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Gulf States: A Paradoxical Economic Lifeline for Sudan



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Executive Summary

For decades, Gulf states have provided crucial financial assistance to Sudan. Gulf interest in Sudan is driven by economic benefits and geopolitical competition, though each country has its own interests and approach. On the other hand, the Gulf's appeal to Sudan is three-fold. First, they have quickly available money when others are shying away. In recent years, Gulf states have become the primary sources of foreign direct investment and first trade partners. Second, their indifference toward sanctions has helped the government and Sudanese businesses to navigate the difficult twenty years of American sanctions. Third, while Sudan's conflicts are ignored by everyone, Gulf countries are ready to mediate.

Yet, Gulf economic engagement in Sudan has created an unbalanced situation where Sudan was obliged to give political and economic concessions against the Gulf cash largesse. This vital source of money has helped to consolidate and prolong the authoritarian regimes of Jaafar Mohamed Nimeiri and Omar Hassan al-Bashir. The current conflict has interrupted the Gulf projects and shrank private investment. Still, it is unlikely to halt the Gulf economic engagement in Sudan, at least because Sudan could leverage their food insecurity and the Red Sea threats.

Résumé

Depuis des décennies, les États du Golfe fournissent une aide financière cruciale au Soudan. Les avantages économiques et la compétition géopolitique attirent les pays du Golfe, même si leurs intérêts et les approches divergent. L'attrait des États du Golfe pour le Soudan est triple. Premièrement, ils disposent de liquidités rapidement disponible pour ce dernier, lorsque d'autres pays se détournent. En effet, ces dernières années, les États du Golfe sont devenus les principales sources d'investissements étrangers directs et les premiers partenaires commerciaux du Soudan. Deuxièmement, leur indifférence à l'égard des sanctions a aidé le gouvernement et les entreprises soudanaises à traverser les vingt années difficiles de sanctions américaines. Troisièmement, les conflits au Soudan sont ignorés par une partie du monde pendant que les États du Golfe interviennent en tant que médiateurs.

L'implication économique de ces pays a généré un déséquilibre. Le Soudan se retrouve contraint de consentir à des concessions politiques et économiques en échange de leur générosité financière. Cette source d'argent vitale a contribué à consolider et à prolonger les régimes autoritaires de Jaafer Mohamed Nimeiri et d'Omar Hassan al-Bashir. Le conflit actuel a interrompu leurs projets et réduit les investissements privés. Il est toutefois peu probable que cela mette fin à l'engagement économique des États du Golfe au Soudan, aussi parce que le Soudan tire parti de leur insécurité alimentaire et des menaces sur la mer Rouge.

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Introduction

In many ways, Sudan and the Gulf states (Kuwait, Qatar, Saudi Arabia, and United Arab Emirates “UAE”) are close. They share ties of language, culture, economics, and politics. Sudan’s economic relationship with the Gulf states started five decades ago during Nimeiri’s rule, but the political dialogue between them has had ups and downs since then. Their relations became cold and dormant in the 1990s, mainly because of al-Bashir’s Muslim Brotherhood affiliation and his close ties with Iran. Relations were revived at the start of this century and particularly accelerated by the 2008 global food crisis. Their long relationship is made possible by a convergence of interests: Sudan’s economic isolation due to international sanctions has turned the Gulf countries into alternative creditors and trade partners, while the Gulf countries’ food insecurity and the Red Sea safety turned Sudan into a potential “breadbasket” and a necessary ally. The Gulf states’ preoccupation with food security and geopolitical threats has led Riyadh and Abu Dhabi to remain close to Sudan for a long time.

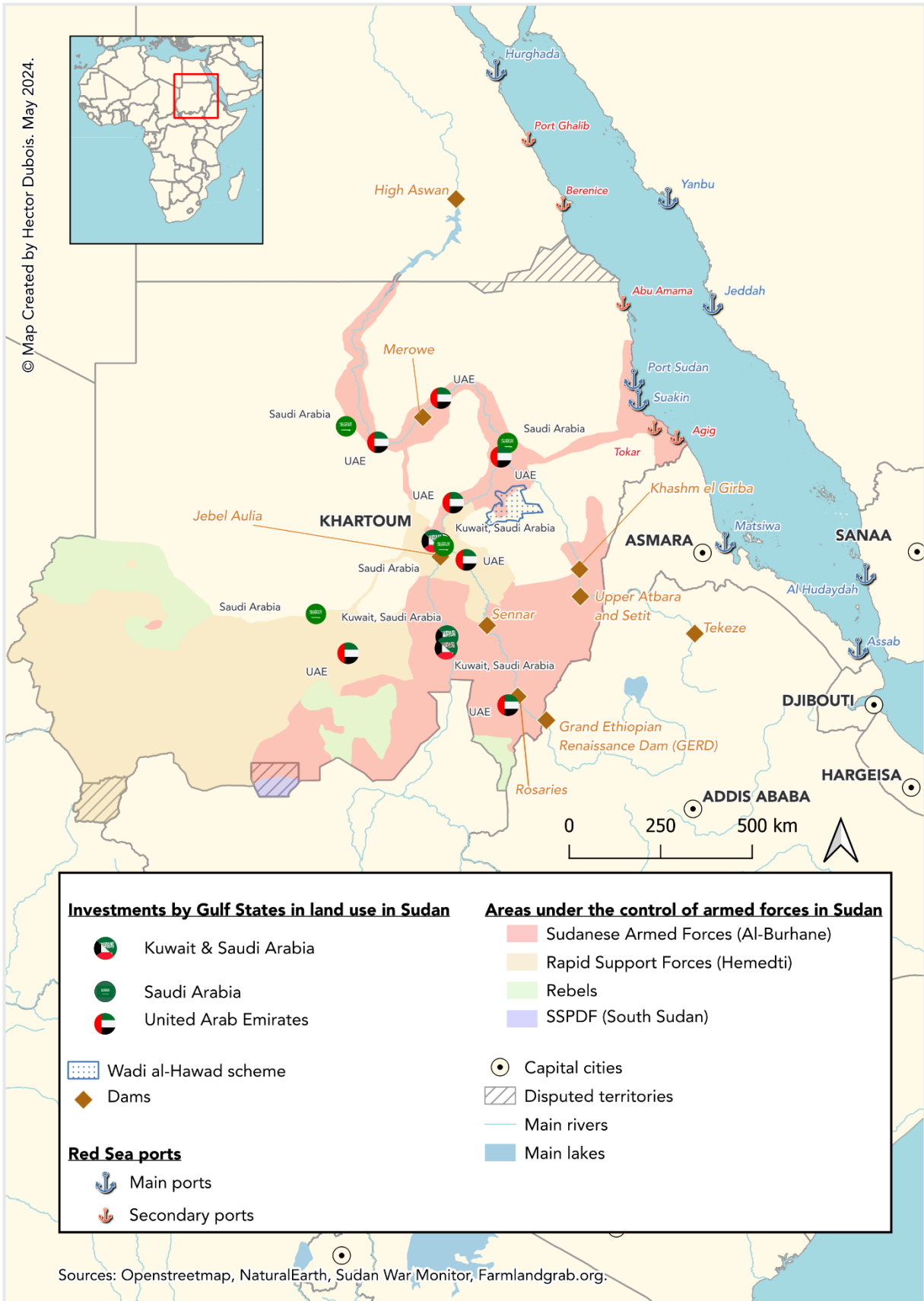
Since the turn of the century, Gulf countries have significantly increased their economic presence in Sudan, targeting key sectors such as seaports, agriculture, energy, mining, and banking. Despite numerous investment failures, internal conflicts, corruption, inadequate infrastructure, and economic mismanagement, the Gulf states have persisted in their policy of economic engagement in Sudan and invested several billion dollars over the last five decades. This persistence reflects the Gulf states’ mixing of business diplomacy and politics and their unequal relationship with Sudan. While Sudan needs the Gulf states more than the Gulf needs Sudan, this partnership, albeit unbalanced, is crucial for both sides.

The Gulf’s policy of economic engagement in Sudan is multifaceted, drawing on various bilateral and multilateral sources. The Gulf states provide financial assistance to Sudan through loans, grants, and charity endowments from private and public entities. While private funding is often undisclosed, this study primarily focuses on the flow of public funding. The most significant sources of Gulf public funding are the Abu Dhabi Fund for Development, the Saudi Fund for Development, the Qatar Fund For Development, and the Kuwait Fund for Arab Economic Development. Other public funding sources include regional financial institutions such as the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the Islamic Development Bank, and the Arab Authority for Agricultural Investment and Development. In addition to business and development projects, occasional cash injections are made to the Sudanese

treasury or the rulers. Private business partnerships between the Gulf countries and Sudan have also flourished, thanks to the large Sudanese business diaspora in the Gulf.

Sudan-Gulf skewed relations have developed community resentment toward Gulf investments and, in many ways, led to increasing corruption, debt, and political distrust because the Gulf's projects have been associated with strengthening the power of Sudan's authoritarian regimes and serving the Gulf's geopolitical interests. Since the end of al-Bashir's rule in 2019, assistance from the Gulf countries in Sudan rebounded, with the UAE and Saudi Arabia promising three billion dollars in financial aid and Qatar investing \$500 million in agricultural projects. The war that broke out in April 2023 diminished the flow of Gulf money but did not end it. Even if the Abdel Fattah al-Burhan-led government prioritizes military assistance, financial assistance is needed more than ever because of the country's failing economy and wrecked state budget. In addition, post-war reconstruction would require massive aid. However, this war will unlikely halt the Gulf countries' economic engagement in Sudan.

© Map Created by Hector Dubois. May 2024.



A long history of intertwined economic and political interests

The first investments of Gulf countries in Sudan date back to 1962 when the Kuwait Fund for Arab Economic Development provided significant loans and aid. Since then, Gulf funds have continued to find their way to Sudan despite ups and downs caused by political disagreements and upheavals, development project failures, and the accumulation of debt. The 1970s were the times of great rapprochement between the Gulf states and Colonel Jaafar Muhammad Nimeiri, who seized power in 1969 with the help of socialist and communist Sudanese military officers. Nimeiri promised to turn Sudan into the “breadbasket” of the Arab world with the help of Gulf funding and Western technology. Sudanese agricultural land was vital to Saudi Arabia, Kuwait, and the United Arab Emirates, which imported most of their food from abroad. At that time, Gulf countries also needed a workforce, and thousands of educated Sudanese and laborers left to work in the nascent Gulf states, which today constitute a large diaspora.

