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SUDAN- MALAYSIA ECONOMIC RELATIONS

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ABSTRACT

This paper elucidates the framework of international relations focusing on economic cooperation between Sudan and Malaysia. The importance of this bilateral relation between both is probably one of the most significant factors in analysing the oil-industry sector. The economic collaboration between the two in terms of trade, development of oil sector, infrastructure projects, and financial assistance has escalated to such an extent that Malaysia has become one of the Government of Sudan's (GOS's) strongest allies. It is very much a symbiotic relationship, where Malaysia is in need of a secure source of oil over the long term, while Sudan needs the external credit, investment and market for its oil. Despite the unity of the Islamic religion and common membership for both countries in organizations, such as the Organization of Islamic Conference (OIC), International Islamic Financial Market (IIFM), the Organization of Non-Aligned Movement (NAM) and others, for some time there was no particular attention to the process of trade and economic cooperation between the two through those organizations, even within globalization. This paper analyses the fundamental changes and challenges the two countries face, and how they were addressed through economic relations The main conclusion of this paper is that bilateral relations between Sudan and Malaysia, starting from 1974 to the present, has witnessed significant changes and continues to improve, particularly in economic spheres. This improvement has been going on since the beginning of multi-activities of Malaysia's PETRONAS Company in Sudan in 1990. PETRONAS then began investing in Sudan, followed by other Malaysian companies.

KEYWORDS: *International Relations, Cooperation,Eeconomic, Bilateral Relation, Investment.*

INTRODUCTION

This paper explains Sudan-Malaysia economic relations, clarifying the strong ties between the two in various aspects of the economic sector. The paper discusses the background of economic relations, trade relations, mutual trade obstacles to trade between the two, investment, background of Sudanese oil sector, PETRONAS investment in Sudan, and the Corporate Social Responsibility (CSR) of PETRONAS in Sudan.

MATERIALS AND METHODS

This paper consists of research technique, kinds of data collection containing primary data (in – depth interview), secondary data, as well as method of data analysis. Method of qualitative research was used. A qualitative data- gathering technique was used as to all information concerning Sudan and Malaysia relations covering economic aspect. Primary data was collected through interviewing informants of the paper, totalling 17 members individually interviewed by the researcher.

Background of Economic Relations

The relations between the states or the international economic blocs cannot be isolated from their economic dimension. Whatever the strength of the diplomatic relations, it is categorically based on a network of economic relations. The operation of investments is considered the most salient feature in the cycle of economic relations between Sudan and Malaysia. It is on the investment that bridges of long-term economic and cultural partnerships have been built. In spite of that, the general interests between the two countries emerge as an important dynamic factor in economic relations.

The relationship between Malaysia and Government of Sudan (GOS) is one of the major aspects to be considered in the analysis of Sudan's oil sector. The level of economic cooperation between Sudan and Malaysia, progress of Sudan's oil sector, infrastructural development as well as financial support of Malaysia for Sudan have grown to such a level that Malaysia has become of the Sudan's strongest ally. The bilateral relations are of mutual benefit: Malaysia needs a secure supply of oil in the long term while Sudan requires much needed external credit, investment as we are buyers of its oil.

This situation, however, is worrying for those seeking to forge peace process in Sudan, while Malaysia needs the continuing leadership of the current government with which it has strong ties. The current Government of Sudan is beholden to Malaysia and has also committed to 'forwarding oil deals' with Malaysia which has been repaid

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for their high investment in the oil industry by way of future oil deliveries.

The foundation of mutual understanding has grown and opened the door for shared economic activities between both. After the two countries signed two agreements of cultural, educational, technical, and economic cooperation in 1990, many other significant agreements have also been signed during the last few years, such as the Agreement for Promotion and Protection of Investment, (signed on 14th May 1998, as shown in *Appendix* A), the Agreement on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (signed on 7th October 1993, as shown in *Appendix* B), Payment Arrangement Agreement (signed on 11th October 1996), and many other agreements related to investment in mining and energy (Osama, 2001).

