

Contact List

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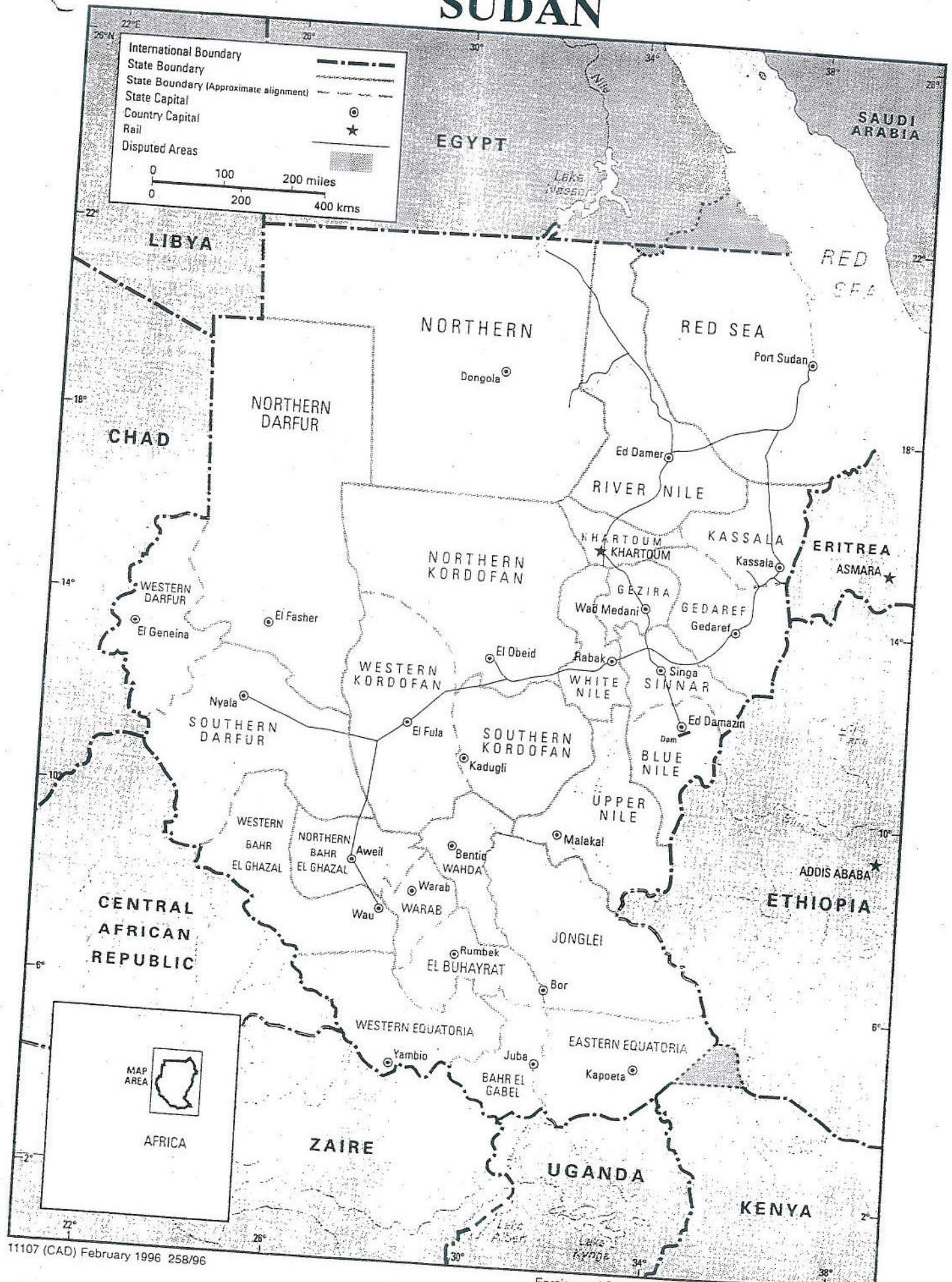
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SUDAN