Kuwaitis then dominated the investment scene, investing considerable money in agro-industry, real estate, and small industries. Three Kuwaiti companies led these investments: Sudanese Kuwaiti Building and Construction Company, Kuwaiti Corporation for the Production and Marketing of Animal Products and Animal Feeds, and the Gulf International Company of Kuwait. Saudis were among the first investors in Sudan’s agricultural, hotel and Islamic banking sectors. Prince Mohammed Al-Faisal, chairman of Faisal Islamic Bank, introduced the bank in Sudan in 1977. He also owned more than half the shares of the Damazin Agricultural Corporation. In 1975, Sudan set up two investment bodies to attract foreign capital for the development drive: the Arab Investment Office and the Sudanese Investment Foundation. But despite the cash flow, Nimeiri’s promises to feed the Arab world failed.

Economic links with Gulf countries remained relatively dormant throughout the 1990s. Omar Hassan al-Bashir, who seized power in 1989, was isolated first by the USA sanctions¹ in 1993 for his support of

1. The United States has applied multiple legal authorities’ sanctions on Sudan. In 1993, the Clinton Administration designated Sudan a State Sponsor of Terrorism. In 1997, a presidential document issued further economic sanctions. In 2017, the United States revoked longstanding economic sanctions against Sudan and, in 2021, Sudan was removed from the list of state sponsors of terrorism.

international terrorism and human rights violations. Then, the UN sanctions were imposed in 1996 as Sudan refused to extradite suspects who attempted to assassinate Egyptian President Hosni Mubarak in 1995². Also, al-Bashir was isolated because he supported Saddam Hussein during the Iraq-Kuwait war and its close ties to the Muslim Brotherhood and Iran concerned Saudi Arabia and the UAE. Al-Bashir's Islamic regime relations with Iran were driven by their mutual isolation from the international arena. Immediately after al-Bashir acceded to power in 1989, active diplomacy between the two countries was established, and various military and economic bilateral agreements were signed. In 1995, the two countries created the Iran-Sudan Joint Commission for Economic, Scientific and Technical Cooperation. Sudan and Iran were engaged in extensive military cooperation, including the development of Sudan's weapons industry³. Iranian naval vessels have made stops in Port Sudan and were suspected of smuggling weapons to Hamas in the Gaza Strip⁴. But Khartoum denied these accusations and described the warships' stop in Sudan as normal port calls. A leaked document has mentioned the smuggling of Iranian arms to the Houthi in Yemen through Sudan; a Sudanese official was reported saying, "We have a problem with Saudi Arabia because they learned about the weapons we transported to Abdal-Malik Al-Huthi Shite' believers in Yemen, through the Red Sea"⁵.

However, Saudi Arabia and the UAE re-established their ties with Sudan in 2014. There was then a strong convergence of interests. Undoubtedly, Saudi Arabia's renewed interest in Sudan was then driven by competition with Iran and the war in Yemen. At the same time, the al-Bashir regime was in a dire financial situation. Sudan was facing an acute economic and financial crisis as a result of the separation of South Sudan, which resulted in the loss of 75% of oil production and more than 50% of the government's revenue, generalized corruption and the US economic sanctions. Short of cash and hard currency, the 2013 Sudan Investment Act⁶ was tailored for Gulf investors who benefited from easier access to large and best-located agricultural lands, particularly in the North and Nile states and the eastern region, with advantageous conditions of long land leases as long as 99 years and low prices of less than 50¢ cents per acre, and water is free.

2. United Nations Security Council resolution 1054, adopted on 26 April 1996, and Resolution 1070, adopted on 16 August 1996, after reaffirming Resolution 1044 (1996) concerning the assassination attempt on Egyptian President Hosni Mubarak.

3. A. Taheri, "Sudan: An Expanding Civil War With an Iran Connection", *The New York Times*, April 9, 1997.

4. J. Schanzer, "Fighting Terror in Sudan", *The Foundation for Defense of Democracies*, April 20, 2011.

5. E. Reeves, "Leaked Minutes of Critical August 2014 Meeting of Senior Military and Security Official", September 29, 2014.

6. The transitional government gave more advantages to foreign investors with the Investment Encouragement Act of 2021, which establishes equal treatment for foreign and domestic business owners and allows foreign investors to own business enterprises in Sudan.

In 2017, al-Bashir launched the Arab Food Security Initiative, a new version of the old Nimeiri's "breadbasket" policy, offering generous incentives to Gulf investors, particularly in the farming sector, including custom exemptions for machinery and agricultural inputs, profit transfers, tax exemptions for periods as long as ten years, no restrictions on exporting produce, and the freedom to employ foreign labor. As Sudan was open for business, Gulf states rushed to buy farmland and compete to control ports at the Red Sea coast and gold exploitation. In 2015, al-Bashir went as far as to join the Saudi-Emirati war on Yemen in exchange for financial support, including millions of dollars paid personally to him. In addition, the Sudanese government suspended diplomatic relations with Iran in 2016. Sudan's deepening crisis and dependence on the Gulf's money gave the Gulf states leverage in reshaping Sudan's ties with Iran and Turkey, besides demanding economic reforms. But in June 2017, al-Bashir decided to stay neutral in the Qatar blockade – a stance that infuriated the UAE and Saudi Arabia –; he signed a port deal involving both Turkey and Qatar in 2017⁷ and received President Erdogan⁸. Moreover, judged not fully aligned on foreign policy and regional security, Gulf monarchs have perceived al-Bashir as unreliable because he excelled in swinging allegiances following his financial penuries. They turned a cold shoulder to al-Bashir after backing him for years and paying billions of dollars, precipitating his fall in April 2019.

Sudan and Gulf states officials emphasize economic and food security as the main drivers for their long years of cooperation; still, facts tell a different story: the Sudanese regimes offered Gulf investors low-cost investment opportunities, hoping to capitalize on their political support and financial inflow. Undoubtedly, Gulf states' political and economic support has been critical in maintaining Nimeiri and al-Bashir's regimes. However, relations have not been steady: they have been interrupted or cooled down in times of diplomatic crises.

7. Read the following chapter.

8. "Egypt, Sudan Relations at a New Low over Erdogan's Visit", AP News, December 28, 2017.

Gulf strategic investments in Sudan

The economic relations between Sudan and the Gulf countries are characterized by foreign direct investments from the Gulf and exports of raw materials, mainly gold and agricultural products, by Sudan. Gulf states' political and economic strategies combine political, geopolitical, and commercial factors. Although Sudan's business environment is one of the most challenging, Gulf states have been eyeing four strategic investment sectors in Sudan:

- seaports,
- farming and energy,
- banking,
- mining.

Red Sea seaports are essential for the Gulf countries' security and trade. Mining is part of the Gulf states' policy of diversifying their economies away from fossil fuels and investing in the resources needed to produce clean energy. And agricultural schemes are essential for their large dairy industry and food security policy. These investments have been both the cause and the effect of long-term alliances between the Sudanese and Gulf business elites.

Red Sea Ports

Sudan's coastline of the Red Sea, stretching over 750 kilometers, attracts regional and international competitors, such as Egypt, Saudi Arabia, UAE, Turkey, Qatar, Iran, Russia, and Israel. Under al-Bashir rule, Sudan hosted Iranian ships, negotiated the building of a naval base with Russia, and signed a 99-year lease agreement with Turkey to restore Suakin Island and develop a naval dock, probably using Qatari funds⁹. Stability in the Red Sea region is crucial for global trade, but this is even more true for the oil exports from the Gulf. Because of its oil exports and the Vision

9. S. Moubayed, "Turkish Base in Sudan a Problem for Arab powers", *Eritrea Madote*, 2017.

2030 projects, particularly the futuristic NEOM megacity project¹⁰, Saudi Arabia pays special attention to the strategic developments in the Red Sea. The Egyptian government dreads any military base installation in Sudan, which may threaten the navigation movement in the Suez Canal. Fearing the moves of Turkey, Qatar, and Iran in the Red Sea, Egypt and Saudi Arabia revived the 1970s longstanding idea of creating a regional forum to prevent threats to Red Sea security. They formed the Council of Arab and African States Bordering the Red Sea and the Gulf of Aden in January 2020¹¹. Sudan ratified the charter of this council on 30 May 2022. Against the background of intensive international competition in the Red Sea, ambiguity and political maneuvers have characterized Sudan ports' dealings. Over the past eight years, the Sudanese governments have signed multiple and contradictory agreements for port development.

In 2017, the al-Bashir government made a murky deal with Qatar to build a naval dock for both civilian and military vessels in Suakin in collaboration with Turkey. The same year, during his visit to Sochi, al-Bashir invited Putin to build a naval base. The agreement between Russia and Sudan on establishing a logistics center for the Russian Navy in Sudan was signed in Khartoum on July 23, 2019, and in Moscow on December 1, 2020¹². In 2020, the transitional government decided to contract DP World to develop the southern terminal at Port Sudan¹³. In December 2022, the Sudanese government signed an agreement with an Emirati consortium, including the state-owned Abu Dhabi Ports Group and Invictus Investment, run by Osama Daoud Abdellatif, in order to develop the Abu Amama port on the Red Sea for an investment cost of six billion dollars. The unclear deal includes the Abu Amama port complex, 200 kilometers north of Port Sudan, a trade-free zone, an agricultural project, and an undisclosed grant of \$300 million. Abu Amama is a small naval force base that was to be moved to leave the place for the Emirati investment. The project includes, among others, the expansion and development of an agricultural project owned by Osama Daoud in the Abu Hamad region as a partnership between

10. NEOM is a futuristic megacity on the Red Sea coast in northwest Saudi Arabia. The Public Investment Fund funds it for 500 billion dollars. It was launched in 2017 as part of Mohammed bin Salman's Vision 2030 plan to diversify the kingdom's economy away from oil and pivot toward tech and innovation.

11 The charter of the Council of Arab and African States Bordering the Red Sea and the Gulf of Aden was signed on 6 January 2020. The council has eight members: Djibouti, Egypt, Eritrea, Saudi Arabia, Somalia, Sudan, Jordan and Yemen. It has twelve objectives: close cooperation and coordination among the members in politics, economy, culture, environment and security. "New Red Sea Alliance Launched by Saudi Arabia, but Excludes Key Players", RFI, January 10, 2020.

12. "Russian Government Approves Agreement on Russian Navy Logistics Center in Sudan", Russia News Agency, June 25, 2021.

13. "UAE Taking Steps to Gain Control of Sudan's Main Port", *Aljazeera*, April 25, 2020.

Daoud's DAL Group and International Holding Company (IHC), which is a \$240 billion business empire of national security adviser Sheikh Tahnoon bin Zayed al-Nahyan.