The most important agreements are those dealing with promoting cooperation, investment and trade. The two countries have recognized the need to strengthen the existing friendly relations between them. Moreover, they have expressed their desire to promote economic, scientific, technical and cultural cooperation on the basis of equality and mutual benefit. Also, they believe that such cooperation would serve their common interests and contribute to enhancement of economic and social development of the peoples of the two countries. Hence, they have agreed to strengthen industrial and economic cooperation on a long-term basis.

As a result of the mutual understanding on the arrangement of payments between Malaysia and Sudan, Malaysian government has appointed Lembaga Tabung Haji and Jawala Corporation Sdn. Bhd. as the exporters of palm oil from Malaysia to Sudan under the Palm Oil Credit Payment Arrangement (POCPA). The contract value was USD 50 million. Lembaga Tabung Haji is assigned 40% of the contract value or USD 20 million, with 6% going to Jawala Corporation Sdn. Bhd. Also, a MOU between the government of Sudan and Bank Negara Malaysia was signed on 23rd July 1999 in Kuala Lumpur. The agreement calls for Sudan Oil Seeds Company and Lembaga Tabung Haji to conduct research on the development of oil palm plantations and the export of palm oil to Sudan to the value of USD 20 million repayable with Sudanese products through a counter-purchase agreement between the two (Kamal Gubara, personal communication, September 4, 2010).

Moreover, Lembaga Tabung Haji was interested in studying the possibility of cultivating oil palms in Sudan. Tabung Haji Plantations, the Palm Oil Research Institute of Malaysia (PORIM), and Sudan's International University of Africa are undertaking a study in this area. Malaysia sent oil palm seedlings to Sudan for research conducted by the National Oil Production Institute and University of Gezira in Sudan (Ariffin & Isa, 1996). Lembaga Tabung Haji is also looking for other investment ventures such as the setting up of an abattoir and meat canning, which are at feasibility-study stage.

Furthermore, Advance Synergy has also made significant investments in Sudan since 1994. At that time, the company representatives visited Sudan to look for business opportunities in the country. Their first joint venture started in tourism when the company bought the Sudanese Grand Hotel. The company had also entered the oil industry in Sudan after it was given a concession by Sudanese government together with its Qatari partner, the Gulf Company for Petroleum, to work in the oil exploration fields in Melut and Adarail in Southern Sudan. The entry of Advance Synergy into these fields was of great economic as well as political significance; therefore, these investments indicated investor confidence in Sudan and made the country attractive to other investors, particularly in oil industry (Osama, 2001).

The economic sector and investment received the most attention in the course of relations between Sudan and Malaysia. Therefore, the agreements signed between the two countries were of an economic nature, but PETRONAS investment in oil sector was and remains the most substantial. Until 2007, the total PETRONAS investment amounted to USD 4.0 billion, compared to its outlay of USD 3.0 billion in Egypt, and USD 2.0 billion in South Africa. The success of PETRONAS investments in Sudan has encouraged other Malaysian companies to engage in various investments in the country (*PETRONAS Annual Report, 2009*).

Trade Relations

The cooperation in the trading area between Sudan and Malaysia began in the 1970s, yet the volume of trade remained relatively weak, without the presence of any significant trade agreements between the two. However, the visit of GOS President, Omer El-Bashir, to Malaysia 1991 ushered in a new era in economic cooperation and trade. Following that visit, several trade agreements were signed, aiming at strengthening and developing economic cooperation, which created new horizons for the exchange of visits between delegations of businessmen in several areas of economic activity.

At the beginning of the 1990s, trade between Sudan and Malaysia witnessed a quick growth. This was chiefly due to the embargo imposed on Sudan by the West, causing it to change foreign policy and switch its interests towards Asia in general and Malaysia in particular. At the same time, relationships grew even stronger, especially after the Malaysian visit of the GOS President. There were trade ties before 1989, but the volume of trade started to record a significant increase only after the current government came to power in Sudan (Beladi Magazine, 1998).