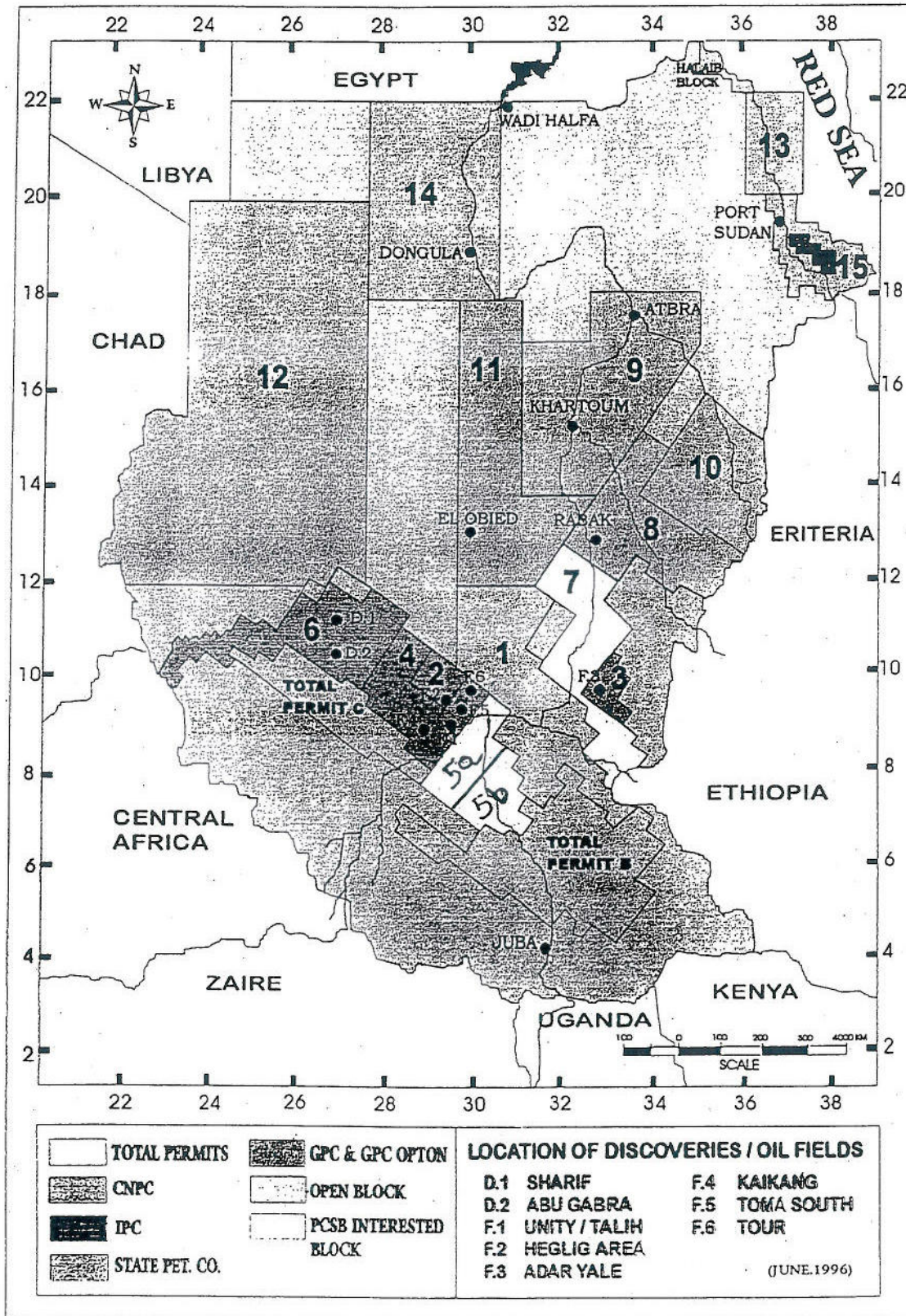
Legend

- International Boundary (dash-dot line)
- State Boundary (dashed line)
- State Boundary (Approximate alignment) (dotted line)
- State Capital (circle with a dot)
- Country Capital (star)
- Rail (line with cross-ticks)
- Disputed Areas (stippled area)

