be more useful if China join.

Although India's participation in the Iran-Pakistan-India pipeline appears in doubt, India and Iran nonetheless expanded in other endeavors, with the two entering into a new round of negotiations in July 2009 regarding the development of the Farzad B offshore gas field. According to the Iranian Mehr News Agency, a consortium of Indian oil firms intends to invest \$4-5 billion in the first phase of the project, located in the Persian Gulf.

In June 2009, India's Reliance Industries Ltd halted gasoline exports to Iran to avoid possible restriction on sales in the United States, which has increased pressure on companies selling gasoline to Iran. A joint-venture between India's state-owned Oil and Natural Gas Corporation and the Hinduja Group has obtained a 40% stake in Phase 12 of Iran's South Pars gas field. The agreement for the project, which is, in total, valued at \$7.5 billion, was announced in December 2009. Iran had previously assigned 60% of the project to the Indian pair,

however reduced the share due to concerns over slow progress and US pressure on India (Zeenews, October 4, 2009).

Diplomatic / military relations

Although India has voted in favor of imposing UN sanctions against Iran for its nuclear program, the two countries have continued to pursue a cordial diplomatic relationship. As two powerful countries in close proximity, India and Iran share geopolitical interests as well as commercial interests, which arise from Iran's capacity to provide India with the energy it requires. According to Iranian President Mahmoud Ahmadinejad, Iran and India "must get prepared through strengthening bilateral ties for big changes in the world and filling the power gap in the region" (Ahmadinejad 2008). Highlighting possible future avenues of cooperation, both countries are also observers of the Russia and China-dominated Shanghai Cooperation Organization (SCO).

Cooperation on security issues has largely centered on the conflict in Afghanistan and Pakistan. At a March 2009 SCO summit held in Moscow, Iran, India, and Russia discussed options to contain the Taliban in Afghanistan. In November 2009, India held discussions on the expansion of military cooperation with Iran. Improved military relations would include Indian training of Iranian troops, satellite services, and joint naval exercises in the Gulf. Previous instances of military interaction include the training of senior judge advocates general from the Iranian Army by India's Institute of Military Law in Kamp tee since 2008.

In February 2010, Iranian Ambassador to India Seyed Mehdi Nabizadeh expressed his country's support for India's opposition to the concept of "good" and "bad" Taliban, dismissing recent western overtures to members of the militant organization. "Our experience is not to believe in the 'good-and-bad' Taliban theory. Taliban is Taliban. Extremists should not be part of any government in Kabul" (Nabizadeh, 2010). He cautioned that the return of the Taliban would cause the regional security situation to further deteriorate and advocated a regional approach, involving India, to address the Afghan issue, saying that Tehran, like New Delhi, has a large stake in the stability of Afghanistan. Indian Former Foreign Secretary Nirupama Rao met with Iranian leaders in Tehran in February 2010 to discuss bilateral relations between the two countries. During her two-day visit, the sides exchanged views on issues including Afghanistan, cross-border terrorism, as well as other matters of regional and global importance. Rao was in the Iranian capital for the seventh round of Foreign Office Consultations/Strategic Dialogue between the two countries at the invitation of her counterpart, Deputy Foreign Minister for Asia and Oceania Mohammad Ali Fathollahi.

During a May 2010 meeting of the G-15 developing nations, the two touched on the issue of security in

Afghanistan and Pakistan, with the Iranian president "underline the desirability and need for India and Iran to be in touch and work together." Indian officials had previously stressed in March 2010 that "Iran is an important ally when it comes to dealing with Afghanistan and its help is crucial to ensure that elements hostile to India don't have a free run in Afghanistan, allowing Pakistan the strategic depth which it so dearly seeks over India." (The Times of India, 2010).