In 1990, trade between Sudan and Malaysia amounted to RM 35.6 million (USD15.2 million). Gradually, the amount increased, growing to values of RM 49.1 million (USD 16.4 million), RM 47.6 million (USD 15.9 million), and RM 48.9 million (USD 16.3 million) in the years 1991, 1993 and 1994, respectively. Furthermore, the volume of imports increased to record levels in 1995 and 1996 due to the entry of PETRONAS into the oil industry in Sudan, which demanded heavy equipment to be imported by Sudan from Malaysia.This paper will explain the investment and activities of PETRONAS in the Sudan oil sector. The imports in these two years (1995, 1996) amounted to RM 82.9 million (USD 27.6 million) but, the amount decreased to RM 40 million (USD 13.3 million) in 1997 (Isa Tairab, 2000).

In 1998, a trade agreement was signed between the two countries, valid for five years, and renewable automatically. In 1998, Sudan's imports from Malaysia amounted to RM 65.6 million (USD 21.5 million) and in 1999 the imports amounted to RM 64.2 million (USD 21.4 million), representing 0.01% of Malaysia's total trade with the outside world. The major import items from Malaysia to Sudan were palm oil, boards and panels, electrical apparatus, machine tools, and natural rubber, which accounted for 61.2% of Sudan's imports from Malaysia. Moreover, Sudan became one of the three largest African countries importing palm oil from Malaysia after Egypt and South Africa.

The balance of trade between the two countries has always been in Malaysia's favour. Sudanese exports to Malaysia amounted to RM 591,380 (USD 197, 127) and recorded figures between RM 250,000 (USD 83,333.00) and RM 300,000 (USD 100,000.00) in the following years. In 1995, the Sudanese only exported RM 2.9 million (USD 977,000) (Isa Tairab, 2000).

The main Sudanese export items to Malaysia were automatic data processing machines and special transactions and commodities, aircraft and associated equipment, which accounted for 94.9% of Sudan's total exports to Malaysia. However, except for cotton, the above-mentioned items are believed to have been re-exported from Sudan, as they are not Sudanese products. However, the Sudanese exports are to be analyzed within the context of Sudanese economic performance in general, as the country is economically weak and there is an indirect embargo imposed on it.

In general, the size of the Malaysian investment in Sudan has increased as it was promoted during the exchange of visits between the officials of the two countries. The exchange of visits between the two countries such as the Sudanese officials' visits to Malaysia during the last decade - two visits by President of Sudan, Omer Hassan Ahmed El-Bashir and 28 visits by Ministers (External Affairs Minister visited Malaysia many times and the Energy and Mining Minister visited it four times).

In addition, the second visit of the GOS President to Malaysia was the result of an invitation by former Malaysian Prime Minister, Dr. Mahathir Mohammed, to participate in the Fourth Langkawi International Dialogue (LID 1999). The dialogue was held with the theme, "Managing Economic Recovery for Shared Prosperity - The Smart Partnership Approach". It was attended by 250 representatives, heads of state and government from different countries.

In July 2002, meetings were held at the first session of the Joint Ministerial Committee and they discussed the aspects of cooperation in all fields. That meeting reviewed obstacles to trade between the two countries and led to the signing of several Memorandum of Understanding such as: Memorandum of Understanding in the field of human resource development, Memorandum of Understanding for economic cooperation, and Memorandum of Understanding between the Sudanese Telecommunications Company (Sudatel) and Multimedia Development Corporation Malaysia (MDeC).

The two sides agreed during the session on (a) Increasing the volume of trade. (b) Exchange of information about goods and export products. (c) Encouraging the private sector in both countries to participate in exhibitions and commercial markets. (d) Exchange marketing missions.

Mutual Trade

There are now in excess of 50 Malaysian companies who have invested or are operating in Sudan where Malaysia comes after only China as a major investor. In this context, Malaysia's PETRONAS is a major presence in Sudan's oil and gas sector.

Table 1: Balance of Trade between Sudan and Malaysia during the Period 2000-2008 (in USD '000)

Year	Export	Import	The amount of exchange trade	Balance of trade
2000	20665	34458	55133	13793 (-)
2001	16153	18257	34243	2104 (-)
2002	20230	18190	39139	2030 (-)
2003	-	29872	29872	29872 (-)
2004	104	40934	41038	40830 (-)
2005	-	143379	143379	143379 (-)
2006	1	29178	29179	29177 (-)
2007	143300	182400	325700	39100 (-)
2008	106304	140292	246596	133988 (-)