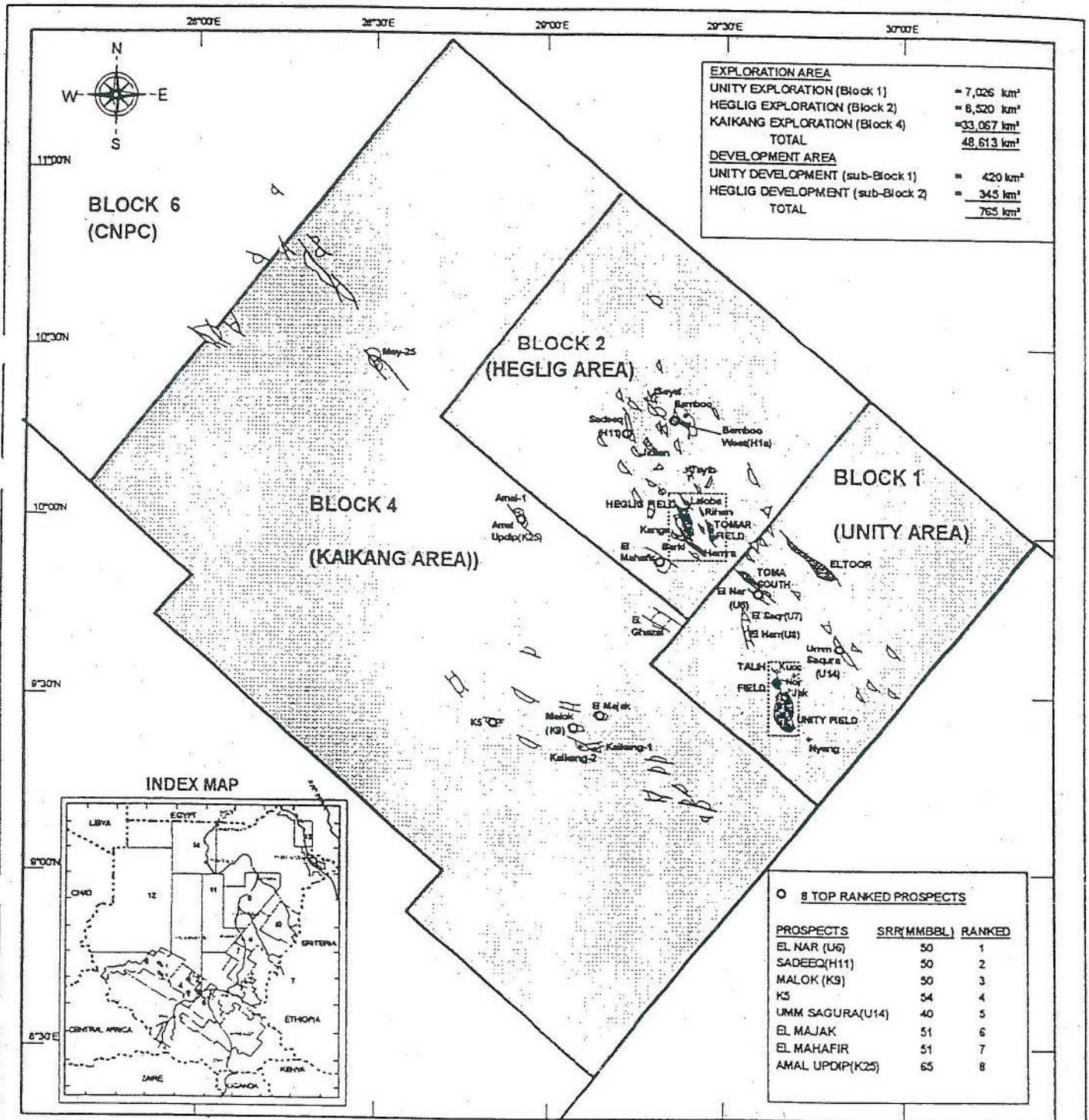
Scale

0 100 200 miles
0 200 400 kms

SUDAN OIL & GAS CONCESSION MAP



SUDAN : UNITY, HEGLIG & KAIKANG EXPLORATION AREAS POTENTIAL EXPLORATION DISCOVERIES IN BLOCKS 1, 2 & 4)