Also, as part of the deal, the Abu Dhabi Fund for Development, whose Chairman is Sheikh Mansour Bin Zayed Al Nahyan and the Deputy Chairman is Sheikh Abdullah Bin Zayed Al Nahyan, would finance a 500-kilometer road connecting the project to the port. According to the first announcement of the project in June 2022, a \$300 million deposit to the Central Bank of Sudan was negotiated¹⁴. This deal was hastily signed when there was no parliament or even a government after the 25 October 2021 coup led by al-Burhan against the transitional civilian government, as the Council of Ministers was dissolved. Moreover, the details of such an important project were not revealed, and neither the Ministry of Transport nor the Sudan Sea Port Corporation were part of it. This project is highly important for the UAE because it will contribute to AD Ports Group's expansion around the Suez Canal after it has secured a foothold in several Egyptian ports.



Source: Sudan Tribune, December 13, 2022

Farming and energy

Following the 2008 food crisis, Gulf states decided to outsource farming abroad to secure their food supply, which depends up to 85% on imports¹⁵. Rationalizing water use was the other reason that precipitated their

14. "Exclusive UAE to Build Red Sea Port in Sudan in \$6 Billion Investment Package", Reuters, June 21, 2022.

15. The Director General of the Arab Organization for Agricultural Development said that the food import bill in the Arab world amounted to about 40 billion dollars. "Desertification Threatens the Arab Region with Severe Food Shocks", *Alarab*, September 21, 2023.

decision to phase out many agricultural schemes, particularly alfalfa farming. For instance, Saudi Arabia abandoned a 30-year-old wheat self-sufficiency program in 2008 and is now highly dependent on grain imports. Saudi Arabia and UAE decided to stop fodder cultivation and encouraged their companies to invest abroad, i.e., lease farmland abroad, grow the crops there, and transport them back. Food security initiatives have been launched in Saudi Arabia¹⁶ and the other Gulf states since 2009¹⁷. This corresponds to when al-Bashir's government sought ways to compensate for the lost oil revenues due to South Sudan's independence and chose to revive two sectors: agricultural production and gold mining. In Sudan, potentially arable land is estimated at 200 million acres, with less than a quarter being used. The Sudanese government rushed to offer water and land to Gulf states in favorable conditions in order to rebuild diplomatic ties after a long disavowal throughout the 1990s.

Gulf investments were multiplied, but they came in different models from those of the 1970s. Gulf public money became more conditional than in the past and based on an investment-led approach. The majority of the new deals have been government-to-government. The investors are foreign states or companies closely connected to them. Under the King Abdullah initiative for Saudi agricultural investment abroad, Saudi investors are provided financial aid and political support offered through bilateral agreements. On the other hand, the Sudan government rents land it owns nominally¹⁸. The Sudanese and Qatari governments set up a joint venture to invest in Sudan, and the Kuwaiti and Sudanese ministers of finance signed what they called a "giant" strategic partnership for agricultural investments in 2008. The Saudis and Emiratis followed, leasing large farmland mainly for fodder cultivation in 2009.

Outsourcing alfalfa farming to Sudan became important because of Sudan's geographic proximity, low-cost investment conditions, and the fact that fodder is highly needed for the Gulf's huge dairy production. As a result, alfalfa farming took a large leap, and its cultivated area increased from 60 thousand acres in 2001 to about 300 thousand acres in 2022¹⁹. Sudan became a major fodder exporter, supplying a quarter of the 20 million tons of alfalfa the Gulf market needed in 2022. This large scale of

16. "Saudi Arabia to Target Agro-Investments Abroad", *Arab News*, November 11, 2023.

17. In the UAE, a "food security alliance" was established in 2015 to coordinate overseas projects in 19 countries, including Egypt, Pakistan, Namibia, Sudan, Vietnam, and North and South America. "Pandemic Revives Gulf Fears over Food Security", *Financial Times*, August 5, 2020.

18. After independence, several legislative acts increased the government's land use control. Most notably, the 1970 Unregistered Land Act (ULA) transferred all unregistered land to the state.

19. Phone interview with a Sudanese agri-businessman, April 16, 2024.

export is made possible due to the development of large and intensively irrigated farming areas. For example, the Al Rajhi farmlands in northern Sudan are about 750 thousand acres, although not all are grown with alfalfa. The UAE also co-funds large lands with the DAL company, which is owned by Osama Daoud, who is pivotal for Abu Dhabi's investments in Sudan.

To make this agricultural expansion possible, Gulf states invested large sums of money in Sudan's dam program, which planned to construct four dams on the River Nile in Northern Sudan: Merowe, Kajbar, Dal, and El Shireik. Besides, Rumela Dam on the Upper Atbara River and Burdana Dam on the Seteit River in eastern Sudan. The dam program has also included the elevation of the Roseires Dam in the Blue Nile state. All these dams were planned for power generation and agricultural irrigation. Saudi Arabia, Kuwait, Qatar, and the UAE were part of the funding consortium for these dams, in addition to OPEC funds and the Arab Fund for Economic and Social Development. The construction of Merowe, Rumela, and Burdana dams was carried out by China International Water & Electric Corp., China National Water Resources and Hydropower Engineering Corporation, with engineering and management support from Tractebel (former Lahmeyer International, Germany). Alstom provided generators and turbines for the Merowe dam.

These dams have tripled Sudan's electricity supply. Merowe and Atabara/Seteit dams have installed capacities of 1250 and 320 KW, respectively. In 2021, 62% of total electricity was generated by hydropower²⁰. While the Merowe Dam was completed in 2009, the other three dams were canceled by Abdalla Hamdok's transitional government due to population protests²¹. The Abu Dhabi Fund for Development has participated in improving the Roseires Dam and building the Merowe Dam but denies any connection between these infrastructure projects and its purchase of farmland in Sudan.

20. International Energy Agency.

21. "Hamdok Announces Cancellation of Decisions of Establishing Kajbar and Dal Dams", *SUNA*, April 22, 2021.

Table 1: Main Gulf companies engaged in the farming sector in Sudan

Country	Company	Characteristics	Project location and size
Saudi Arabia	Saudi National Agricultural Development Company "Nadec"	Nadec is led by the wealthy Saudi al-Rajhi family and is 20% owned by the finance ministry's Public Investment Fund	Location: North, River Nile, and Kordofan states Estimated area: 100,000 acres in the north and 150,000 acres in Kordofan
	Al Rajhi International for Investment (RAAI)	A subsidiary of Sulaiman Abdulaziz Al-Rajhi Awqaf Holding	Location: North and River Nile states, Alshimaliya and Kafia Estimated area: 400,000 and 100,000 acres.
United Arab Emirates	Amtaar	A joint venture between the UAE-based Jenaan Investment (60%) and the Sudan government (40%). Jenaan Investment has a long-term contract with the Abu Dhabi Government to supply hay and forage for husbandry farmers in Abu Dhabi	Location: North state Estimated area: 15,000 acres.
	IHC Food Holding	A subsidiary of International Holdings Company of the UAE, owned by Sheikh Tahnoon bin Zayed Al Nahyan. Project of fodder production in partnership with DAL Group	Location: River Nile state Estimated area: 100,000 acres.
	GLB Invest	Founded in 2011 by Lebanese Firas Badra. Bought by Emiratis, owner not disclosed.	Location: Nile River state Estimated area: 215,000 acres.
Qatar	Hassad Food Company	A subsidiary of the Qatar Investment Authority chaired by Sheikh Bandar Bin Mohammed Al-Thani	Location: Nile River and Khartoum States Estimated area: 270,000 and 25,000 acres.
	Doha Project for Agricultural and Livestock production	A branch of Widam Food Company QSC. Its Chairman is also a CIO at the Qatar Investment Authority.	Location: White Nile, Sinnar Khartoum and South Kordofan States Estimated area: Unknown

Source: compiled by author

In addition to these agricultural investments, Sudan embarked on the mega Wadi al-Hawad project in order to meet the Gulf states' food security policies. The Wadi al-Hawad Agricultural Project covers an area of 2.4 million acres and extends from the Butana Plain in eastern Sudan to the Nile River State in northern regions. It was initiated in 2011 and affiliated with the presidency, then the Transitional Sovereign Council. In 2015, Sudan's National Investment Authority declared that Al Dhahra Agricultural Holding Company²², an Emirati fodder production company, had expressed interest in investing \$10 billion in the Wadi al-Hawad project. But al-Bashir had already passed a special law to grant ownership of one million acres of the eastern part of Wadi al-Hawad to Saudi Arabia in exchange for financing the Setit Dam and the upper Atbara River. In 2019, just before the fall of al-Bashir, the governor of the River Nile announced handing over the Wadi Al-Hawad project to Qatar²³. Then, in 2022, the Transitional Sovereign Council, headed by Abdel Fattah al-Burhan, agreed to grant the UAE government the project located in the Nile River State²⁴.

Banking

Sudan's banking sector is weak and remains relatively small by international and regional standards because it was cut off from the global financial system due to long years of US sanctions, which included a ban on all kinds of commercial and financial dealings with Sudan. Sudan gained access to international banking institutions only in 2017, when the U.S. government eased sanctions. The U.S. government delisted Sudan as a State Sponsor of Terrorism in December 2022. However, long before the lifting of sanctions, growing Arab investments took place in the Sudanese financial sector, following the privatization policy that started in the early 1990s but was really implemented at the beginning of the 2000s. "The privatization of public enterprises in Sudan is not different from that of Russia; it has produced many Islamic oligarchs thanks to the Gulf money"²⁵. The privatization allowed the Gulf states to consolidate their presence in the financial sector by acquiring state-banking assets, mainly in the form of joint-venture banks. The government offered for sale the state-owned Bank of Khartoum, Sudan's largest and first bank, dating back to 1913. The government sold 60% of its share to Dubai Islamic Bank

22. The Chairman of board of directors is Sheikh Hamdan Bin Zayd al Nahyan.

23. "The Government Hands Over a Major Agricultural Project to Qatar", *Alnilin*, March 30, 2019.

24. "The UAE Seizes a Giant Agricultural Project in Sudan", *alrakoba.net*, November 25, 2022.

25. Interview with a Sudanese journalist in Cairo, January 4, 2024.

in 2005, then merged in 2008 with Emirates and Sudan Bank, founded by a consortium of UAE banks²⁶ to become majority-owned by these entities. Another bank privatization that benefited Gulf states was the El Nilein Bank, which sold to Bahrani al-Salam Bank and Emirati investors, which acquired 60%, and the Bank of Sudan retained a 40% stake. The bank has a branch in Abu Dhabi where Tradive General Trading LLC²⁷, owned by Hemedti's Algoney Dagalo, has an account to facilitate money transfers to the Rapid Support Forces (RSF)²⁸.