West Asia is going through the political transition. With the changing global and regional security environment, new geopolitical alignments as well as changing balance of power are taking place. Iran, an important player in the region is confronted with both internal and external challenges. Domestically, it is preparing itself for the upcoming presidential elections in June and struggling to manage its economy because of the sanctions. Externally, it is trying to overcome its current isolation because of its standoff with the West on its suspected nuclear weapons programme. So far Iran has been able to manage both challenges by developing strong political, economic and strategic relations with the states in the region and beyond, hoping that such ties can it through the difficult times. While the region reorganises itself, Iran and India look towards consolidating their bilateral relations. Both countries are significant actors, whose role can't be overlooked in terms of their political and economic involvement in the region. Today, the regional complexities demand new ways and means of cooperation between India and Iran. This is yet another diplomatic push towards strengthening the existing partnership between the two regional actors. Earlier, the visit of India's Former Prime Minister, Manmohan Singh to Iran on August 28, 2012 to participate in the Non Alignment Movement (NAM) summit was a clear indication of New Delhi's desire to give new impetus to bilateral relations and enhance economic cooperation. The former Prime Minister of India said: "there is lot of interest in doing business with India and getting Indian investment in infrastructure. There are of course difficulties imposed by western sanction, but subject to that I think we will explore ways and means of developing our relations with Iran". After the Prime Minister's visit, a new thrust was given to the bilateral relations. Sub-sequently, several high-level visits have taken place on both sides. Significant among the various interactions has been the recent 17th India-Iran Joint Economic Commission meeting held in Tehran on May 4, 2013.

Regional connectivity

Regional connectivity, both sides agreed to work on a trilateral transit agreement involving Afghanistan. A draft agreement is expected to start soon. India's participation in port of Chabahar project has been under discussion for the last few years but the decision to upgrade the port of Chabahar was conveyed during the External Affairs

Minister's (EAM) visit. As a follow up, India's Secretary from the Ministry of Shipping will visit Tehran to discuss the cost and related aspects on port project. It is important to note that the Iranian port of Chabahar (previously Bandar Beheshti), located on the Makran Coast of the Sistan and Baluchistan Province of Iran criss-cross some of the most important international corridors – East-West, North corridors, South corridor and Transport Corridor Europe-Caucasus-Asia (TRACECA) and can be considered one of the most strategic transit locations. It is often referred to as the 'Golden Gate' to the landlocked Commonwealth of Independent States (CIS) countries and Afghanistan. Chabahar has immense potential to connect the business centres in South Asia (Mumbai, Jamnagar, etc), the Middle East (Dubai), Central Asia (Turkmenistan) and Afghanistan (Milak). It is close to the mainline shipping routes connecting Asia and Europe and is 700 km away from the capital of the province of Zahedan and 2,200 km away from Tehran. The distance from Chabahar to Milak on the Afghan border is 950 km; it is 1,595 km to Dogharoon on the Afghan border; 1,827 km to Sarakhs on the Turkmen border; and 120 km from the Pakistan border. Iran plans to use this port for transshipment of a variety of goods - tea, eatables, electronics, building materials, heavy equipments, etc. – to Afghanistan and Central Asia and equally maintain the Bandar Abbas port as a major hub for trade with Russia and Europe.

From India's point of view, the strategic importance of Chabahar is immense. It not only gives access to the oil and gas resources in Iran but also provides access to Central Asian Republics. India and Iran have already taken initiatives to enhance connectivity through bilateral agreements. In April 2008, an important initiative was taken by both countries when India and Iran signed an agreement to establish a new rail link between Iran and Russia. India offered assistance for technical training of personnel, railroad signalling projects as well as the supply of locomotives and spare parts. The trilateral agreement between the governments of India, Iran and Afghanistan to develop the Chabahar route through Melak, Zaranj and Delaram will also facilitate regional trade and transit and thus contribute to regional economic prosperity.

India is interested in investing in the Chabahar container terminal project as well as the Chabahar–Faraj–Bam railway project. From Bam, which is on the Afghan border, goods can be taken through the Zarang–Delaram road, which is linked with the garland highway connecting all major Afghan cities. There is also the possibility of extending this road to Tajikistan and Uzbekistan, which would give further impetus to regional trade and transit.⁵ During the current visit of the EAM, the proposed North-South corridor linking Russia with Iran was also discussed with the objective of clearing the hurdles. The potential of these corridors are immense. While new initiatives by India, Iran and other regional

countries offer many opportunities, the challenges, however, limit the full realisation of these corridors. These challenges mainly concern the security situation in the region, lack of economic resources, the Iran-US standoff and finally the impact of current US and EU sanctions. India's recent decision to invest USD100 million in free trade zone in Chabahar can be viewed as a forward movement in terms of enhancing bilateral ties. Projects of such scale and size demand more time and assessment.