LEGEND

- EXPLORATION AREA
- DEVELOPMENT AREA

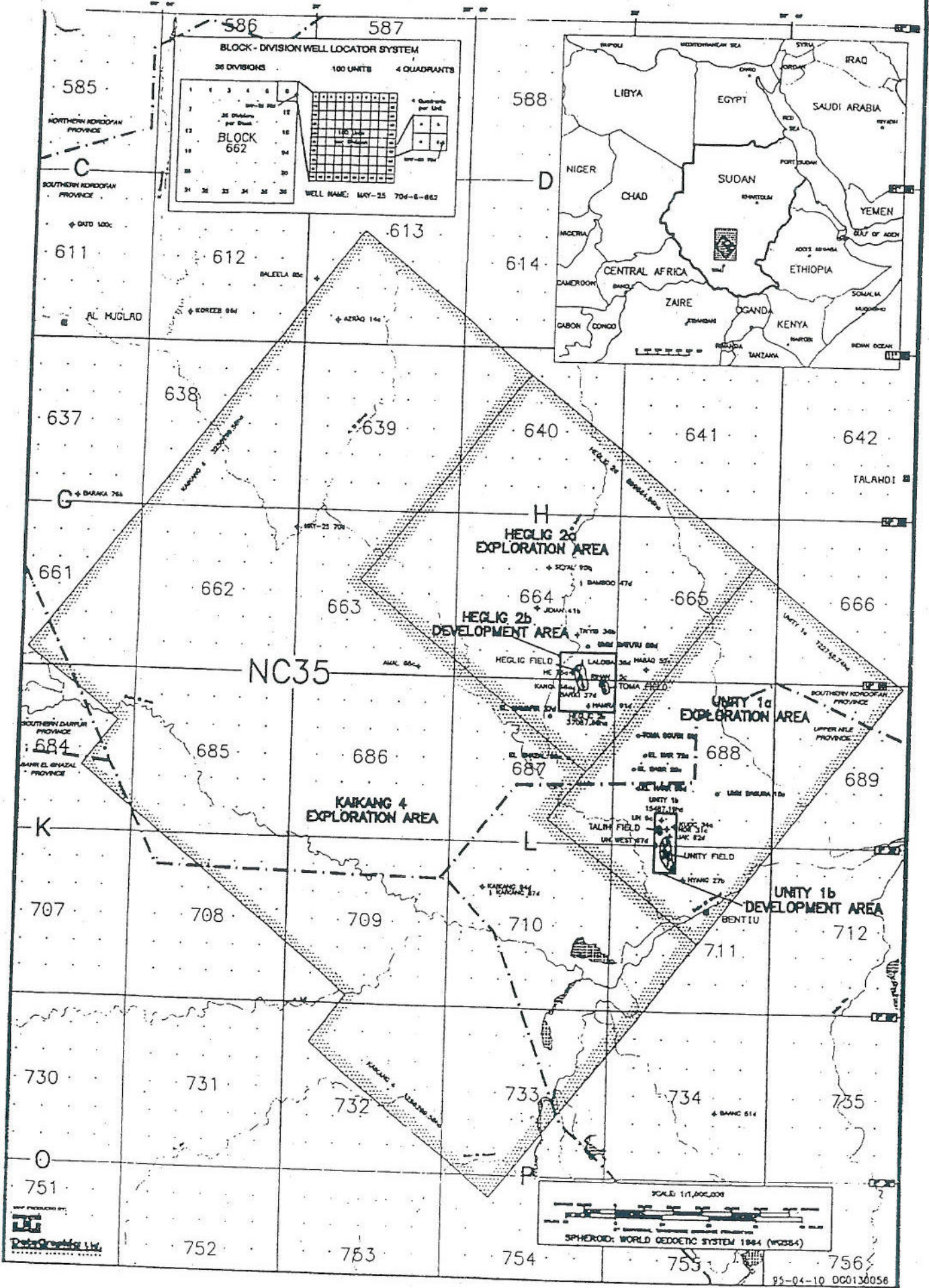
- OIL WELL
- ◊ DRY WELL
- ◌ OIL FIELD
- PROSPECTS & LEADS