Source: Bank of Sudan/ Management of statistics 2010

Malaysia's exports to Sudan witnessed remarkable growth as a result of open relations since 1991. "*Bilateral trade between the two countries is on a positive trend although the volume is not very huge, but there are ways and means to increase the volume"* (Kamal Gubara, personal communication, September 04, 2010). From Table 1 above, showing the statistics of trade between the two countries in the period 2000-2008, we note that despite the existence of close ties, the volume of trade rose to the level of the relationship because of the lack of Sudanese exports to Malaysia. The volume of trade during that period ranged between USD 55 million and USD 326 million, with the balance of trade in Malaysia's favour. In the period 2003-2006, Sudanese export volume to Malaysia was small but there was an increasing volume of imports from Malaysia for the reasons earlier mentioned. The volume of bilateral trade was RM342 million (USD 114 million) in 2008, and between January and August 2009, it decreased to RM241 million (USD 80.3 million).

Table 2: Imports from Malaysia to Sudan from 2000 to 2009(in USD '000)

Year	Textiles	Transport Equipment	Machinery & Equipment	Manuf. Goods	Chemicals	Crude Materials	Petroleum Products	Beverages & Tobacco	other Food Stuffs	Wheat & Wheat Flour	Tea	Coffee	Total
2000	3	6,209	15,751	1,113	197	6,287	-	-	4,878	-	-	-	34,458
2001	41	322	6,650	2,369	84	2,379	-	-	6,412	-	-	-	18,257
2002	61	114	7,041	2,418	336	3,604	-	2	4,611	-	3	-	18,190
2003	42	405	4,731	5,355	753	10,728	307	-	7,551	-	-	-	29,872
2004	138	3,658	9,719	9,167	1,902	6,367	981	-	9,002	-	-	-	40,934
2005	275	791	69,640	45,900	2,699	9,859	3,162	-	11,056	-	-	-	143,379
2006	121	642	34,489	21,962	2,652	22,770	2,430	-	7,112	-	-	-	92,178
2007	519	1,045	42,669	12,255	4,644	9,484	149		13,030	-	-	13	83,838
2008	250	888	79,851	22,489	2,287	13,068	-	35	21,424	-	-	-	140,292
2009	5,884	571	9,507	11,938	10,983	8,467	1	10	39,564	-	6	-	98,931

Source: Bank of Sudan/ Management of Statistics 2010

In addition, there were three memoranda of understanding (MoUs) signed on 27th March 2010 between a group of Malaysian companies and Sudan's Ministry of Animal Resources, Sudan's White Nile State, and the Chamber of Commerce of the White Nile State. From this, Sudan became a source country for cattle imports to Malaysia based on the agreements mentioned above by some Malaysian companies for 200,000 heads of live cattle from Sudan in the 2010s. Malaysian importation of Sudanese cattle would lead to double the volume of bilateral trade between Sudan and Malaysia (Kamal Gubara, personal communication, September 04, 2010).

Malaysia's exports to Sudan include textiles, transportation machinery and equipment, manufactured goods, chemicals, raw materials, foodstuffs, and petroleum products. The Sudanese exports to Malaysia are: cotton, leather, sesame, gum Arabic, livestock (cattle), petroleum derivatives, and others.

Table 3: Exports of Sudan to Malaysia from 2000 to 2009 (in USD '000)

Year	Hide & Skins	Meat	Livestock	Cold	Meal & Cake	Ground Nuts	Sesame	Arabic Gum	Cotton	Petroleum & Petroleum Products	Others	Total
2000	40	-	-	-	-	-	-	-	-	20,611	14	20,665
2001	39	-	-	-	-	-	-	-	-	16,114	-	16,153
2002	39	-	-	-	-	-	1,970	14	-	-	-	2,023
2003	-	-	-	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-	-	104	104
2005	-	-	-	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	1	-	-	-	1
2007	-	-	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	106,304	-	106,304
2009		-	-	-	-	-	-	-	-	40,525	85	40,610

Source: Bank of Sudan/ Management of Statistics 2010

Tables 2, 3 and 4 below show the volume of exports and imports between countries.

