

On the Protection of China's Interests in Sudan^{*}

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IN JANUARY 2012, rebels in Sudan kidnapped 29 Chinese workers. A subsequent kidnapping occurred when 25 Chinese workers were held in northern Egypt's Sinai region. These two incidents underline the fact that Chinese nationals are becoming targets for overseas terrorists, triggering thoughts about how to ensure and protect China's overseas interests.

On the one hand, China's overseas assets are increasing. By the end of 2010, China's net assets overseas reached US\$1.79 trillion, making it the world's second-largest creditor country after Japan. In 2010, China's foreign direct investment totaled US\$68 billion, ranking fifth in the world.¹ On the other hand, Chinese nationals and assets overseas face risks, posing challenges for the Chinese government. In February 2011, when the situation in Libya became dangerous, the Chinese government organized 250 flights and other transportation to repatriate 36,000 Chinese citizens.² The turmoil in Libya seriously affected Chinese-funded enterprises in North Africa, as China had undertaken 50 large projects in Sudan with a total contract value of US\$18.8 billion.³

Reflecting these realities, in recent months, there have been a large number of articles written by Chinese scholars, which discuss China's overseas interests and the protection of these interests.⁴ Using Sudan as a case study, this paper assesses the status quo and

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development of China's overseas interests by analyzing three key aspects of this situation: China's interests in Sudan, the challenges for China and how to protect China's interests.

I. CHINA'S INTERESTS IN SUDAN

CHINA and Sudan have long maintained close bilateral political, economic and trade relations. This relationship, based on equality and mutual benefit, is significant for cooperation between the two countries, especially on the issue of oil. China's interests in Sudan are reflected at the corporate, national and strategic levels.

1. The Oil Interests of Chinese-funded Companies in Sudan

OIL COOPERATION between China and Sudan is driven by a variety of factors. On the one hand, Sudan wanted to develop its oil industry. Although oil had been discovered within Sudan, it remained an importer of oil and oil products. It was still constrained by Western capital, equipment and technology, and its economic development lagged behind for a long time. From China's perspective, the Chinese government and oil companies require a steady oil supply. In 1993, China became a net importer of oil products, and in 1996, a net importer of crude oil. It has become increasingly hard for China's domestic oil production

to meet the needs of its economic development and its rising demand. Besides, Western sanctions and the withdrawal of Western oil companies from Sudan provided opportunities for Sino-Sudanese oil cooperation. In 1993, the U.S. government listed Sudan as a country supporting terrorism, and in 1997, the U.S. implemented unilateral economic sanctions against Sudan. Because of Sudan's civil war and its worsening relations with the United

Western sanctions and the withdrawal of Western oil companies from Sudan provided opportunities for Sino-Sudanese oil cooperation.

States, from the beginning of the 1980s, Western oil companies, including Chevron, began to withdraw from Sudan.

China and Sudan began to collaborate in the field of oil production in 1995. Chinese oil companies are currently involved in three types of projects in Sudan: (1) Oil exploration and development. The China National Petroleum Corp. (CNPC) holds stakes of 95%, 40% and 41% in already in-production Block 6, Block 1/2/4 and Block 3/7, respectively; Sinopec holds a 6% stake in Block 3/7; CNPC has stakes of 35% in Block 15 and 40% in Block 13. (2) Oil refining and petrochemical trade projects. With CNPC and Sudan's energy ministry each holding 50% stakes, the Khartoum Refinery Company began operation in 2000. Its annual processing capability has now reached 5 million tons. CNPC also holds 95% stakes of the Khartoum chemical plant, which can produce up to 20,000 tons of polypropylene and 20 million woven bags annually. CNPC is the sole owner of a petrochemical trading company, six gas stations and one product oil depot in Sudan, selling 100,000 tons of gasoline and diesel oil per year. (3) Oil and gas field engineering technology and oil engineering construction. CNPC manages and runs 3,600 km of oil pipelines connecting Block 1/2/4 to Port Sudan, Block 6 to Khartoum Refinery, and Block 3/7 to Port Sudan.⁵