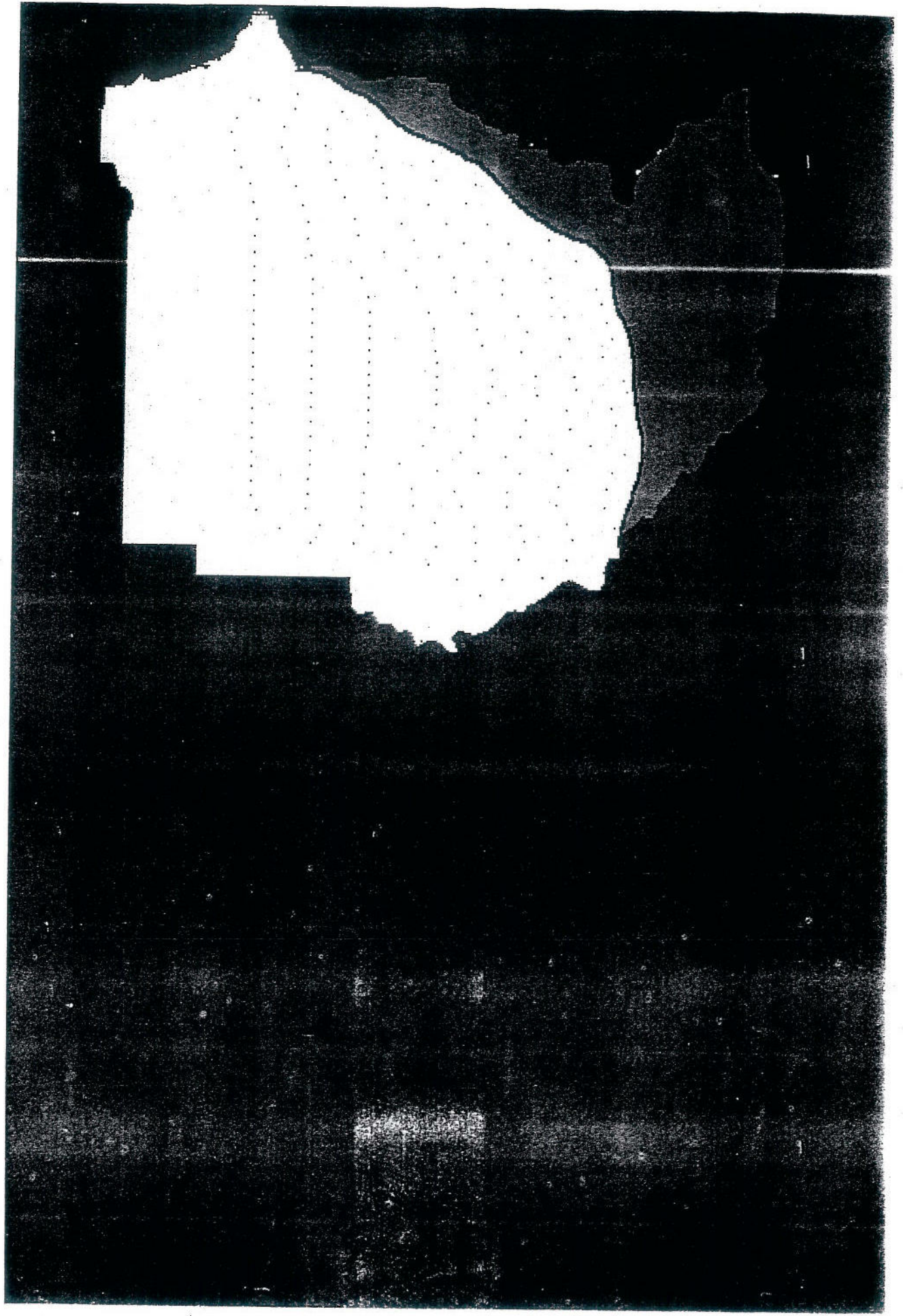
(12 NOV. 1996)



State Petroleum Corporation Concessions in Sudan



SUDAN WAR ZONE:



IMMEDIATE



1

Foreign &
Commonwealth
Office

05 January 1998

London SW1A 2AH

Telephone [REDACTED]

Mr [REDACTED]
County Policy Advisor
ECCD

[REDACTED] Pa on

[REDACTED] 11/001/98

Dev [REDACTED]

[REDACTED] 6/1/98

SUDAN : [REDACTED]

1. Thank you for your fax of 19 December.
2. We see no prospect of the UN or EU following the US example and imposing trade sanctions on Sudan unless the Government of Sudan commits some further affront to international opinion. The US sanctions do not in themselves have an extra-territorial effect. But once they are combined with existing US rules on re-export, there might well be problems if the [REDACTED] wanted to import equipment into Sudan that included American components. To do so they would have to apply to the Americans for a re-export licence. Judging by the current climate there is a good chance that a re-export licence would not be approved. You could say it would be advantageous to the company not to use American suppliers.
3. You should also bear in mind the continuing civil war in the Sudan. The rebels occupy large areas especially in the South of the country. The oil fields are situated in the South and have been threatened by the rebels although the area in question is not currently affected by the civil war and the Government of Sudan would give their defence a high priority. Our Travel Advice states that only those engaged in essential relief work should visit South Sudan.
4. The Sudanese economy generally has been ruined by the civil war. There is limited UK trade promotion and little interest in trading with the Sudan.
5. I trust this is sufficient for your purposes. Please let me know if you need any further information.