Table 4: Mutual Commercial Trade between Sudan and Malaysia from 2000 to 2009

The year	Exports	Imports	V.T.E	Trade Balance
2000	20,665	34,458	55,123	13,793(-)
2001	16,153	18,257	34,410	2,104(-)
2002	2,023	18,190	20,213	16,167(-)
2003	-	29,872	29,872	29,872(-)
2004	104	40,934	41,038	40,830(-)
2005	-	143,379	143,379	143,379(-)
2006	1	92,178	92,179	92,177(-)
2007	-	83,838	83,838	83,838(-)
2008	106,304	140,292	246,596	33,988(-)
2009	40,610	98,931	139,541	58,321(-)

Source: Bank of Sudan/ Management of Statistics 2010

Obstacles to Trade between the Two Countries

The lack of regular direct shipping lines between the two countries is an obstacle to the development of trade relations as reflected in higher shipping costs and shipping delays, which also affect the cost of goods. The exchange of trade is made through intermediaries, whether for Malaysian exports or Sudanese imports, which increases the cost of those goods and making them less competitive and thus limits the expansion of trade between the two countries.

There are some important factors impacting the development of bilateral trade between the two countries: the lack of information on Sudanese goods and products in the Malaysian markets; lack of information, plus the absence of Malaysian goods and products in Sudanese markets ; lack of information on Sudanese goods and products in the markets of Malaysia, and the lack of information about Malaysian goods and products in the Sudanese markets.

Investment

The economic sector and investment received the most attention in the relations between Sudan and Malaysia. Therefore, the bulk of the agreements signed between the two countries were of an economic nature, with the investment of Malaysia's PETRONAS in the oil sector in Sudan being the most significant and amounting to USD4.0 billion by 2007 compared to its investments of USD 3.0 in Egypt, and USD2.0 billion in South Africa in natural gas projects. The PETRONAS success story in Sudan has led to several other significant investments by other Malaysian companies in Sudan (PETRONAS Group, 2007).

Sudan has adopted policies aiming at achieving economic stability, increasing the rate of growth and working hard to increase the Gross Domestic Product (GDP) and the national income, which will be positively reflected in economic performance in general and in comprehensive economic and social development in particular.

Background of Sudanese Oil Project

Within a decade, the Republic of Sudan has emerged as one of the new petroleum producers in the region, expanding the base of its economy and augmenting its revenues, which ultimately brings the fruits of development to its people.

Exploration and production of oil is the most valuable project that has been implemented in Sudan with the support of Malaysia. This project provides the relations between the two countries its significance and importance, as it is the most vital development program that has been formulated by successive Sudanese governments since the 1970s. The recent government has focused on the oil production projects to start its planned programs that would enable Sudan to be an ideal powerful Islamic state capable of addressing its citizen's demands and be a model for the Islamic world. On 6th June (1999), President El-Bashir turned the wheel of the newly-completed pipeline and thus started the journey of Sudanese crude all the way to the Red Sea and beyond. This historic moment was a closing chapter in the long and unusual struggle to exploit Sudan's petroleum resources that has spanned over 20 years (Osama, 2001).

The first Sudanese oil project started early as the country achieved its independence. However, the project came to a head after the oil crisis at the beginning of the 1970s. Before that time, many licenses had been given to different companies to explore the oil in the Red Sea offshore such as AGIP, American Pacific, Ball and Collins and Oceanic Exploration, but the results were very poor. After the oil crisis of the 1970s, the government's attention towards petroleum exploration investment became a priority due to increase of oil value and prices. At that time, Chevron Company began to show interest in exploring oil in the interior parts of Sudan, which reflected the increasing interests of the United States in Sudan. This was due to declining oil production in the United States and increasing demands by the Organization of Petroleum Exporting Countries (OPEC) countries that led to rapidly expanding foreign exploration activity in a number of new areas. Nevertheless, this coincided with the internal political change in Sudan, which at that time reoriented its foreign policy towards the West after successfully aborting a communist coup and putting an end to the civil war in Southern Sudan (Osama, 2001).

In 1974, a delegation from Chevron visited Sudan to gather further geological data and to assess the lease situation and general conditions in the country. The delegation reported that there was a considerable potential amount of oil in Sudan and most importantly that there appeared high stability in the country with recognized peace, if not a completely harmonious association. On 23rd November 1974, after the delegation of Chevron had visited Sudan, an agreement was signed between the Sudanese government and the Chevron Company giving Chevron an exploration license in the oil fields of Sudan (Allan, 1986).