Enhancing bilateral trade and economic cooperation

The need to increase trade and economic cooperation between India and Iran is a strong imperative though the current level of economic engagement does not reflect the close relations between the two. India - Iran bilateral trade during 2011-2012 was USD 15,968.03 million as compared to 12,887.52 million in 2007-2008. The largest portion of this trade is imports of petroleum products by India from Iran. Therefore, in order to sustain the level of trade, it is important that Iran imports more from India. Agriculture, pharmacy, medical equipment and aeronautics are some of the identified areas where cooperation in future could be enhanced. It is ironical that Iran imports wheat from the US while it can do the same from India. During the EAM's visit, both countries have decided to increase bilateral trade to USD 25 billion in the next four years. Another significant area where cooperation can be expanded is banking. In addition, India and Iran have agreed to explore the prospects of joint investments. These can happen in both oil and non-oil sectors like electronics, automobile, information technology, and infrastructure. Iran is offering Production Sharing Contracts (PSCs) on exploration of oil block to Indian companies. This offer of PSCs was repeated by the Iranian foreign minister during the recent Joint Commission meeting in Tehran. The Indian EAM reacted by saying, "We have an offer...to participate in one of their oil fields ...We must now respond" (The Economic Times, May 6 2013). Despite attractive PSCs, Indian firms are not sure about investing large sums as the risks are still too high owing to the sanctions. Production capacity in the industrial sector of both countries was highlighted and both sides agreed to diversify their cooperation.

While economic diplomacy remained the highlight of the EAM's visit, there was neither mention of the Iran-Pakistan-India (IPI) pipeline nor the liquefied natural gas (LNG) deal. In the case of the IPI, there is security and pricing related problems while on the LNG deal, Iran is yet to respond. After India voted against Iran in the IAEA in 2005, Tehran called off this deal. It was communicated by the Iranian Foreign Ministry Spokesman that "Iran will revise these (economic) relations, and these countries (that voted against Iran) will suffer. Our economic and political relations are coordinated with each other"(Amit Baruah 2005). Iran is a significant source of crude oil for

India and will remain so in India's future energy demands. In recent times, India has had to reduce its crude imports from Iran because of the prevailing sanctions which impose restrictions on shipping and payment options. India and Iran are trying to find ways to overcome this problem. While India complies with UN sanctions, it does not recognize unilateral sanctions imposed by third countries. Despite these difficulties, India will continue to import crude oil from Iran because of its proximity and also because Iran has remained a reliable partner. Iran has regularly supplied crude oil to Indian refineries despite the recent difficulties of delayed payment. More so, it is not possible to reduce the imports drastically from Iran. Mangalore Refinery and Petrochemicals Ltd (MRPCL), India's biggest buyer of Iranian crude, declared earlier in January 2012 that it would continue to purchase Iranian oil. However, the very nature of sanctions imposed by US and EU has made the international trade environment significantly restrictive vis-à-vis Iran.

According to recent reports, Iran will develop three of its oilfields - Tossan, Esfandyar and Soroush – which are located in the Persian Gulf. Iran has also announced that it will implement 11 plans by July-August 2013 with the goal of increasing oil production by 175,000 barrels per day. Its oil minister has stated that Iran's oil output is projected to increase by 1.5 million bpd by 2016. There are other ways of enhancing energy cooperation between the two countries. Since Iran, as has been suggested, has a strong petro-chemical base, it would provide investment opportunities to Indian companies and they can export finished products to India. Moreover, the feasibility study of deep sea pipeline project has been carried out and the prospects will soon be discussed. If Iran expects India to be its true partner in energy cooperation it must give due attention to revisit the India-Iran LNG agreement signed in January 2005, according to which Iran was to export 7.5 million tons of LNG per annum over the 25 years starting in 2009.

Co-operation on regional security issues

The region is passing through a turbulent phase in its socioeconomic and political development. There are huge political uncertainties particularly in Afghanistan, Syria and some of the West Asian countries. Without Iran's inclusion regional security architecture will not be sustainable. Iran controls the entry and exit points to the Straits of Hormuz through which vast amount of oil passes. Uninterrupted oil supplies from the Persian Gulf remain important for India and the global economy. Any military attack on Iran can interfere with the general security of oil supplies through the Straits of Hormuz. Military conflict in the region can lead to massive rise in oil prices thus affecting the global economy. Iran is equally an important player in Afghanistan and had played constructive role after 9/11 by offering full support

to the US in ending the Taliban rule. Both India and Iran have stakes in the stability of Afghanistan. Can the two countries cooperate? In past, India-Iran and Russia have jointly cooperated on Afghanistan. During the recent visit of the EAM, developments in Afghanistan and Syria were discussed at length with focus on stability and efforts to deal with increasing violence and the challenges that a possible return of Taliban would bring. In light of the US's withdrawal in 2014, India and Iran need to evolve strategies to help Afghanistan rebuild. These efforts could include infrastructure connecting Afghanistan with Central Asia via Iran, by working together in sharing information to ensure that Taliban does not return in Afghanistan. In the past, India has worked with Iran, Russia and Tajikistan. In addition, regional countries like Russia and China will have to play a far more active role in Afghanistan's economic development. At the same time no durable solution can be found without Pakistan's constructive role in Afghanistan.