Yours
[REDACTED]

NEAR EAST AND NORTH AFRICA DEPARTMENT

[REDACTED]

IMMEDIATE

Telefax

To:	
Fax:	
From:	
Date:	Pages: 6

PostNet/Telex 1688

BRITISH EMBASSY
KHARTOUM
JULY 1998

DOING BUSINESS IN SUDAN

1 BACKGROUND

a) Geography

Sudan is the largest country in Africa (965,000 square miles). There is considerable climatic diversity, ranging from tropical forests in the extreme south, savannah, semi desert to desert in the far north. The main physical features are the Blue and White Niles, joining together in Khartoum to form the main Nile which flows for nearly 2000 miles to the Mediterranean. Sudan has borders with Egypt, Libya, Chad, Central African Republic, Democratic Republic of Congo, Uganda, Kenya, Ethiopia and Eritrea.

b) Population

This is estimated at around 30 million with annual growth rate of 4%. The population of the capital, Khartoum along with Omdurman and Khartoum North, may be as high as 5 million, swelled by an influx of refugees, although the exact figure is not known. In the Northern regions of Sudan the majority are Arabic speaking Muslims, although many local languages are also spoken. In the South, the majority are from African tribes with their own language and customs, though Arabic and English are widely spoken. Most in the south are animist, with substantial minorities of Christians and Muslims. Sudan is host to large numbers of refugees, from Ethiopia, Eritrea, Chad and Uganda.

In Khartoum, English is widely spoken and understood amongst the business community. However, amongst younger groups knowledge of English can be poor and the overall standard is falling. Almost all schools now use Arabic as the medium for instruction, while retaining the English Language as a subject within the curriculum. Those students going to higher education often struggle as a result to follow courses, for example in medicine, still given almost entirely in English.

c) History

Sudan became an independent state on 1 January 1956. It was previously a condominium, established by the Anglo Egyptian agreement signed in 1899 with a Governor General nominated by Britain and appointed by the ruler of Egypt. On 17 November 1958 the parliamentary system was replaced by a council of Ministers consisting of eight army officers and seven civilians. A Central Council partially elected and partially nominated was set up in November 1963 to act as a Parliamentary forum.

In October 1964, following a popular uprising, both Councils were dissolved and later reconstructed as wholly civilian bodies. After a backed coup d'etat on 25 May 1969, Sudan was governed by a military Revolutionary Council and a Council of Ministers and the country became known as the Democratic Republic of the Sudan under Gaafar Nimeiri later became President in an uncontested election in October 1971. A plebiscite in April 1983 confirmed the President's third term.

In September 1983, the Islamic *Shari'a* legal and moral code was formally introduced, with subsequent measures including a total ban of alcohol and the establishment of *Shari'a* courts in place of the established judicial system. In April 1985, Nimeiri was deposed in a bloodless coup organised by the Sudanese army and free elections – the first for 20 years – were held in April 1988. These saw the return of the former Prime Minister, Sadiq El Mahdi, who had himself been deposed by Nimeiri 1969. He promised to return Sudan to a democratic and pluralistic society, but kept the *Shari'a* laws in place. This decision angered the predominately non-Muslim South of Sudan and helped to perpetuate the civil war, which had been sparked off in 1983 by Nimeiri's original declaration of *Shari'a* law. Conditions in Sudan were made worse by severe flooding in 1988, leaving over 1 million refugees homeless.

d) Current Situation

In June 1989 Sadiq el-Mhadi was deposed in yet another coup led by Lieutenant-General Omer Hassan Ahmed el-Bashir. However, the power behind the regime is clearly Dr Hassan el-Turabi, the Parliamentary speaker and the leader of the National Islamic Front (NIF), which, like all political parties, is still officially banned following the 1989 coup. *Shari'a* law is still in force today, although reported cases of Islamic punishments under *Shari'a* remain rare. Alcohol is strictly forbidden and Muslim women are encouraged to cover their head in public. The Government periodically attempts to introduce further Islamic measures, such as segregation of men and women on buses, but these announcements are routinely ignored by the majority the population. Although reported cases of Islamic punishments under *Shari'a* remain rare, Sudan continues to receive strong criticism for it's human rights record. Political opponents are imprisoned regularly and accusations of torture are common.