Since 1984, all banks in Sudan have operated strictly according to Islamic principles. The structure of the banking sector in Sudan is made of three categories of companies:

- 5 local banks,
- 26 joint banks, often co-owned with Gulf investors,
- 7 foreign banks²⁹.

During the US sanctions years, Faisal Islamic Bank of Sudan and Abu Dhabi Islamic Bank were the only way of transferring money to or from Sudan³⁰. The first joint bank opened in Sudan is the Saudi Faisal Islamic Bank. It was introduced by Prince Mohammed Al-Faisal in 1977 as the first Sharia-based bank to open in Khartoum. It is a pillar of Islamic movement transformation in Sudan and was closely related to the National Islamic Front of Hassan al-Turabi³¹. Today, most joint banks have Gulf investors with politicians, politically connected elites, and their families, often having large shares. This suggests that these banks are subject to political influence. For instance, Alkhaleej Bank is a joint bank with 14% shares owned by Emirati Aljil Alqadem General Trading LLC³². The bank, controlled by the RSF and Hemedti's family, is a typical example of a politically controlled bank. It was sanctioned by the U.S. Department of the Treasury's Office of Foreign Assets Control in January

26. Islamic Development Bank, Dubai Islamic Bank, Sharjah Islamic Bank, and Abu Dhabi Islamic Bank founded Emirates and Sudan Bank in Khartoum as a fully Islamic bank.

27. See the website Open Sanctions, available at: www.opensanctions.org.

28. "Exposing the RSF's Secret Financial Network", *Global Witness*, December 9, 2019.

29. Bank of Sudan.

30. "Sudan: The Quiet Way to Derail a Revolution", *The Middle East Eye*, May 13, 2019.

31. H. Makki, "The Islamic Movement in Sudan, Its History and Political Discourse", Institute for Social Research and Studies, 1990.

32. <https://al-khaleejbank.com>.

2024, playing an important part in the RSF's efforts to finance its war operations³³.

Most foreign banks operating in Sudan are based in Gulf states, mainly Saudi Arabia, United Arab Emirates, and Qatar. The seven foreign banks account for 23% of total banking assets. These banks aim to facilitate the Gulf's investment across the Sudanese economy. Abu Dhabi Islamic Bank was the first foreign bank to open in Sudan in 2012, with an opening ceremony attended by former president al-Bashir. This was followed by Abu Dhabi National Bank, which opened in 2013. The National Bank of Abu Dhabi is linked with an RSF account that recycles gold money³⁴. Two other foreign banks are the National Bank of Qatar, with 50% shares of the Qatar Investment Authority, and Qatar Islamic Bank owned by the Qatar Investment Authority.

Mining

Gulf countries have few mining companies in Sudan. Although many minerals necessary for clean energy development (including cobalt, lithium, manganese, nickel, and graphite) are available in Sudan, they have not yet attracted Gulf investors. In contrast, gold trade and mining have raised great interest in the Gulf states, notably the UAE. Gold represents about 50% of Sudan's exports. Official export data from the Bank of Sudan shows that 98% goes to the UAE. However, up to 85% of Sudan's gold is thought to be sold off the books to the UAE and Russia³⁵.

Since 2014, a Dubai-registered company, Emiral Resources, has been involved in gold mining in the Red Sea state through its subsidiary Alliance for Mining. Alliance for Mining Co. Ltd. is a production company established between Kush E&P (68%), state-owned Sudamine (25%), and a private mysterious shareholder (7%). Kush E&P is suspected to have links with the RSF, which has been seen providing security for the company in South Kordofan³⁶. The RSF have been observed providing security for the company. Headquartered in Dubai, Emiral Resources is a Russian-Emirati company founded by Boris Ivanov, a former Russian diplomat (1983-1993)

33. "Treasury Targets Entities Funding the Conflict in Sudan", US Department of the Treasury, January 31, 2024; "US Sanctions Businesses Controlled by Sudan Army, RSF", *The East African*, February 1, 2024.

34. "Secret Financial Network of Sudan's Main Militia Exposed", *Radio Dabanga*, December 10, 2019.

35. "Russia is Plundering Gold in Sudan to Boost Putin's War Effort in Ukraine", CNN, July 29, 2022.

36. "Miners Blocked from Working in S. Kordofan Gold Area", *Dabanga*, September 11, 2018; "The Grey Zone: Russia's Military, Mercenary and Criminal Engagement in Africa", Global Initiative Against Transnational Organized Crime, February 16, 2023, p. 57.

turned businessman with Gazprom. Alliance for Mining started gold production in 2015 and is considered a large gold producer, yielding about three tons a year. It has suspended its operations since the beginning of the war.

Sudan continues to hope for big gains from Atlantis II, a project initiated fifty years ago to exploit the mineral wealth (gold, silver, and copper) in the Red Sea basin between Sudan and Saudi Arabia. The first agreement between the two countries was signed in 1974³⁷ but stayed dormant until 2010, when the Saudi-Sudanese Red Sea Joint Commission granted a 30-year license to conduct exploration activities to Canadian Diamond Fields International and Saudi Manafa International Ltd. However, the project has been blocked since 2013 by a contractual disagreement between two companies³⁸. Production was scheduled to begin by 2020, but nothing has been happening since then. Saudi Vision 2030 promotes the mining sector and considers it a third key economic pillar. In 2016, after al-Bashir participated in the Yemen war, talks about Atlantis II were reopened. The same thing happened in 2019 after the fall of al-Bashir without any progress.

Qatar is also investing in Sudan's gold and copper mining. Qatar Mining Company Sudan (QMSD), a subsidiary of Qatar Mining Company, started operations in Sudan in 2013 and has two exploration projects in gold and copper mining in the Red Sea and Kordofan states. Those projects were in the advanced prospecting phase when the war broke out in 2023. Qatar mining operations in the Red Sea state are not affected by the war, in contrast with those in Kordofan's war-torn areas³⁹.

The economic benefits of Gulf investments are obvious for Sudan, although much of it has been lost due to corruption. These investments are dominated by farming projects, particularly alfalfa farming, and projects associated with the agricultural sector. Gulf banks lead joint ventures and foreign banks operating in Sudan. Despite potential mineral resources, Gulf states' investments in Sudan's mining sector are small. None of the Gulf countries has succeeded in gaining access to any seaport in Sudan. Talks of big Gulf investments in Sudan's seaports remain just talk for now.

37. Available at: <https://treaties.un.org>.

38. "Diamond Fields in Dispute with Red Sea Joint Venture Partner", *Corporate news*, January 30, 2014.

39. Interviews with a Sudanese businessman and a journalist on 9 and 29 April 2024, respectively.

Business Partnerships

Sudanese businesspeople and cadres made their mark on the Gulf states over fifty years ago, whether in the private or public sectors. Khalil Osman was one of the first businessmen to work closely with Kuwaitis, bringing the first Kuwaiti investors to Sudan in the 1970s. Kamal Hamza served as Director General of Dubai Municipality for 24 years (1961 to 1985), and al-Sunni Banga was governor of the Department of Abu Dhabi Municipality and Town Planning. While the first generation of Sudanese cadres working in the Gulf is highly hailed, the Sudanese look at the current ones suspiciously. Most controversial is Lieutenant General Taha Othman Al-Hussein, former Director of the Offices of al-Bashir and officer of the National Security and Intelligence Service. He has been appointed advisor at the Saudi Foreign Ministry. He obtained Saudi nationality and now orchestrates both the Saudi and Emirati policies in Sudan, accompanying their delegations in all negotiation dealings.

As Sudan's financial system was isolated because of the US and UN sanctions in the 1990s, many Sudanese businesses have set up branches in the Gulf states. Sudanese companies and individual traders turned to the Gulf states to facilitate their business transactions. As a result, in the Jebel Ali Free Zone, Sudan was listed among the top ten investing countries in 2015. In 2011, 523 Sudanese companies were registered in the free trade zone in Dubai⁴⁰. Two Sudanese companies are listed in the Abu Dhabi financial markets: state-owned Sudatel and Invictus Trading,⁴¹ managed by Osama Daoud (25% owned by IHC Food Holding of Sheikh Tahnoon bin Zayed al-Nahyan⁴²), and one company, Al-Salam Bank,⁴³ listed in the Dubai market since 2008.

Two major Sudanese private groups illustrate the long-term alliance between Sudanese and Gulf business elites. Owned by Osama Daoud

40. A. Rahman Al-Amin, "The People Want the Money back", *Atrakoba*, June 25, 2012.

41. Invictus Trading, established in the Jebel Ali free zone in 2014, initially managed raw material imports for Sudan-based DAL Group. It has since expanded operations, specializing in trading various commodities, agri-food, and finished goods across Africa, the Middle East, and Asia.

42. "Abu Dhabi's IHC Buys 25% of Dubai Trading Company Invictus", *The National News*, June 8, 2022.

43. This Islamic bank was founded in 2005 by a UAE and Sudanese investors consortium. One of its top executives and founding members is Abd-Elbasit Kamal Hamza Al-Hassan, a prominent figure of the former regime. He was sentenced to ten years in prison on various corruption charges in Sudan in 2021. After the al-Burhan's coup d'état, he was liberated from prison and helped to leave the country. He has many business projects with UAE investors, including Rotana Hotel, which is known for its controversial land acquisition. He was arrested by the Egyptian authorities in January 2024 because of alleged accusations of financing the Hamas movement. He maintains a network of business interests in Europe despite the imposition of US sanctions on him.

Abdelatif, DAL has a high-profile partnership with IHC Holding. Besides their common farming project in the Abu Hamad area in northern Sudan, UAE's Emirates Stallions Group, a subsidiary of Abu IHC holding, planned to build a hotel for 65.3 million dollars in partnership with DAL Group⁴⁴. This project is a revival of the megaproject Al-Morgan development, which stopped in 2007 due to the US sanction on the project management company Al Sunut Development for connection with Sudan's government. In 2005, Osama Daoud closed his London office and transferred his business to the Gulf, saying, "Gulf banks understand our needs more than western banks, who we basically can't work with after September 11, too many questions, too many rules, and no service"⁴⁵. In the context of the ongoing conflict, DAL relocated its business first to Wad Madani south of Khartoum, then to Port Sudan following the RSF takeover of Wad Madani.