Iran's concerns over the current crisis in Syria were also expressed during Salman Khurshid's interaction with his counterpart, Ali Akbar Salehi and Ali Larijani, the Speaker of the Iranian Majlis. On the Syrian crisis, India and Iran would want an end to violence and a peaceful resolution taking into account the aspirations of the people of Syria. Both support the Geneva Communiqué, which includes the "6-Point Plan of Kofi Annan". For Iran, stakes are high in Syria, and not surprisingly is thinking about diplomatic initiatives to resolve the Syrian crisis by getting the major non-aligned countries together.¹² However, it needs to be seen how far Iran's proposal of involving NAM countries would reach and to what extent India will be willing to play more active role in resolving the Syrian crisis under the initiatives of Iran. For India, its relations with the Gulf Cooperation Council (GCC) countries are equally important. In fact, the stakes are high in the Gulf, where more than six million Indians work. The GCC countries are India's largest trade partner with trade in 2011–12 amounting to about \$124 billion, far outstripping the financial volumes of such ties with any other region of the world.

Enhancing cultural and people-to-people contact

To give further push to the cultural ties and increase people to people contact between the two countries, the Indian Cultural Centre was inaugurated in Tehran during the EAM's visit. India did not have a single Culture Centre while Iran had many Culture Centers in India. Therefore, opening up of the Centre is significant in a historical and cultural context. To enhance people-to-people contacts, the two sides felt the need to liberalize their visa regime.

During this visit the following three MoUs were signed

1. MoU between Institute of Standards and Industrial Research of Islamic Republic of Iran (ISIRI) and Bureau of Indian Standards (BIS).

2. MoU between the Foreign Service Institute, Ministry of External Affairs, India and School of International Relations, Ministry of Foreign Affairs, Iran.

3. MoU between the Government of Republic of India and the Government of Islamic Republic of Iran on Cooperation in the field of Water resources management.

Iran's controversial nuclear programme has been a sensitive issue with India since India's vote against Iran at the IAEA in 2005. Iranian perception has been that because of its historical ties and as a founding member of the Non-Aligned Movement, India should have been more sensitive towards Iran and not have followed the Western line. India's position has been very clearly articulated on this issue. It has been emphasized that Iran has a right for peaceful use of nuclear energy while fulfilling its obligations owing to its membership of Nuclear Non-Proliferation Treaty (NPT). India has urged all sides to resolve the issue diplomatically through discussions and negotiations. During the recent visit of EAM, Iranian shared information on its nuclear programme and informed about the resumption of talks with P5+1 which is likely to start this year.

Prognosis

The recent visit of the EAM can be viewed as continuation of new bilateral push despite economic sanctions. In this new phase, both sides are attempting to re-energise economic cooperation and enhance regional connectivity. If India is exploring ways and means to give a push to its Iran policy, Iran, on the other hand, wants "sincere and deep-rooted relations" (Government of India, Ministry of External Affairs, August 30, 2012). Iran's relationship with India in the last decade has been built on the strong underpinning of ancient links and goes beyond bilateral ties.

The future of India-Iran relations will depend on two factors: First, how India manages to balance its relations with Israel, US and the GCC countries on the one hand and Iran on the other? Second, what will be the nature and level of Iran's engagement if its relations improve with the US and EU? Will Iran's foreign policy then be more west-focused or east-centered? In the past, during the Cold War, Iran under the Shah was in the camp of the West but after the revolution their relations went sour. The West Asian region including Iran is highly Euro-centric and therefore if Iran-US relations improve, the foreign policy direction would be more towards Europe/US than towards Asia.

Conclusion

For India, Iran continues to remain important for various reasons: energy security, countering Pakistani Taliban in Afghanistan, access to trade and transport connectivity

with Central Asia and Afghanistan and, to some extent, managing the domestic political dynamics. India does not want to be a victim of the US policy in West Asia. However, equally important for India is its strategic partnership with the US. In the current context, the real test for India and Iran is to maintain and sustain the current momentum.

Conflict of Interests

The authors have not declared any conflict of interests.

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