The regime retains control of the country through a well financed and large security apparatus. Public protest is kept to a minimum and any anti-Government demonstrations dealt with ruthlessly. The fear of reprisal makes any spontaneous public uprising against the regime unlikely. Government choreographed demonstrations are arranged periodically, usually in support of the Government's attempts to achieve a military victory in the South. Corruption amongst Government workers is widespread as salaries fail to keep up with inflation, widely thought to be over 100% year on year.

The main opposition to the Government is the National Democratic Alliance (NDA) which in early 1997 launched attacks on governments positions from across the Eritrean and Ethiopian borders. The NDA now includes the main southern opposition group, the Sudanese People's Liberation Movement (SPLM), led by John Garang. Their military wing, the Sudanese People's Liberation Army (SPLA) constitutes the main military threat to the GOS. An SPLA offensive in the South, launched in March 1997, has made considerable gains.

International pressure on the Sudanese Government has increased after their alleged involvement in the assassination attempt on President Mubarak in Addis Ababa in June 1995, which led the UN to impose sanctions in 1996. Further economic sanctions were imposed in 1997 by the United States. The United States lists Sudan as a state sponsor of terrorism.

A peace agreement between the Government and certain rebel groups was signed in April 1997, but without the involvement of the NDA, this unlikely to end the conflict. However, prospects for talks between the Government and the SPLA improved in July 1997 after the Government met the latter's conditions by accepting the IGAD Declaration of Principles as the basis for talks.

Sudan Airways commenced its flights to London during the 2nd qrt 1998. The only European airline still flying to Khartoum is Lufthansa (three flights a week). Much of Sudan remains out of bounds for visitors, with permits required for almost all areas outside Khartoum. All British visitors should register with the Embassy on arrival and seek the latest travel advice from the FCO or the Embassy direct.

2 THE SUDANESE ECONOMY

The Sudanese economy is predominately agricultural and pastoral, with agriculture approximately 37% of GDP. Principal exports are cotton, livestock, gum arabic and sesame, totalling some US \$500 million in 1993/94. Exports of sugar also contribute a significant: the Kenana Sugar Company produced over 300,000 metric tons in 1996/7. The largest recipient Sudanese export market is Saudi Arabia, which took almost 17% in 1995. Sudanese exports to UK is falling:

1995	totalled	£m 10.2
1996	„	£m 8.8
1997	„	£m 8.0

Sudan continues to import petroleum products (valued at US \$250-300 million in 1997/8). A primary objective remains to become self sufficient in oil production and thus reduce the need to spend a major portion foreign currency earnings on petroleum products. A consortium has been established to develop two oil fields known as Heglig and Unity, situated some 800 Km. south west of Khartoum. The Sudanese hold a 5% stake in the consortium, with the Chinese National Petroleum Corporation holding 40%, Petronas Carigali of Malaysia holding 30% and Arakis Energy Corporation the remaining 25%. The consortium has pledged US \$1200 million to develop the oil fields, including the construction of a 1600-Km pipeline via Khartoum and Port Sudan and a new refinery in Khartoum. Their objective is to produce 150,000 barrels per day by mid 1999. Contracts for the construction of the pipeline had been awarded to the Chinese. While the pipes itself will be partially, 20%, supplied by the Germans.

Given the ongoing civil war, the Government is obviously keen to protect such an important natural resource and has stationed a large number of troops in the area. Should construction of the pipeline go ahead then this would provide a very tempting target for the opposition and the Government could have difficulty in securing all areas of the pipeline and production.

Sudan's economic problems have been mirrored in the rapid devaluation of the Sudanese Pound against sterling (and all other foreign currencies):

TABLE 1:

July 1994:	£1= 485
July 1995:	£1= 841
July 1996:	£1= 2,135
July 1997:	£1= 2,644
July 14, 1998:	£1=3,254

IMF figures for 1997 estimated that inflation is approximately 19% even though the Ministry of Finance figures indicated a 27% rate. The year to date figures for 1998 is showing a steadily increasing pattern directly associated with the increased amount of printed money and devaluation of the Sudanese Pound against the dollar.