The Haggar Group opened its trading branch, FIDES International DMCC, in Dubai in 2017 to develop trade partnerships and opportunities between the Middle East and Africa. As of June 2023, Haggar Group closed its business in Sudan and laid off all its employees.



Source : ADX lists Invictus, Zawya, June 29, 2022

44. IHC press release, September 28, 2021.

45. "Gulf Cash Flows into Post-War Sudan", *Sudan Tribune*, October 14, 2005.

Implications

Gulf states' investments in Sudan come with both benefits and costs. They have undoubtedly contributed to the development of the agricultural sector, as well as the development in other areas such as infrastructure and energy sectors. However, these investments have also curbed Sudan's economy into a state of dependency, deepened high-level corruption, and generated social and political tensions.

Economic dependence

Gulf countries' engagement in Sudan is by far the most important, and no other country comes near the depth and breadth of their relations. These countries are Sudan's largest trading partners, bilateral creditors, and a crucial source of investment and banking services. This dependency mirrors the economic asymmetry between Sudan and the Gulf countries: for example, Saudi Arabia's annual GDP is 22 times that of Sudan's in 2022. As demonstrated in the previous chapter, Gulf states utilized their growing economic leverage over Sudan in order to secure low-cost deals on their farming investments, to monopolize their gold trade, and to attempt to control their seaports. As the largest bilateral creditors, they also played a key role in the recent and failed attempt to restructure Sudan's debt.

In the last ten years, total investments by Saudi Arabia, UAE, Kuwait, and Qatar amount to about \$50 billion, mainly in the agricultural sector⁴⁶. Saudi Arabia has been the first investor in Sudan with about \$35 billion, Kuwait and the UAE each 7 billion, and Qatar about 2 billion⁴⁷. Although very valuable for Sudan's economy, Gulf financial investments and trade represent trivial money for them. As a result, debt to Gulf states has accumulated to make up 37% of Sudan's total hefty debt of \$64 billion in 2022. Also, multilateral and Islamic organizations, within which Gulf countries have significant influence, are important creditors of Sudan. Of Sudan's total external debt of multilateral creditors, the share of Arab organizations is about 55% in 2022, as shown below. Gulf states have the highest share of debt within these organizations. For example, the combined share of Kuwait, Saudi Arabia, Qatar, and the UAE of OPEC's loans to Sudan is 96%⁴⁸. Kuwait

46. "Minister of Investment: Saudi Investments are the Largest in Sudan", *Alrakoba*, April 5, 2021.

47. "The Arab Countries that Invest Most in Sudan", *Roayahnews*, April 16, 2023.

48. "Sudan External Debt Position First Quarter", Bank of Sudan, March 31, 2022.

and Saudi Arabia are Sudan's second and third creditors, respectively. Most of Kuwait and Saudi Arabia's loans were granted during the 1970s and 1980s. As the Sudanese government fell behind on its payments, these loans exploded due to the accrual of interest and steep penalties.

The restructuring process of Sudan's debt started during the transition, and Sudan reached the Decision Point in 2021⁴⁹. It was supposed to reach the Completion Point by June 2024, which could drop Sudan's debt by US\$50 billion to about US\$6 billion. During the Paris Club of creditors negotiations⁵⁰, Saudi Arabia pushed for debt relief rather than deferral⁵¹. In the Paris International Conference for Support of Sudan in May 2021, Saudi Arabia announced a \$20 million grant to cover part of Sudan's financing gap with the International Monetary Fund⁵². Also, Sudan asked Kuwait, UAE, and Saudi Arabia to write off 60% of the debt and reschedule the remaining debts over 16 years, including a 6-year grace period⁵³. Kuwait has agreed to reschedule its debt as part of the international debt restructuring process⁵⁴. If the Gulf creditors had opposed the restructuring process, it would not even have started. Unfortunately, this process was frozen after the al-Burhan coup d'état of October 2021.

49. "Sudan approved for debt relief, \$2.5 billion funding by IMF", Reuters, June 30, 2021.

50. The Paris Club signed a multilateral agreement with Sudan to write off \$14.1 billion of its \$23.5 billion debt. "Paris Club Suspends Sudan's Debt Relief Process as Khartoum Seeks Arab Funds", *Sudan Tribune*, June 17, 2022.

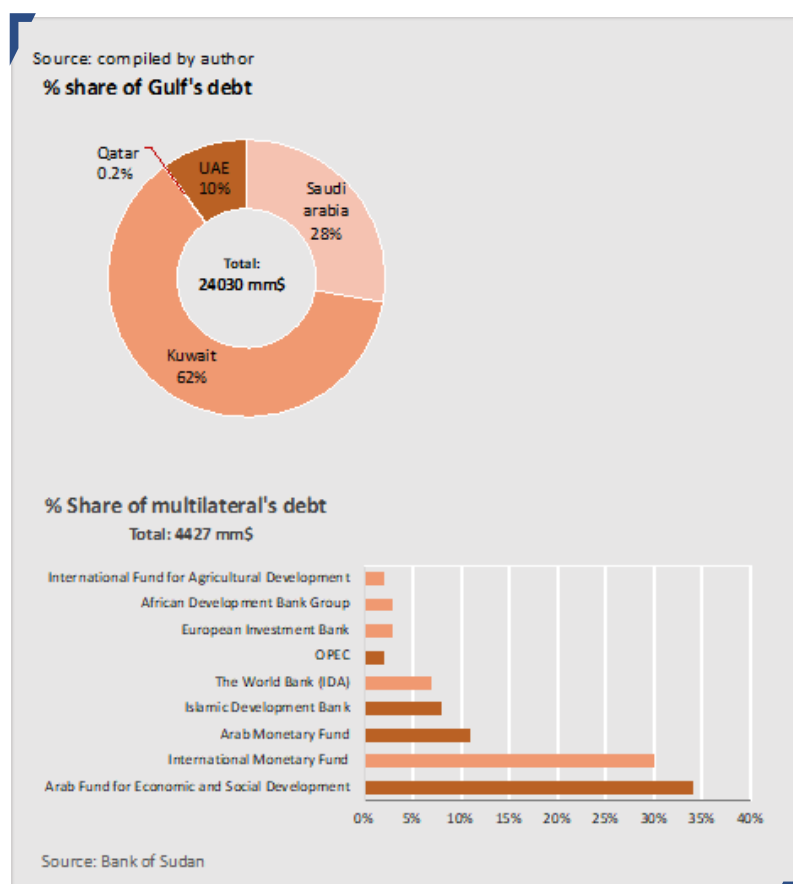
51. "Saudi Arabia Pushes for Sweeping Sudan Debt Restructuring", Reuters, May 16, 2021.

52. "Saudi Arabia Announces \$20m Grant to Help Cover Sudan's Debt with IMF", *Arab News*, May 17, 2021.

53. "Sudan to Seek Debt Relief from Arab Gulf Countries", *The Arab Weekly*, July 19, 2021.

54. "Kuwait Agrees With Sudan On Debt Rescheduling Within HIPC Initiative", *BNR*, September 25, 2021.

Figure 1: Share of debt, 2022

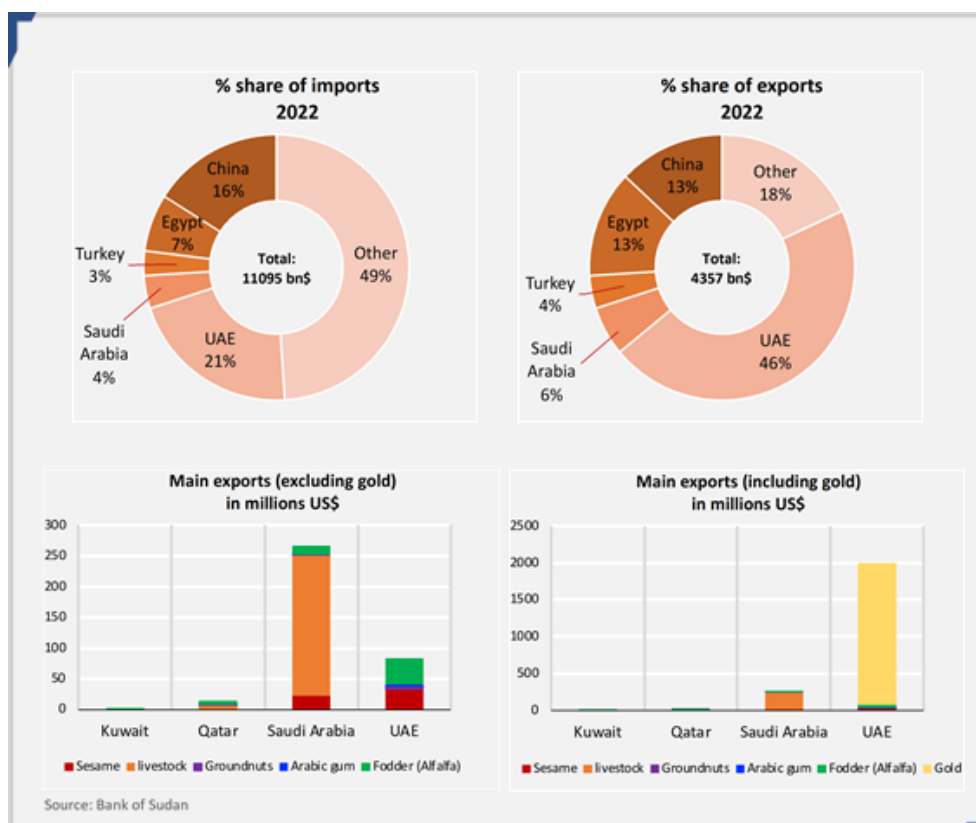


If Arab investments in Sudan are important, trade is still meager and mainly serves the UAE's appetite for gold. For example, in 2021, UAE exports to Sudan represented only 0.5% of its total exports and 1% of its imports⁵⁵. Yet, the UAE is Sudan's first trade partner, recording the highest share of exports and imports in 2022. As for Kuwait and Qatar, they have a negligible share of the trade of less than 0.5% and 0.1%⁵⁶ of Sudan's total exports and imports, respectively. In 2022, Sudan had a trade deficit with all Gulf states. Between 2017 and 2021, the balance of trade showed a continuous deficit with Saudi Arabia, while it showed a surplus for the UAE except for the year 2019. The trade balance surplus with the UAE is mainly attributed to the gold trade. Gold is the major export, accounting for almost 50% of total exports, and 98% of it goes officially to the UAE (much more is smuggled). Agriculture is the second most important export, with livestock, sesame, groundnuts, cotton, fodder, and Gum Arabic mainly destined for Saudi Arabia and the UAE, as shown below.

