

VALLIS GROUP LIMITED - COUNTRY REPORT

SUDAN AND SOUTH SUDAN

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EXECUTIVE SUMMARY

Sudan's location in Africa's Northeast has resulted in a strong connection with the Middle East and this is evident today in a society dominated by Islamic religion and Arabic culture. Sudan was the largest country in Africa until the south seceded in 2011 and became the independent nation of South Sudan ending decades of civil war between the north and the south. Sudan's main resource and export continues to be oil, with crude oil fields predominantly located in the south. Sudan once profited significantly from oil, but the secession of the south halted this economic growth. Today, Sudan also relies on exporting gold, oily seeds, and livestock to generate revenue. Port Sudan on the east coast is the major thoroughfare for Sudan's trade. The instated transitional government is led by the civilian Prime Minister Abdalla Hamdok, with his efforts focused on repairing Sudan's economy and improving standards of living.

Sudan's history has been enveloped in conflict with two civil wars from 1955 to 2005, and an 11-year cessation of hostilities between 1972 and 1983. From 1989 until 2019 Sudan was ruled by a military dictator, Omar Al-Bashir, whose regime was ended by popular unrest leading to political change. The wars ultimately led to the independence referendum in 2011.

Although South Sudan emerged as a fledgling nation following the referendum, rich in natural resources, it remains severely lacking in infrastructure to provide basic services for its citizens. From the outset, South Sudan was burdened domestically by government debt, ethnic violence, and food insecurity as well as ongoing discrepancies with Sudan regarding shared oil revenues and disputed territory. Political tensions in South Sudan between the current President, Salva Kiir, and his former rival, now deputy, Riek Machar, erupted into civil war in 2013. Although the rivalry between these two political leaders has been resolved, the impact has hindered progress towards economic development and political stability.

Oil is an important part of both nations' economies and they are reliant on each other for oil revenue. South Sudan possesses the oilfields and Sudan has the infrastructure to process and transport it. Largely as a consequence of western sanctions, China has played a significant role in Sudan due to its investment in oil but has also broadened its activities into the construction of hydro-electric power dams. China is the leading importer of oil from Sudan and South Sudan. Despite the fragility of the region and ongoing violence, foreign investment continues to play a considerable role in Sudan and South Sudan's oil sectors.

China has been steadfast in protecting their interests in Sudan. During Al-Bashir's regime, China established itself as an alternative political ally to the west, with a policy of non-intervention, which was expected in return. In South Sudan, Chinese enterprises have widened their activities beyond oil and operate in a range of sectors including energy, telecommunications, medical services, and construction. China has also shared its model of governance with South Sudan through workshops for officials from both nations in Beijing and Juba.

Sudan and South Sudan remain underdeveloped and in need of significant humanitarian assistance and economic aid. The United Nations has stated that over 9 million people in Sudan, or 23 per cent of the population, need humanitarian aid in the year 2020. Restrictions placed on aid agencies in Sudan during the regime of Al-Bashir were lifted in March 2020. Many humanitarian agencies operate in both nations, including UNICEF, the WFP, and the ICRC. These agencies prioritise food insecurity, child protection, education, access

to clean water and nutrition. They face a multitude of challenges, all of which have been exacerbated by the coronavirus pandemic, but mainly stem from continued armed conflict and a lack of infrastructure, impeding their access to those most in need of aid. Sudan and South Sudan also receive humanitarian aid from the European Union, the UK Department for International Development, and the US Agency for International Development.

The current pandemic has caused a worldwide economic downturn, negatively affecting Sudan and South Sudan's economies and frustrating economic growth, with the global plummet in demand and price of oil. In South Sudan specifically, the coronavirus pandemic and alleged corruption have weakened the country's currency and accelerated South Sudan's loss of foreign exchange. In Sudan, the US in their efforts to normalise relations with the transitional government, are considering the removal of the country from a list of states that sponsor terrorism. This would open access to the international financial system, attracting foreign investments and loans, which will be much needed for the country's future. Whilst China's interest remains in the region, Sudan and South Sudan will need significant assistance from the rest of the international community if they hope to survive and recover economic development.

This report provides a succinct overview of Sudan and South Sudan's history, both geographical and political. It discusses Sudan and South Sudan's past and present political and economic challenges; their shared primary resource, oil, China's growing engagement and the leading humanitarian aid they both receive from non-government and government organisations.