The Sudan project has seen considerable economic returns. In 2009, CNPC's Sudan project produced 26 million tons of crude oil, accounting for 37.3 percent of its overseas output.⁶ The Sudan project has also driven China's export of oil materials, equipment, technology, engineering and labor. CNPC-affiliated firms win 60 percent of their total contracts through bids. By 2000, the 1/2/4 project-driven export for CNPC was 135 percent of its investment. China exported US\$380 million in oil materials and equipment, putting China's oil pipeline equipment on the international market for the first time.⁷ During the period 1996-2006, China's oil engineering and technology service teams won contracts worth a total of US\$4.8 billion from the Sudan project.⁸

The Sudan project has also brought obvious social benefits. All the equipment for the Khartoum Refinery, which was built by Chinese workers, was manufactured in China. At one time, the number of Chinese people working on this project was in excess of 6,000, which, to a certain extent, lessened the pressure

of unemployment and resettlement of oil workers in China and offered considerable incomes to Chinese staff.⁹ CNPC has actively fulfilled its social responsibility and made its contribution to the local community's development in Sudan. By the end of 2009, CNPC firms and joint-operation units in Sudan had dug over 160 drinking water wells and donated US\$50 million to the local Sudanese community, which directly benefits two million people, including more than 70,000 school-age children. This was in addition to building four hospitals, 109 clinics, and 35 schools. In total, CNPC has provided more than 80,000 job opportunities in Sudan.¹⁰

The Sudan project is of important strategic significance for Chinese oil companies. As a comprehensive project, ranging from engineering construction to production and operation, it was CNPC's first overseas project integrating upstream and downstream operations, playing a pioneering role for Chinese oil companies in overseas operations. Motivated by the exemplary work of CNPC in Sudan, many African nations, such as Chad, Niger, Uganda and Algeria, hope that CNPC can participate in their oil and gas exploration. In addition, a number of Western oil companies also wish to cooperate with CNPC.¹¹ Since the implementation of the Sudan project, CNPC has undertaken more and more international oil and gas cooperation projects. By the end of 2010, CNPC had launched oil and gas projects in 29 countries, making new progress in Africa, the Middle East, Central Asia, Russia, North America and the Asia-Pacific region.

2. China's National Interests in Sudan

IN THE Sino-Sudanese oil cooperation projects, corporate interests accord with national interests. The significance of Sino-Sudanese oil cooperation has gone beyond oil interests, with Chinese leaders like Jiang Zemin, Hu Jintao, Wu Bangguo and Li Changchun becoming involved to varying degrees. Zhou Yongkang, then first deputy general manager and later general manager of CNPC, masterminded and directed the implementation of the project at the design, launch, operation and development stages. The Block 6 project in Sudan was the first overseas oil

exploration project to use foreign aid since the reform of China's foreign aid system. In December 1995, this project received 100 million yuan from China's 150 million yuan preferential loan to Sudan. In 2001, the Block 3/7 project gained 400 million yuan in a low-interest preferential loan from the Export and Import Bank of China.¹²

The Sino-Sudanese oil cooperation project has made important contributions to guaranteeing China's energy security. Chinese companies' share of the oil produced by the project, in accordance with their stakes in the project, has created favorable conditions for China's import of overseas oil. This has been conducive to maintaining the security of China's oil supply. Over the past decade (excluding 2006), Sudan has remained one of China's top ten suppliers of crude oil and one of the top two crude oil suppliers in Africa. In 2011, Sudan ranked as China's seventh-largest supplier of crude oil, with China importing 12,988 thousand tons of Sudanese crude oil, which accounted for 5.2 percent of China's total crude oil imports.¹³

In addition to oil, Chinese companies have also launched many other economic cooperation projects, including Merowe Dam, the world's longest dam, which is often called Sudan's "Three Gorges Dam." This project was the result of a US\$750 million contract. The construction of the dam was completed in 2009, and soon afterwards it began to generate electricity. Chinese-funded companies have got a 50-percent share in Sudan's engineering contract market. By the end of 2010, the value of contracts these companies had signed in Sudan had exceeded US\$18 billion, of which US\$10 billion have already been completed. Furthermore, the number of Chinese workers in Sudan had reached 20,295 by the end of that year.¹⁴

China shares important economic interests with Sudan, with regard to bilateral trade. Sudan is China's third-largest trading partner in Africa, while China is Sudan's top trading partner. In 2010, Sino-Sudanese trade totaled US\$8.6 billion, accounting for 44 percent of Sudan's total foreign trade. Of this figure, China's imports from Sudan amounted to US\$6.68 billion, and its exports to the latter totaled US\$1.95 billion.¹⁵ By the end of 2010, China's

foreign direct investment in Sudan reached US\$613 million, accounting for 4.7 percent of China's total investment in Africa.¹⁶