55. The Observatory of Economic Complexity (OEC).

56. Source: Bank of Sudan, Foreign trade statistical digest, January-December 2022.

Figure 2: Trivial trade



High-level corruption

Sudan's business environment is considered high-risk: bureaucracy, unjustified taxes and fees, lousy infrastructure, ineffective rule of law, and endemic political instability. For all these reasons, the World Bank put Sudan at a low 171 rank out of 190 countries in its ease-of-doing-business index in 2020⁵⁷. Sudan ranks 162nd out of 180 countries in the corruption perceptions index of Transparency International in 2023⁵⁸. An Afrobarometer survey in 2018 showed that 80% of surveyed Sudanese consider President al-Bashir and his office personnel to be some or all involved in corruption⁵⁹, 87% for government officials and 82% for business executives. Most of the deals signed between the al-Bashir and Gulf governments were opaque and marred by controversies and corruption, and this contributed to discredit the regime. For example, in 2016, al-Bashir passed a special law to grant Saudi Arabia one million acres of farming land for 99 years in exchange for Saudis' financial participation in the Upper Atbara and Setit Dams Project, which has been struggling with funding for

57. "Doing Business 2020 Fact Sheet: Sub-Saharan Africa", World Bank.

58. Available at: www.transparency.org.

59. "Afrobarometer Round 7, Survey in Sudan", 2018, p. 28-30.

years. The passed law prohibits both parties to the agreement from disclosing any information related to the project to any third party.

Selling government assets that involved Gulf buyers was common. The presidential villas scandal involved the former president al-Bashir and Abu Dhabi Bank. 40 villas were constructed to accommodate African and Arab leaders who attended the African and Arab summits in 2006. Their price was estimated at \$77 million at a minimum, but they were sold to Abu Dhabi Bank for \$50 million. Immediately after their sale, the villas were rented to the American Embassy in Khartoum for \$50 million a year⁶⁰.

The Wadi al-Hawad project, the Abu Amama port project, etc., were awarded quickly and opaquely, taking advantage of the troubled transitional times and the government's need for money. Deals to obtain farming land were opaque with excessively favorable conditions, including cheap and lengthy land leases of up to 99 years and fiscal and export facilities, which include custom exemptions for machinery and agricultural inputs, profit transfers, tax exemptions for periods as long as ten years, no restrictions on exporting produce, which is also free of customs, and freedom to employ labor from outside Sudan. Agreements do not specify restrictions on free-of-charge water use or the size of the area allocated for fodder, knowing that it's a highly water-consuming plant. Moreover, conditions stipulated in the contracts are often not respected, such as local content and securing jobs for local communities. Alfalfa farming is highly mechanized and employs few workers. Besides, companies tend to use foreign labor.

Opaque deals were also made to gain concessions or build new seaports. In November 2019, DP World was reported to contract lobbyist and former Israeli intelligence officer Ari Ben-Menashe and his Montreal-based Dickens & Madson company in order to get a 20-year concession to operate Port Sudan's southern terminal⁶¹. A few months before that, in May 2019, Ben-Menashe signed a six-million-dollar deal with Hemedti to polish his image in the United States, Russia, Saudi Arabia, the UN, and the African Union⁶².

UAE is the first buyer of Sudan's gold through official channels, as well as smuggled gold. RSF controls gold smuggling to the UAE. In 2017, Hemedti and his brother Abdelrahim Dagalo took control of the Jebel Amer gold mines and developed a vast network of gold smuggling to the UAE and Russia. RSF places its companies and money in the UAE. A UN

60. "Corruption of the Former Regime: Selling the Presidential Villas for \$50 Million and Renting them for the Same Amount Annually to the American Embassy", *Radio Dabanga*, July 10, 2019.

61. "Dubai Ports Giant Hires ex-Israeli Intelligence Official to Land US Support for Sudan Bid", *Al-monitor*, January 7, 2020.

62. "UAE Taking Steps to Gain Control of Sudan's Main Port", *Aljazeera*, April 25, 2020.

report confirmed the UAE arms supply to the RSF through Amdjarass in Chad, further fueling Sudan's war⁶³. Arms are probably bought with gold money⁶⁴.

Social and political tensions

Some of the Gulf's investments in Sudan are blamed for causing instability. Local protests are induced by the rush for seaport control, land grabs, and dam projects.

Government allocation of large farming land to Gulf companies without consulting local communities caused land conflicts as these farms encroached into community land, pastures, and cattle migration corridors. According to the Land Matrix database, almost 2 million acres of large-scale land have been distributed since 1972, but most deals with foreign investors have been endorsed after 2000⁶⁵. When villagers oppose these agricultural investments, local communities often hamper land acquisition by investors⁶⁶. In 2013, hundreds of people protested in eastern Khartoum against a government decision to sell agricultural lands to investors from the Gulf Cooperation Council, demanding that the government give them these lands instead of selling them to Gulf investors⁶⁷.

The dam project in northern Sudan (Kajbar, Dal, and El Shireik), which received large support from Gulf states, was a source of population anger. Four protestors against the Kajbar dam project were killed in 2007 by security forces. A series of protests were carried out, and in February 2016, large protests were organized during a meeting in Khartoum attended by Saudi officials and investors and al-Bashir to discuss the funding of the dams⁶⁸. In 2021, the transitional government canceled the controversial and unpopular Dal and Kajbar Dam projects.

In addition to local land conflicts, some Gulf's investments have caused political rejection. The UAE's attempt to control Sudanese ports is a source of recurring internal divisions and clashes. In September 2021, Sudan's Red Sea ports were blocked by protesters for a month, paralyzing the country's trade, which has been diverted to other regional ports, mainly in Egypt. The protesters accused the UAE of imposing connivance figures to represent the

63. "UN Panel of Experts Report on Sudan", Sudan War Monitor, January 23, 2024.

64. "Exposing the RSF's Secret Financial Network", *Global Witness*, December 9, 2019.

65. "Land Grabbing and Its Implications for Sudanese – Views From a Scholar", Pulitzer Center, May 30, 2019

66. Phone interview with a Sudanese agri-businessman, April 2, 2024.

67. Available at: www.alrakoba.net.

68. "Sudanese Police Disperse Anti-Dams Demonstration, Arrests Several Protesters", *Sudan Tribune*, February 17, 2016.

East Sudan group in the Juba peace agreement⁶⁹. Rapid Support Forces were dispatched to Port Sudan⁷⁰, and negotiation attempts led by Hemedti with the tribal leaders, non-signatory to the Juba agreement, failed⁷¹. Demonstrators contested Hemedti's visit to Port Sudan in March 2022 and accused him of conspiring with Emiratis to privatize Sudan's seaports by deepening tribal divisions⁷². Tensions between the Bani Amer and Al-Habbab tribes against the Bija and Hadandwa tribes in the eastern Sudan region over governance rights and access to regional resources are recurrent. The High Council of Beja Nazirs and Independent Chieftains, headed by Mohamed Tirik, an ally of the former regime, led these protests.

At the start of the transition, the Forces for Freedom and Change (FFC) accused Saudi Arabia and the UAE of meddling in Sudan's internal affairs and emboldening the military⁷³. Their discontent impacted some of the investments of these countries: "People are genuinely angry with Saudis and Emiratis, but wrongly, they attacked investors from these countries. Al-Rajhi has been openly insulted and his farming projects attacked".⁷⁴ In fact, only ten days after the fall of the al-Bashir regime, the UAE and Saudi Arabia countries announced a joint three-billion dollar aid to Sudan. One billion dollars of this assistance was received, but then Saudi Arabia and the UAE stopped their aid, complaining about the FFC criticism, especially the request for the return of Sudanese fighters from Yemen and the denunciation of the UAE's recruitment of Sudanese youths to work in Libya as security guards⁷⁵.

69. Juba Agreement was signed on 3 October 2020 between Sudan's transitional government and rebel groups representing various regions. The Eastern group was headed by Osama Saeed, the leader of the Beja Congress. The group has splintered, contributing to a lack of consensus within the Eastern group.

70. AN. Hamad, "Why does Port Sudan Seek Assistance from Others?", *Al-Tayyar*, December 8, 2020.

71. "Hemeti Fears Red Sea Region Unrest", *Africa Intelligence*, November 11, 2020.

72. « Hemetti Denies signing Deal to Operate Port Sudan Terminal", *Sudan Tribune*, March 15, 2022.

73. "From Sudan's protesters, a warning to Saudi Arabia and the UAE: Don't meddle?", *The Washington Post*, April 24, 2019.

74. Interview with a former advisor of Prime Minister Abdalla Hamdok, April 10, 2024.

75. "Recruited as Security Guards in the UAE, Deceived into Working in Conflict-Ridden Libya Instead", Human Rights Watch, November 1, 2020.

The intensification of regional competition

Since the start of the conflict in April 2023, regional and intra-gulf state competition has intensified, adding to Sudan's destabilization, as in times of war, the fate of the fighting parties is closely tied to the support and rivalries of these external powers.

Regional rivalries

A decade ago, Saudis and Emiratis paid hefty amounts of money, including personal cash, to al-Bashir and his cronies⁷⁶ to keep Iran at bay. Now, due to the war, al-Burhan is bringing Tehran back. After eight years of a rift, Sudan restored diplomatic and military relations with Iran in October 2023. However, it was not their first contact since ties were broken in 2016. After the fall of al-Bashir, Iran criticized Sudan for normalizing relations with Israel and accused Khartoum of paying a ransom for Washington to remove it from a list of state sponsors of terrorism⁷⁷. Also, diplomatic talks were engaged covertly between the Ministries of Foreign Affairs⁷⁸. However, no concrete activities were taken with Tehran till the first high-level public meeting between Deputy Foreign Minister Ali al-Sadiq and Iran's Foreign Minister Hossein Amir-Abdollahian in Baku on 6 July 2023. This was followed by a series of meetings between Ali al-Sadiq and Iranian leaders. In January 2024, he met the First Vice President, Mohammad Mokhber, on the sidelines of a summit of the Non-Aligned Movement in Uganda. Then, in February, he met with Iranian President Ebrahim Raisi during his visit to Iran. They agreed to reopen embassies and explore opportunities for cooperation. Abdulaziz Hassan Saleh is reported to be designated for the post of Sudan's ambassador to Iran⁷⁹. Iran started to deliver arms (including Mohajer-6 drones) to the Sudanese Armed Forces (SAF) in December 2023; an Iranian cargo plane owned by the Islamic Revolutionary Guard Corps has made several trips to Port Sudan⁸⁰. It is reported that Iran has asked Sudan to build a naval base but its demand has

76. After al-Bashir fall, police found about \$100 million in his home; he confessed that \$25 million was paid by Saudi Crown Prince Mohammed bin Salman. "Ex-Sudan Leader Said he Received millions from Saudis", *The Guardian*, August 19, 2019.