On 12th October 1975, a modern production sharing agreement was signed between Chevron Company and Sudanese government. Though the government announced that the agreement was satisfactory to Sudan, many analysts testified that it was totally in favour of Chevron.

In March 1979, oil shows were encountered in the Abu Gabra well, located 50 kilometers west of El Muglad. In July the well was completed and produced 575 barrels per day. In February 1980, the other area, Unity Well, was completed and oil flowed at the rate of 2939 barrels per day. The final result of further explorations was the discovery of several hundred million barrels of oil in reserve around the two areas (Allan, 1986).

The discoveries of the two areas of Abu Gabra and Unity, especially the latter, brought demands from the government for an early oil project that would help ease the desperate economic conditions of the county during the late 1970s, but this never happened. On 4th February 1984, Southern Sudanese rebel forces attacked the Chevron operations base near Bentiu, killing three employees of Chevron's contractors. As a result, the company withdrew from Sudan because of instability and insecurity in the region (Osama, 2001). However, many analysts asked why Chevron had chosen to start its operations in an unstable area and ignored safe and secure ones in western and northern Sudan. They came to the conclusion that Chevron's withdrawal had to do with American policies at that time, which, though still supporting Nimieri's government, felt uncomfortable with the introduction of Islamic laws in 1983. Besides that, the United States realized that the deteriorating security situation in Sudan would lead to the eventual downfall of Niemiri, while they still had some concerns about what the future might yield.

The next nine years witnessed a long and tough negotiating battle by several administrations to try and persuade Chevron either to resume the operations or make another agreement with Sudanese authorities. The breakthrough came in 1991, when the current Sudanese government presented Chevron with two choices: either to restart the operations or to sell the concession and leave the country. The company accepted the second choice and sold its concession to the Sudanese businessman Mohammed Abdulla Jar al-Nabi. It appears that the Americans believed the Sudanese lacked both the expertise and will to embark on such a huge project (*Beladi* Magazine, 1998). Shortly after, the government bought the concession and started production of oil from Abu Gabra in Western Kordofan at a rate of 2,000 barrels per day. This was soon followed by the construction of a small refinery. However, the big breakthrough came in 1996 when an international consortium was formed to tap Sudanese petroleum. This consortium comprised the Chinese State Oil Company, the Malaysian National Oil Company (PETRONAS), the Canadian State Petroleum Company (since bought by Talsiman Energy) and the Sudanese State Petroleum Company (Sudapet). The consortium was named Greater Nile Petroleum Operation Company (GNPOC). GNPOC embarked on various projects towards the realization of the export of Sudanese petroleum. The first was the construction of a 1610 kilometer pipeline from the oil fields in Western Sudan to the newly-constructed oil export terminal on the Red Sea, called Bashair. The second major development was the construction of Khartoum Oil Refinery (in Al-Gaily area, North of Khartoum), completed at a cost of USD 600 million, on 31st December 1999, with a capacity of 50,000 barrels per day.

In August 1999, the Sudanese oil project began producing some 150,000 barrels per day. At the same time, the first Sudanese exported oil was sent to Singapore, opening the doors to a new era for Sudan as an oil exporting country (*Beladi* Magazine, 1998). In late 2002, both PETRONAS of Malaysia and China's CNPC were keen to acquire the abandoned quarter stake of the Canadian oil company Talisman in the lucrative GNPOC. The National Congress Party (NCP), however, orchestrated a lobbying mission to Kuala Lumpur and Beijing to convince the companies and their governments to yield their contractual rights to the abandoned shares. Soon after, Khartoum did not want either PETRONAS or CNPC to own a majority share in its main oil venture, but rather to balance its Asian partners especially after India's OVL joined PETRONAS and the CNPC counterpart in GNPOC (Large & Patey, 2010).

PETRONAS Investment in Sudan

PETRONAS, established on 17th August, 1974 as the national oil company of Malaysia, has rapidly expanded its presence around the world, having embarked on its globalization journey in the early 1990s. PETRONAS group's activities currently range from upstream exploration and production of oil and gas to downstream oil refining: marketing and distribution of petroleum products (Von Der Mehden, 2007).