3. Strategic Interests in Sino-African Cooperation

A UNIQUE geographic location and an abundance of resources underpin Sudan's important geopolitical status, as well as its important position in China's diplomatic strategy toward Africa. Geographically, Sudan borders Egypt to the north and is close to the Middle East. The residents in the northern part of Sudan are mainly Muslims, while those in the sub-Saharan region that extends to the African hinterland are primarily black and believe in a mix of local religions and Christianity. Sudan boasts relatively abundant oil resources. In 2010, Sudan's proven oil reserves stood at 900 million tons, ranking 5th in reserves and 6th in output in Africa.¹⁷

From the perspective of China's energy security and energy strategy, Africa is one of its most important sources of crude oil, while Sudan is considered a strategic base for China to participate in the development of the continent's oil resources. Since 2005, Chinese crude oil imports from Africa have made up around 30 percent of its total crude oil imports. By now, Chinese oil companies have made oil and gas investments and started oil exploration and development operations in a dozen African nations. In fact, China's oil project in Sudan has been acclaimed as the "Sino-Sudanese oil cooperation model," the "CNPC Sudan model," the "Sudan experience," and so on.¹⁸ The development of this landmark project in the future is critical to guaranteeing China's oil interests and will have an important impact on cooperation between China and Africa.

The exemplary role and strategic impact of China's oil project in Sudan cannot be overlooked. In the past, relying solely on its own efforts, Sudan found it difficult to get rid of its long-term fiscal deficits and heavy dependence on oil imports. At the same time, it is hard for Sudan to establish its oil industry solely based on a dependence on Western oil companies. The success of the Sino-Sudanese cooperation in oil has altered this situation, proving that developing countries can achieve mutual benefit through cooperation on an equal footing and drawing on one other's strong

points. The Sino-Sudanese oil cooperation project has developed into the “model of Sino-Sudanese cooperation” and promoted traditional friendship and cooperation between China and Africa. Sudanese President Omar al-Bashir has lauded it as “an example for South-South cooperation as well as one for the self-improvement and alliance among developing countries.” The Khartoum Refinery is reputed to be a “pearl on the African continent,” and it has not only become the pride of Sudan, but a project that many other African nations wish to use as a model.

II. THE SEPARATION OF SUDAN AND CHALLENGES TO CHINA'S INTERESTS

THE NORTH and the south of Sudan signed the Comprehensive Peace Agreement in January 2005, declaring the end of its 22-year civil war. In January 2011, a referendum was held in the south and 98 percent of the voters were in favor of separation. Following a six-month transition, South Sudan gained independence from Sudan, becoming a new African nation.

After the separation, various security challenges remain as yet, mainly the unresolved issues between the two sides and their difficult domestic conditions: border demarcation, oil income distribution, domestic security of South Sudan and the issue of Darfur. Conflict continues over resources such as oil, water, minerals and agriculture, as well as strategic plans and positions, including their positions on the Abyei oil-producing region. Oil income accounts for 98 percent and 50 percent of the revenues of the North and the South, respectively.¹⁹ The heavy reliance on oil income prohibits any easy compromise that could allow for a quick, final resolution. If the two sides cannot strike a deal as soon as possible, South Sudan's oil exports through Sudan's Port Sudan, could trigger a chain of actions that would escalate the conflict. In addition, internal conflicts have already emerged within South Sudan during the transitional period. In May 2010, after failing to be elected as governor of Jonglei, George Athor, a former general in the Sudan People's Liberation Army, launched a rebellion. Similar rebellions occurred in the states of Northern Bahr el Ghazal,

Warrap and Unity.²⁰ This shows that, despite decreasing pressure from the North, South Sudan is beset by internal conflicts over power distribution. The Darfur issue is one of the key domestic issues for Sudan. It originates from the struggle between nomadic Arabs in the north and agricultural blacks in the south of Darfur over water and other resources.²¹ Besides, a number of Sudan People's Liberation Army soldiers still remain in South Kordofan and Blue Nile provinces, which may lead to military tensions between South Sudan and Sudan.