77. "Iran Says U.S.-Brokered Sudan-Israel Deal Secured by 'Ransom'", Reuters, October 24, 2020

78. Interview with a former advisor of Prime Minister Abdalla Hamdok, April 10, 2024.

79. "The Appointment of the First Sudanese Ambassador to Tehran since 2016", *Al-Sharq Newspaper*, March 28, 2024.

80. "Iranian Cargo Flights Arrive in Sudan", Sudan war monitor, January 30, 2024.

been rejected⁸¹. Undoubtedly, Iran is still interested in regaining influence in the Red Sea region through its rapprochement with SAF. This is, of course, a cause of concern for Saudi Arabia.

Gulf states also fear the presence of Turkey and the Muslim Brotherhood. Abu Dhabi, in particular, perceives the Islamist movement as an existential threat. As a supporter of the Muslim Brotherhood, the Erdogan regime was a close ally of the al-Bashir regime⁸² and was displeased by his fall. Erdogan went as far as calling the revolution in Sudan “a coup against Turkey”. However, after two years of political distancing between the two countries, Ankara invited Hemedti and Al-Burhan, who visited Turkey in May and August 2021, respectively. Turkey was assured about Suakin’s 99-year lease. Many influential figures of the Sudanese Muslim Brotherhood found refuge in Turkey after the fall of al-Bashir, including Al-Abbas and Abdullah Hassan Al-Bashir, brothers of al-Bashir, former Minister of Foreign Affairs Ali Karti, and former chief of intelligence Mohamed Atta al-Mawla. Abdelhay Yousef, a close ally of al-Bashir and propagandist of the Muslim Brotherhood, runs his Tayba TV from Turkey after his channels were closed by the Sudan Ministry of Information. To illustrate the concern of Saudi Arabia about Turkey’s Red Sea agreement, during a visit to Khartoum on 17 February 2021, Ahmed Qattan, Saudi Minister of State for African Affairs, said to be certain that the transitional government in Khartoum has canceled the agreement with Ankara⁸³. Since the eruption of the war, Turkey has hosted relatives of al-Burhan and Hemedti. It has provided SAF with Bayraktar TB2 drones *via* Egypt⁸⁴. Istanbul has also hosted a forum to support the recovery of Sudan’s agricultural sector in December 2023. It discussed, among others, ways for Turkish companies and businesspeople to invest in Sudan’s farming projects⁸⁵.

Before the outbreak of the war in April 2023, through their active political and financial largesse with Sudan’s transitional government, Saudi Arabia and UAE succeeded in keeping Qatar, Turkey, and Iran away from Sudan. However, with the prolonged war, Iran and Turkey made a comeback, supporting the SAF and providing al-Burhan with vital military assistance. One wonders how the current rapprochement with Iran and Turkey might impact the Sudan-Gulf states relations. Neither country has the equivalent of the Gulf’s financial capacity, business networks, or the sizeable Sudanese diaspora to outweigh the Gulf’s economic relationship with Sudan. Before Sudan cut ties with Iran, they had a meager bilateral

81. “Iran Tried to Persuade Sudan to Allow Naval Base on Its Red Sea Coast”, *WSJ*, March 3, 2024.

82. E. Domingues Dos Santos, “Le Soudan dans la géopolitique africaine de la Turquie : une expérience sotto voce dans une région convoitée”, *Note de l’IFRI*, Ifri, November 2023.

83. “Sudan, Saudi Arabia Agree to Develop Red Sea Area”, *Sudan Tribune*, March 11, 2021.

84. “The Turkish Bayraktar TB2 Drones were Delivered to Sudan’s Military”, *WSJ*, October 14, 2023

85. “Sudanese Minister: We Would Like to Benefit from the Qualitative Leap of the Turkish Economy”, *Anadolu Ajansı*, December 4, 2023.

trade of about \$43 million in 2006⁸⁶. However, Tehran could replace the Gulf countries by supplying Sudan with oil and boosting its military capacities. Turkey's volume of investments and trade in Sudan has been very modest⁸⁷. Its share of exports and imports with Sudan in 2022 was 4%, and 3% is not comparable with the UAE and Saudi Arabia, which amount to 52% and 25%, respectively. With their bilateral trade, 50 billion dollars of investments, over a million Sudanese diaspora, and geographical proximity, Gulf countries view Sudan as their natural partner. Their bilateral relationship is likely to continue no matter the outcome of the war, however.

Intra-Gulf competition

In Sudan, Gulf states compete for influence, farming lands, and a foothold on the Red Sea coast. Their rivalries were mainly fostered during al-Bashir's regime and kept escalating afterward. Saudi Arabia and the UAE share a rival in Qatar but also have their own rivalry. Kuwait is not taking part in these rivalries due to its distanced relations with Sudan after Khartoum supported the Iraqi invasion of Kuwait in 1991. Also, Kuwait has invested in sectors that are not yet attracting competition from its fellow Gulf countries. Kuwaiti main investments are the Kenana Sugar project, one of the largest sugar projects in Africa, Zain telecommunication, and the Sudanese Kuwaiti Hotels Company. However, in a joint statement with Egypt on 30 April 2024, Kuwait rejected foreign interference in Sudan's internal affairs and called for a Sudanese-led political settlement⁸⁸.

During the Gulf crisis (2017-2021), Sudan was among the few Arab countries that resisted Emirati and Saudi pressure to cut ties with Qatar. Sudan's stand helped strengthen the ties between the two countries and showed that despite its economic dependence on the Gulf, Sudan still maintains a certain degree of autonomy. During the protests against the former regime in 2018, the struggling al-Bashir received a supportive call from Qatar's Emir Sheikh Tamim Al Thani, who favorably wished al-Bashir to remain in power. Since the fall of al-Bashir, Qatar has maintained a low profile as it feared to be completely isolated from Sudan, where it has various investments, including in the mining and agricultural sectors. Its Red Sea port project with Turkey has been put to a halt by the transitional government.

86. "Sudan-Iran Foreign Relations", *Critical Threats*, January 17, 2009.

87. According to Aljazeera report by Khaled Al-Tijani Al-Nur, Turkey has provided 200 million dollars in credit facilities to encourage Turkish companies to work in Sudan since 2008. The Turkish Export Development Bank has financed some infrastructure projects in Khartoum, Nyala and Suakin. E. Domingues Dos Santos, "Le Soudan dans la géopolitique africaine de la Turquie : une expérience sotto voce dans une région convoitée", *op. cit.*

88. "Kuwait, Egypt Urge Gaza Truce", *Kuwait Times*, May 1, 2024.

The Gulf countries had different strategies during the transition. After al-Bashir's removal, Kuwait and Qatar called for national unity, urging the international community not to interfere in Sudan's internal affairs. Conversely, Saudi Arabia and the UAE pushed for removing al-Bashir and immediately supported the Transitional Military Council. They enhanced their role in Sudan's transitional period by providing generous financial assistance to the transitional government with a promise of three billion dollars in aid, including direct transfers to the Central Bank and energy and food supply. This injection of money was vital in supporting the free-falling economy and cementing the military's stand in the face of rising pressure from protestors to institute civilian rule.

Saudi Arabia and the UAE do not always agree on Sudan's issues, they can be rivals too⁸⁹. While Saudi Arabia took a neutral stance, the UAE strengthened its relations with the RSF. Abu Dhabi embraced Hemedti and recognized him as an essential ally to advance its interests in Sudan and the broader region. Among these interests are gaining a foothold on the Red Sea coast and having a continuous supply of mercenaries. Saudis see the UAE's interests in the Red Sea as a direct encroachment in their backyard. In June 2021, Gibril Ibrahim, Sudanese Minister of Finance, said, "Saudi investors are truly interested in building a new port in Sudan on the Red Sea. This project tops the priorities of Saudi investors in Sudan"⁹⁰. A year later, the same minister signed an agreement with the UAE for a mega seaport scheme. It's a move that is definitely not appreciated by the Saudis, who seek to maintain stability and security in the region solely. Presently, tensions are escalating between SAF and the UAE; in March 2024, Sudan presented a complaint to the UN Security Council accusing the UAE of raging war in Sudan by providing ongoing support for the RSF⁹¹.

89. "How Sudan Became a Saudi-UAE Proxy War", *Foreign Affairs*, July 12, 2023.

90. "Saudi Investors Plan to Build New Port in Sudan: Minister", *Sudan Tribune*, July 17, 2021.

91. "Sudan Demands UN Condemnation of UAE Support for RSF", *Sudan Tribune*, March 29, 2024.

Conclusion: Sudan's war and the Gulf economic engagements

The Gulf countries have faced few costs from Sudan's war so far. Sudan's imports from the Gulf countries are irrelevant compared to the size of their global trade. However, Sudan's exports may, to some extent, impact the Gulf's food security. Halting Sudan's exports would push the Gulf countries to import fodder and livestock from far-away markets, inflating an already costly food budget. In addition, given the devastating consequences of war for Sudan's economy, Gulf investments are either compromised or put on standby⁹². Most productive industries are being damaged, infrastructures and banking systems are destroyed, some trade routes are blocked, and the growing hardship threatens to spark a famine in the country, particularly in Darfur. Inflation is soaring while the Sudanese pound continues its free fall. Moreover, the deteriorating security situation has impacted the circulation between the regions. Exports dropped drastically, affecting the government budget, which already, in the past, relied on the cash injections of Gulf states. However, some exports to Gulf countries continue but are significantly diminished, such as gold exports to the UAE and livestock to Saudi Arabia. On the other hand, imports from Gulf countries have increased, particularly in food and fuel, as a result of the massive destruction of the major industries located in Khartoum and the disruption of oil production, transportation, and stockage⁹³. In this context, Gulf businesses decreased their activities, as in the case of fodder farms in the northern regions, where there is no direct fighting between SAF and the RSF. Others completely stopped their activities, as in the case of the Alliance for Mining Co. However, according to a former advisor of the Prime Minister⁹⁴, "Gulf investments, in principle, are covered by insurance provided by the Arab Investment and Export Credit Guarantee Corporation⁹⁵, and also Sudan Investment Encouragement Law of 2021 established an insurance company that insures against various risks".

Likewise, many Sudanese enterprises were put at a standstill or relocated to Port Sudan, which became a congested city unable to lodge the

92. "Sudan Fighting Threatens \$50bn Gulf Investments", Middle East Monitor, May 24, 2023.