Over a period of seven years following the signing of its first Production Sharing Contract in Sudan in 1996, PETRONAS has grown at a significant rate and expanded its activities into various areas of the oil and gas business with its involvement in upstream activities as well as downstream retailing, opening its first service station in Amarat, Khartoum, days before Malaysia's 46th Merdeka (Independence) Day celebrations. Earlier in the year, PETRONAS had bought over all the retail assets of Mobil Oil Sudan Limited to strategically integrate its long-term business presence in Sudan. The head of PETRONAS ,Tan Sri Dato' Sri Mohd Hassan Marican, said at the opening ceremony, "*This marks another significant milestone for PETRONAS as it heralds our expansion into the downstream retail operation in Sudan, unfolding another chapter in the long-term mutually beneficial relationship between PETRONAS, Malaysia and Sudan*."

In line with its corporate branding policy, service stations in Sudan have been designed and built based on the Malaysian model. PETRONAS Marketing Sudan Limited, a newly-incorporated PETRONAS subsidiary responsible for the corporation's retailing activities in Sudan, is in the process of redesigning the 41 service stations in Sudan to reflect one strong brand. This also encompasses the re-imaging of the three main bulk terminals and 14 depots upcountry Sudan.

The date, 28th August is a significant day for PETRONAS for later on the Opening Day, PETRONAS signed an Exploration and Production Sharing Agreement for Block 8, a 65,856 square kilometers area within the Blue Nile Basin, in Sudan's northeast and significantly productive Melut Basin. PETRONAS now has a 77% working interest in Sudan's petroleum exploration Block 8 by way of its subsidiary, PETRONAS Carigali Overseas Sdn Bhd. In 1996, PETRONAS inked its first Production Sharing Contract for Blocks 1, 2 and 4 with the GOS and several fellow investors. This was the beginning of a JV company, the Greater Nile Petroleum Operating Company or GNPOC. The presence of PETRONAS' Sudan was in line with its globalization programme at the beginning of the 1990s, which focused on improving Malaysia's crude oil reserves, provide added value to its core business and pose new challenges to its employees. Also, it provides PETRONAS with the opportunity to contribute to the well-being of the people in the host nation.

The close relationship between PETRONAS and Sudan has grown even closer over the past seven years. With the first oil flow of 112,000 barrels per day in August 1998 and the first export consignment of crude oil leaving Port Sudan the next year, PETRONAS' showed how strong and capable it was in the international arena and at the same time contributed to establishing Sudan as a net oil producing nation in its own right. With such confidence established in Sudan it was not surprising that PETRONAS also acquired stakes in other blocks, such as 5A, 5B, 3,7 and 8. The Malaysian oil corporation's many activities in Sudan have brought about many spin-off benefits, directly and indirectly, to the people of the host nation. PETRONAS and its partners have played a significant role in helping develop the socio-economic level of Sudan, promote further oil investment, generate revenue, enhance foreign exchange receipts and improve development of Sudan's infrastructure.

All these have led to increased opportunities to enhance technology transfer and cooperation in many technical areas between Sudan and Malaysia. A Petroleum Training Centre and Central Petroleum Laboratory were set up in Khartoum in June 2000 as a joint project of the Ministry of Energy and Mining of Sudan, the PETRONAS Management and Training Centre (PERMATA) and PETRONAS Research and Scientific Services (PRSS) (PETRONAS in Sudan, 2003). Additionally, to train its 300 Sudanese employees, PETRONAS has established staff training programs from which many Sudanese employees have benefitted with attachments to PETRONAS Carigali headquarters in Kuala Lumpur. For enhancement of service delivery by its employees and dealers in the retailing sector, PETRONAS has initiated several training programs.

PETRONAS, known for its attention to Corporate Social responsibility (CSR) even in the home country, has invested RM1 million (USD333,000) over the past three years to sponsor 35 Sudanese students to study at its Universiti Teknologi PETRONAS in Tronoh in the state of Perak in West Malaysia. It realizes the importance of educational and health projects as avenues to contribute to the socio-economic development of Sudan.