In the long term, current conflicts and challenges between South Sudan and Sudan are not limited to the above issues. In summary, their domestic economic development is the root cause of the security threats they are facing. Only by resolving the issues of economic development and the well-being of their people can they eventually settle their security concerns.

Since South Sudan became independent, the regional situation has posed serious challenges to China in three aspects.

Since the separation of South Sudan and Sudan, the situation in the region has posed serious challenges to China's interests in three aspects: the security of Chinese nationals, the economic interests of Chinese companies, and the protection of China's strategic interests.

First, the security of Chinese personnel in Sudan has increasingly become a focus for China. Cross-border regions between South Sudan and Sudan have high security risks with several kidnappings of Chinese workers in recent years. This poses serious threats to both Chinese personnel, as well as routine production and operation in the region. Such incidents often occur close to Chinese project campsites during on-site operations or en route to work sites. In October 2008, nine CNPC workers were kidnapped at the project 1/2/4 in Abyei, resulting in several deaths. In November 2010, another CNPC worker was taken hostage near the 1/2/4 project campsite, but was fortunately later released unharmed.²² The reasons behind the kidnapping were the discontent of nearby locals, who were demanding more jobs, as well as local rebels who took hostages for political and economic

purposes. There are more than 20,000 Chinese workers in Sudan. To guarantee the security of them all is an arduous task. In the early stage following the separation of South Sudan and Sudan, political turmoil, security chaos and regional conflicts occurred in South Kordofan, Abyei and some South Sudanese regions, causing a further increase in security risks.

Second, the normal operation and development of China-funded companies may be affected by the security situation in Sudan. In the first place, security for oil pipelines is crucial for Chinese oil companies to guarantee their economic interests. Chinese oil companies have built three oil pipelines on BOT terms. These facilities will eventually be transferred to the Sudanese government. However, before the handover, Chinese companies rely on their operation to recover the costs of construction and make some profit. Overland oil pipelines are generally long, run through many regions, offer poor mobility and flexibility, are hard to monitor and are vulnerable to human interference and damage.²³ Given Sudan's poor security conditions, protecting them requires great vigilance and attention. Sudan's pipelines have frequently been attacked. Three bombings occurred in less than four months after the export pipelines for Block 1/2/4 were put into operation. In early 2000, rebels launched a surprise attack on an oil export pipeline 160 km southwest of Port Sudan, causing an explosion and a fire. It was three days before the pipeline resumed operation. In November 2004, a 3m stretch of crude oil pipeline was blown up near Khartoum, and booby traps were laid to obstruct rescue and repair operations, causing pipeline malfunctions for several hours.

Moreover, the assets and equipment of Chinese companies are also vulnerable to local security issues. With regard to the locations of CNPC assets, Block 6 is in northern Sudan, and Block 13 and 15 are located on the coast of northern Sudan. Other facilities, such as the Khartoum Refinery, are close to the capital, Khartoum, and enjoy relatively good security conditions. However, Block 1/2/4 and 3/7, extending across the boundaries of South Sudan and Sudan, have high security risks. Furthermore, China's large and medium-scale projects in Sudan are mostly large and medium infrastructure engineering projects, such as those of electric power,

irrigation works and roads, which call for large sums of investment, are large in scale and involve more than one base. If Sudan's security situation worsens, within a short period of time, many projects will have to be suspended and workers pulled out, which will make it difficult for equipment and assets to be transferred.

In addition, the market share of Chinese companies in Sudan may shrink over the coming years. With the separation of South Sudan from Sudan, Chinese companies have found that the stable situation and advantageous position they used to enjoy has changed. Since the 1990s, because of Western sanctions on Sudan and Sino-Sudanese friendship, Chinese companies signed contracts for many large projects, accumulating rich practical experience in Sudanese operations and developing successful cooperation models. After the founding of South Sudan, its foreign economic cooperation and investment environment remain uncertain. Forging a new economic cooperation relationship with South Sudan requires that the Chinese government and enterprises engage in long-term exchanges. Moreover, South Sudan gained independence due to many years of support from Western nations, including the United States. In the years to come, Chinese-funded enterprises are bound to encounter competition from Western international companies. This will call for a great deal more input from the Chinese government and companies to obtain cooperation opportunities with South Sudan.