The economy shows little sign of improving, even though agreement was reached with the IMF in March 1997 and a system of monthly monitoring established. The IMF schedule payment was maintained by the Sudanese Government in spite the deficit in the balance of payment.

NOTE : The official currency is the Sudanese Dinar. However, prices quoted locally are usually in Sudanese Pounds. (1 S Dinar=10 S Pounds).

3 MARKET FOR UK GOODS

Although exports from the UK to Sudan in 1996 were up some 37% from 1995 to a figure of £57.8 million, this is well down from £83.3 million in 1986 and highlights the overall decline in the market. The main sectors of exports from the UK to Sudan in recent years have been as follows:

TABLE 2

MAIN EXPORT SECTORS (M)	1995	1996	1997
Machinery Specialised for Particular Industries	5.3	7.7	6.2
Power Generating Machinery and equipment	3.7	7.7	8.1
General Industrial Machinery and equipment	3.5	6.8	4.1
Chemical Materials and equipment	3.1	3.6	4.4
Road Vehicles	4.3	3.5	0.0
Electrical Machinery, apparatus and appliances	0.0	0.0	3.4
Cereals and cereal preparation	0.0	0.0	0.0
Total of other sectors	24.3	28.5	24.9
GRAND TOTAL	44.2	57.8	50.79

Jan - Apr 98: £M 18.4 an increase of 35% from same period last year.

The Sudanese Government levies import duties and other clearing charges on all imports. Except imports covered by the Investment Encouragement Act. The percentage levied for import duties and other clearing charges depends upon the nature of the import commodity. Percentages and customs exchange rates for the dollar are frequent revisions. The commercial Section can advise on the latest rates.

In particular the market remains buoyant for agricultural machinery, pharmaceuticals, construction and mining equipment. Pharmaceuticals alone have an estimated market value of £26 million per year. Figures for the 4 months of 1998 show an increase from same period 1997, there remains a strong market for UK goods within Sudan. 1997-1998 success stories include:

1. contract worth £2.5 million for HPE Rail from mid Glamorgan to supply and refurbish locomotives on the Gezira Light Railway
2. Wincanton Engineering of Sherborne, Dorset have supplied £800,00 worth of dairy equipment to the Blue Nile Dairy Company
3. Stothard and Pitt are refurbishing the cranes at Port Sudan in a project worth £2.5 million
4. Balfour Kilpatrick have signed a contract worth nearly £5 million to provide over 100 meters of steel bridges in western Sudan and \$ 7 million for Hasa Heisa Rufaa Bridge (including Civil work).
5. Allen Power and Weir Pumps had signed a contract worth \$71 million for the pipeline
6. Kavearner Energy signed a contract worth \$ 27.5 million and Rautomead Iner'l a contract worth \$ 10 million with SMT.
7. Billiton Plc. had be contracted to survey Huftrat El a block for copper.
8. WSP signed a contract for £ 200,000 for the rehabilitation of Sennar Dam.

Other business links include the Kenana Sugar Company, which has a long established office in London and purchases some £10 million worth equipment of UK goods each year.

The best opportunities for the British companies will continue to be equipment for the surveying, exploring and refining of Oil Reserves and minerals in the North, East and Central Sudan.

The Sudanese economy is undoubtedly in dire straits, but these success stories demonstrate that there is still potential for British companies to sell their products. There are strong historical ties between the UK and Sudan, from which British companies benefit. Sudanese businesses in general are more familiar with the products available from UK exporters than from almost any other country and will often look first to the UK when considering a supplier. The UK product is well respected, but faces tough competition from cheaper imports in various sectors, for example, drugs from India and a wide range of products from India and a wide range of products from China, backed by more generous credit facilities than the West offer.

Most members of the Sudanese business community speak English well and indeed many have been educated in the UK or visit on a regular basis. In some areas the advantage which many British companies have had in the past has been lost to the competition, for example over the past 20 years the vehicle market has swung from being almost exclusively supplied from British companies to the position now where the market is dominated by the Japanese. Land Rover is now trying to reverse that decline.