In its ventures into Sudan and other locations shunned by others, PETRONAS is committed to the long-haul despite the inherent risks. It carefully strikes a balance between the corporate needs of its partners and the interests of Sudan and its people, an approach that has enhanced the close relations of Sudan and Malaysia. (Petronas in Sudan, 2003).

PETRONAS operations in Sudan involve nine oil blocks and a USD1.0 billion refinery project in Port Sudan. The company's production of 81,600 barrels of oil pumped from Sudan in the year ending March 2006 was 20% of all its overseas oil and gas production. In 2007 alone, the corporation invested almost USD1.45 billion into the Sudan oil sector (*Sudan Oil & Gas Report, 2009*). Its first presence in Sudan was in December 1996 with the acquisition of a 30% stake in the Greater Nile Petroleum Operating Company (GNPOC) via PETRONAS Carigali Nile Ltd, its wholly-owned subsidiary. At that time, a majority-owned subsidiary, OGP Technical Services Sdn Bhd, obtained the management and consultancy contract for Sudan's main export pipeline that linked GNPOC's oil-fields to Port Sudan. Completed in 1999, this pipeline allowed the flow of the first oil exports from Sudan.

Besides exploration and production of oil and many other related activities, the corporation is heavily involved in infrastructural projects and downstream activities in Sudan. An example is the acquisition of a 50% stake in the Port

Sudan Refinery Project, which was expanded and projected then to deliver 150,000 barrels daily when operational in 2009.

PETRONAS is wholly owned by Malaysian government, but it has issued more than US$3 billion in corporate bonds and can therefore be targeted through fiduciary fixed income portfolios. Corporate bonds, publicly-traded and privately held, have also been issued by many PETRONAS subsidiaries. The company has three majority-owned, publicly-traded subsidiaries: PETRONAS Gas, PETRONAS Dagangan, and Malaysia International Shipping Company (MISC Berhad). PETRONAS' involvement has also facilitated significant investment of other Malaysian companies in Sudan. Ranhill Berhad, Muhibbah Engineering Berhad, Kencana Petroleum Berhad, Kejuruteraan Samudra Timur Bhd, Scomi Group Berhad, and PECD Berhad are other Malaysian companies that have major stakes in Sudan's oil industry.

RESULTS AND DISCUSSION

In respect of bilateral relations between the two countries, it is assumed that Malaysia does not intend to play a hegemonic role in supporting Sudan against the West. Co-operation between the two countries can better be understood within the south-south co-operation framework. Identical viewpoints were shared by both on various issues, as well as having same problems as to implementing their plans for self – reliance and economic development to break away from the West. That was the reason for Malaysia's introducing of Sudan into the ASEAN countries, thus opening up new horizons to break through the embargo imposed by the West since the beginnings of 1990. Malaysia worked to increase Sudanese representative missions in Asian countries, from four to nine resident missions following Sudan's opening of five embassies in various Asian countries. As a result of this Malaysian effort, Japan invited Sudan to participate in Tokyo International Conference on Africa Development (TICAD) convened in Tokyo on 19th October 1998. This participation brought up the issue of the West embargo, and led to the acceptance of Sudan into the Asian community (Nadir Yousif, personal communication, September 3, 2010).

CONCLUSION

Sudanese and Malaysian economic relations continue to develop into more multifaceted engagements characterized by a greater diversity of business sectors, companies and other trade activities. Sudan was opened to Malaysian business in a large part because it has opened doors to Asian business. Despite some European trade and investment, reputational costs and divestment pressures have scared off most other businesses. Although benefiting from the lack of commercial competition, Malaysian companies have moved in to become active operators in Sudan (Large & Patey, 2010).

The strength of economic relations between the two appeared clearly when the PETRONAS Company came to work in oil exploration in Sudan in 1995. Besides, the high investments of PETRONAS in Sudan, there are other activities in Education and Human Capital Development, in which PETRONAS has been active in Sudan. This paper focused on the main characteristics of economic development of Sudan and Malaysia, analyzing the main aspects of economic cooperation and the overall economic relations of the two countries, as well as highlighting the high level of the PETRONAS Corporate Social responsibility activities in the host country.

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