Third, the separation of Sudan may have an impact upon Sino-Sudanese strategic cooperation. Sudan is an important strategic partner for China in Africa, and leaders of the two countries have guided the strategic development of bilateral relations throughout recent years. China and Sudan extend mutual support to one another in international and regional affairs, especially on issues involving the core interests and major concerns of the other. Sudan has been steadfast in its support of China on issues touching upon China's core national interests, such as Taiwan, Tibet and Xinjiang. At the same time, China has also made great diplomatic efforts and worked together with the international community to try to achieve a just and reasonable solution to the Darfur issue.

The two countries not only collaborate internationally, but have also formed an interdependent relationship economically. If

Sudan is unable to export oil for an extended period of time or its security situation worsens, this could impact the security of China's crude oil supply. In recent years, China has become increasingly dependent on its overseas supply of crude oil, which has increased from 26.9 percent in 2000 to 53.8 percent in 2010. In 2007, China's crude oil imports from Sudan amounted to more than 10 million tons, accounting for 5-6 percent of its total crude oil imports. Judging by statistics released by the International Energy Agency, the crude oil production in South Sudan and Sudan was 260,000 and 110,000 barrels per day, respectively. Suspension of oil production in South Sudan from January 2012 could lead to a reduction of 100,000 barrels per day in this region's output this year.²⁴

Furthermore, this may shake the foundations of close political and economic cooperation between China and Sudan. Both Sudan and South Sudan may agree to Western presence in the region to balance Chinese presence, following the relaxation of U.S. sanctions on Sudan. In fact, when Canada's Talisman Company withdrew from the 1/2/4 project, the Sudanese government refused to allow the CNPC and Petronas, the national oil company of Malaysia, to increase their stakes, preferring to balance overseas investors' interests. Eventually, an Indian oil company was allowed to participate in the project.²⁵ The United States is increasing its aid to South Sudan, investing US\$200 million to build a highway from Juba to Uganda. When completed, South Sudan will be able to strengthen its market ties with the East African Community (Burundi, Kenya, Rwanda, Tanzania and Uganda). In this situation, Chinese companies' ability to use their years of experience in Sudan to obtain business opportunities would no longer depend on the projects and the companies' capacity alone. More importantly, it would depend on the attitudes of the governments of Sudan and South Sudan and the attitudes and capabilities of other foreign participants.

III. POLICY OPTIONS FOR CHINA TO PROTECT ITS INTERESTS IN SUDAN

IN PROTECTING its interests in Sudan, China enjoys certain advantages, yet is subject to some domestic and international

constraints. First, achieving peace and stability in Sudan will, without doubt, be a long and complex task. Changes in the governments of both Sudan and South Sudan, the rebel forces and international factors will all have a significant impact on the region's peace process. The tension between Sudan and South Sudan has been built up by the prolonged civil war and conflicts. Following the independence of the south, economic and historical conflicts between the two sides will remain for a long time to come. Achieving domestic peace, solidarity and stability will require prolonged efforts from both sides. In the final analysis, the security situation in both countries will not make a fundamental turn for the better without the marked improvement of the people's living standards and a noticeable development in the economy.

Second, in the future, the economic interests of Sudan and China will remain closely interlinked and the two countries will still have broad incentives for cooperation. Oil is the central pillar of Sudan's economy and its major source of foreign exchange earnings. For many years, Sudan's income from oil exports has accounted for more than 90 percent of its total export income, while its oil exports to China make up 65 percent of all its oil exports. China's economic cooperation with Sudan is not limited to oil; it extends to large water conservation projects, hospitals, ports, highways, power stations and other infrastructure engineering projects. All such projects are large in scale, require lengthy construction periods, involve huge contracts and are of far-reaching significance. China's impact on Sudan's economy cannot be easily overlooked, still less written off. As the international environment gradually improves, foreign investment in Sudan is bound to increase. The experiences China has accumulated and the advantages these experiences have provided will prove to be highly beneficial.

Third, the development of South Sudan needs assistance from both the West and China. The policies adopted by the government of South Sudan will favor Western countries, yet at the present stage, it is impossible for South Sudan to depend solely on the West to solve all its problems. Its lagging economy and cultural identification with Sub-Saharan Africa have created a serious gap between it and Sudan, which has resulted in its congenital

reliance on the United States and other Western countries. Yet, as it has an extremely weak economic foundation and serious infrastructure problems, importing foreign capital and developing its advantageous resource industries will inevitably become the obvious strategic choice to boost its economy. In this regard, China will be an important partner. Through dozens of years of strenuous efforts, Chinese companies, as represented by CNPC, have built up advantages in capital, technology and human resources in the Sudan market. Hence, cooperation with China will be a practical choice for South Sudan in order to resolve its historical problems and achieve economic growth.

Fourth, the evolution of the Sudan issue is a clear example of the strategic conflict between China and the West in Africa. China clearly needs more overseas resources to support its rapid development. The isolation of and sanctions against Sudan by the United States provided China with an opportunity. China's success in Sudan and the model that this provided for other African countries sharply contrasted with Western policies in the region. The strategic confrontation between China and the West in Africa is an unavoidable outcome of China's rise. Had this not occurred in Sudan, it would have happened elsewhere.

Fifth, China's policy in Sudan is subject to the limitations of its overall foreign strategy, which is one of passive response. China's current foreign policy generally tends to be constrained, prioritizing a stable relationship with the United States and lacking the initiative to shape agendas. Thus, in the international game, China makes great efforts to maintain peaceful Sino-U.S. relations and external stability, and consequently, it has not gone out of its way to prevent international sanctions and the separation of South Sudan and Sudan. Working together with the international community, China has made efforts to promote the peace process in Sudan, which has achieved tangible results, but also triggered negative comments.

China's current policy focuses on ensuring its interests in Sudan while striving to develop relations with South Sudan. Although the government of South Sudan has both political support and economic assistance from the United States, China has not rejected the government of South Sudan, but has instead made great efforts

to develop normal bilateral relations. After the signing of the “Comprehensive Peace Agreement” between the north and the south, China established official contacts with the south and set up a consulate general in Juba. In August 2011, the Chinese foreign minister paid a visit to both Sudan and South Sudan, committing to continue cooperation with Sudan by signing three contracts worth 325 million yuan, while displaying the importance China attaches to the development of relations with South Sudan, by expressing China’s willingness to provide aid and strengthen economic cooperation.

In ensuring and protecting its interests in Sudan, China has always followed international rules and relied on diplomacy.

Looking back, in ensuring and protecting its interests in Sudan, China has never resorted to military force or threat, but has always followed international rules and relied on diplomatic efforts. On the issue of Darfur, from the very beginning, China has played the role of a “mediator” and made proactive efforts to encourage

talks and negotiations between the parties concerned. China believes that the conflict can be resolved through development and cooperation, adheres to the principle of non-interference in Sudan’s internal affairs and plays a constructive role as a friend. Within the framework of the UN Security Council, China sent 315 engineering troops to participate in the peacekeeping missions in Darfur.²⁶

China has signed bilateral agreements with Sudan to protect the interests of Chinese-funded enterprises in investment cooperation in Sudan. For example, the two governments signed an agreement to avoid double taxation in 1997, and a memorandum on simplifying procedures for Chinese workers travelling to and working in Sudan in 2007. When investing in Sudan, Chinese companies can also use China’s overseas investment insurance systems, such as credit risk guarantee products, including political and commercial risks, offered by the China Export and Credit Insurance Corporation, as well as commercial security services provided by the Export and Import Bank of China and other monetary organizations.²⁷

Looking at it from a long-term perspective, however, the separation of South Sudan and Sudan has caused some issues in the Sino-Sudanese partnership and certain diplomatic difficulties for China. Thanks to concerted efforts made by China, together with the international community to promote the peace process in Sudan, the Omar Hassan al-Bashir government of Sudan eventually accepted the independence of the country's southern regions. But in March 2009, the International Criminal Court issued an arrest warrant for Omar Hassan al-Bashir, which was not the result that Sudan had hoped for. On the part of South Sudan, it has gradually achieved its political goals with the support and protection of the West. Although there has been some development in China's relations with South Sudan, their relations are far from close. On the whole, the U.S. sanctions against the Sudanese government and support for South Sudan have served to expand U.S. strategic interests in Sudan. As a result, China's efforts to protect its interests in Sudan will be subject to various restraints imposed by the U.S.. Worse, if inappropriately handled, China's partnership with other African countries, as well as the South-South cooperation as a whole could suffer.

Although the Chinese government and companies face many uncertainties in Sudan, China can still make many achievements in this region. In fact, China's investment in Sudan has been long made in the face of great political and security risks. Since the arrival of Chinese oil companies to Sudan in the 1990s, Western sanctions on Sudan and conflicts between the south and the north have never stopped. It was under such circumstances that Chinese oil companies achieved great success, both in technology and production. China not only needs to make continuous efforts to strengthen international cooperation and diplomatic efforts, but also needs to be more innovative in its approach, in order to protect its economic and strategic interests in this region.

To turn crisis into opportunity, China should take greater initiative in protecting its interests in Sudan and South Sudan. Rather than trying to keep up with the ever-changing situation, it should make full use of its current resources and advantages to take an active part in and influence the process of conflict resolution

between Sudan and South Sudan. Only by changing its passive role to an active one and making proactive efforts to create favorable conditions, can it fundamentally overcome challenges and grasp opportunities. Some scholars have proposed such concepts as “creative involvement,” suggesting that China should adopt a new and proactive attitude toward international affairs.²⁸ Many are now calling for China to put more efforts into improving its diplomacy, without sacrificing its principles.

Overall, the policies and principles China can adopt include: taking the initiative to put forward its own suggestions and take an active part in conflict resolution, as well as getting more involved in agenda setting; strengthening cooperation with both Sudan and South Sudan, prioritizing the maintenance of traditionally close relations with Sudan by keeping its commitments to this country, while fostering an investment climate in South Sudan to create conditions for cooperation; strengthening coordination between the government and enterprises, as well as among Chinese companies, to create synergy in external affairs; and leveraging current contracts by encouraging Chinese companies to formulate plans in advance, pay more attention to strategic planning, optimize investment distribution, diversify project risks, intensify risk control and prevention, and draw up emergency plans to forestall possible risks.

CONCLUSION

CHINA'S INTERESTS in Sudan include both tangible economic interests, such as oil and engineering projects, and intangible strategic interests, such as successful models of cooperation and mutually beneficial development experiences. Pragmatic Sino-Sudanese economic cooperation is based on equality and mutual benefit, with each taking what it needs, and obtaining huge economic returns and other benefits of cooperation. The landmark achievements of Sino-Sudanese cooperation have created a certain demonstration effect. Their experience and models have provided insights for Chinese companies pursuing the “go global” strategy, and set an example for South-South cooperation. This is a huge experiential asset for China's foreign collaboration.

Whether China's interests can be maintained and expanded in the wake of the separation of South Sudan from Sudan has become a real issue for the Chinese government and companies. It is necessary not only to make a detailed assessment of China's current challenges and risks in Sudan, but also to make objective and earnest reconsiderations of China's policies, and analyze and summarize China's experience and lessons learned in protecting its overseas interests. It is especially so given the ongoing turmoil in the Middle East and North Africa. The stance of the Chinese government has become increasingly important, as it is possible that Chinese enterprises will operate and develop in an environment of high risks for a long time to come. Protecting China's overseas interests will be an arduous and prolonged mission.

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² "2011nian zhongguo cheli zai libiya ren yuan" (China Withdrew Citizens from Libya in 2011), <http://world.people.com.cn/GB/8212/191606/214871/index.html>.

³ News released at a press conference by China's Ministry of Commerce on March 22, 2011.

⁴ Representative ones include: Fu Mengzi *et al.*, "Zhongguo de haiwai liyi" (China's Overseas Interests), *Shishi baogao* (News Report), 2004(6), pp. 17-25; Chen Weishu, "Zhongguo haiwai liyi yanjiu de zongti shiye" (General Vision for China's Overseas Interest Studies), *Guoji guan cha* (International Review), 2009(2), pp. 8-12; Wang Duanyong, "Haiwai liyi shixian yu baohu de guojia chayi" (Difference in the Realization and Protection of Overseas Interests by Various Countries), *Guoji guan cha* (International Review), 2009(2), pp. 29-37; Meng Honghua and Zhong Feiteng, "Zhongguo haiwai liyi yanjiu de licheng xianzhuang yu qianzhan" (History, Status Quo and Prospects of China's Overseas Interest Studies), *Waijiao ping lun* (Foreign Affairs Review), 2009(5), pp. 56-71; Zhen Bingxi, "Xin xingshi xia ruhe baohu guojia haiwai liyi" (How to Protect State Overseas Interests in the New

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