93. "Sudan Oil Fields Crippled by Large-Scale Sabotage", *Radio Dabanga*, March 20, 2024.

94. Phone interview, 10 April 2024.

95. Based in Kuwait, the Arab Investment and Export Credit Guarantee Corporation supports trade and investment in the Arab region by providing insurance services against political and commercial risks.

displaced government, companies and persons. As the conflict is entering its second year, the war economy is already put in place with new trade routes and business partners⁹⁶. Moreover, fluctuating strategic alliances in wartime compromise some Gulf economic engagements. For instance, in December 2023, the UAE authorities revoked the banking license of the El-Nilein Bank branch in Abu Dhabi, probably due to the mounting tensions and mutual expulsion of diplomats between the al-Burhan-led government and the UAE.

Figure 3: Economic indicators are flashing red



Whoever wins the war and whenever the conflict ends, Sudan’s post-war reconstruction will require tremendous resources. Gulf countries will be compelled to participate in Sudan’s reconstruction for the very same reasons they have invested in the Sudanese economy. Gulf states will seek to protect their economic and financial investments across various sectors

96. J. Kanu, “In the Shadow of Conflict: The Black Markets of Sudan’s War”, The Tahir Institute for Middle East Policy, February 28, 2024.

in Sudan, and they will still compete for regional influence around the Red Sea. However, Gulf financial largesse will then be overly conditioned. Depending on who wins the war and controls post-war Sudan, one can imagine two future scenarios for the Gulf economic engagement:

In the case of a total victory for the SAF

- The al-Burhan-led government will revoke the agreements signed hastily with the UAE on the two mega projects (Abu Amama port and the Wadi al-Hawad farming scheme). Less gold exports from Sudan will go to Dubai, while Egypt, Qatar, and Turkey may become Sudan's new gold trading partners. Qatar has already taken practical steps and agreed to establish a gold refinery in Doha to accommodate Sudan's gold exports⁹⁷.
- Concerned with the Red Sea security and the reestablished relations between Sudan and Iran, Saudi Arabia will provide generous financial and humanitarian assistance to keep them away. Trade between the two countries will probably increase, and the Saudis will seek to recuperate the mega projects awarded to the UAE in the past.
- Qatar will have a favorite stand as it is indirectly standing beside SAF. Qataris will seek to recuperate their seaport project, which was signed in 2017 with al-Bashir government to build a naval dock for both civilian and military vessels in Suakin in collaboration with Turkey.
- Kuwait will not rush to collect its debt, leaving time for Sudan's economy to recover.

In the case of total victory of the RSF

- The UAE will increase its influence and control of the economy, with a special interest in mining. Gold trade and mining will increase, and more concessions will be granted to Russian/Emirati joint-venture companies. The economy may be open to all sorts of wheeling and dealings as favorable deals such as Abu Amama seaport and Wadi al-Hawad farming projects may be repeated in other sectors.
- One way for Saudi Arabia to limit the UAE's influence in the Red Sea arena is by consolidating its presence in Sudan through its trade and farming activities. In addition, its companies are engaged in long-term farming projects producing the much-needed alfalfa fodder for the Saudi dairy industry.

97. "Sudan and Qatar Agree to Establish a Gold Refinery in Doha", *Aljazeera*, May 2, 2024

- Qatar will maintain a low profile and will not disburse direct financial assistance. Its farming and real estate projects will continue because they are long-term investments and also to maintain a presence in the country.
- Kuwait may lose its Zein Telecommunication, the country's biggest telecom company, as the RSF and Dal group, owned by Osama Daoud, have expressed interest in buying it in the past⁹⁸.

98. "RSF Competes with Dal Group to buy Zain Company", *Darfur 24*, February 4, 2022.

Appendix

Table 2: Sudan's multidimensional relations with the Gulf states

	Kuwait	Qatar	Saudi Arabia (SA)	United Arab Emirates
Economic interest	-Agricultural investment -Telecommunication	-Agricultural investment -Real estate development -Mining -Islamic banking- Qatar Islamic Bank	-Alfalfa production -Livestock -Trade diversification -Red Sea minerals	-Alfalfa production -Ports -Gold
Controversial development projects	None	Suakin new port, 2017	Atlantis II project exploring minerals in the Red Sea, 1974	AD Ports Group and Invictus Investment project: Abu Amama port, 2022
Trade volume (% of Sudan's total export)	0.04%	0.32%	6%	46%
Diaspora (No. of Sudanese)	5-10,000	60,000	819,600	75,000 - 200,000
Main political interest	-Regional stability	-Alliance Muslim brotherhood -Brokering peace deals -Influence rivalry with SA and UAE	-Red Sea security -Isolating Muslim brotherhood. -Keep Iran away -Regional hegemony	-Isolating Muslim brotherhood. -Keep Iran away -Reshaping Sudan's politics -Regional hegemony
Key policy instrument	-Bilateral Investment Treaty signed 2001 ⁹⁹ -Kuwait fund for Arab Economic development ¹⁰⁰ -Kuwaiti-Sudanese Ministerial Committee	-Bilateral Investment Treaty signed 1998 -Qatar Fund for development ¹⁰¹ Sudanese-Qatari higher ministerial committee	-Budgetary support -Grants and loans -Saudi Fund for development ¹⁰² Saudi-Sudanese Business Council	-Bilateral Investment Treaty signed 2011 Budgetary support -Grants and loans -Abu Dhabi Fund for Development ¹⁰³ -Dubai trade free zones -UAE- Sudanese Business Council
Military interest	None	None	-Sudanese troops deployment, Yemen war	-Sudanese troops deployment, Yemen war -Rapid Support Force (RSF)

Source: compiled by author

99. Available at: <https://investmentpolicy.unctad.org>.

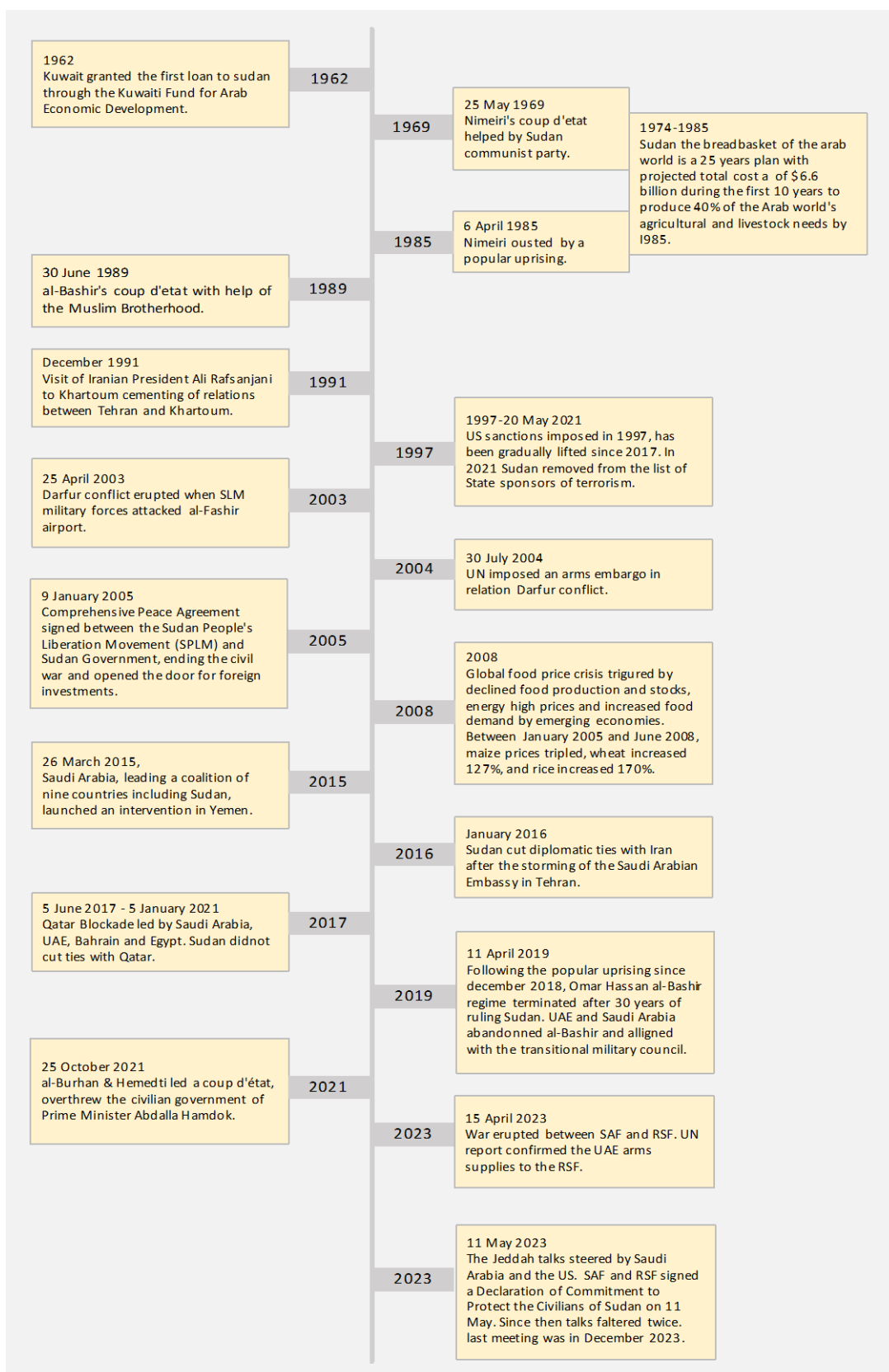
100. Chairman Abdullah Ali Al-Yahya

101. Chairman Sheikh Mohammed Bin Abdulrahman Al-Thani

102. Chairman Ahmed Aqeel Al-Khateeb

103. Chairman Sheikh Mansour Bin Zayed Al Nahyan

A chronology of selected events mentioned in the text

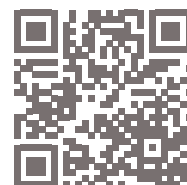


Source: compiled by author

Table 3: Countries comparison

	SUDAN	KUWAIT	QATAR	SAUDI ARABIA	UAE
<i>Population, 2021</i>	45,657,202	4,860,000	2,831,000	32,175,000	9,558,000
<i>Surface Area km2</i>	1,878,000	17,820	11,490	2,149,690	98,648
<i>Annual GDP Million US\$, 2022</i>	51,662	175,363	236,415	1,108,150	507,064
<i>Debt % GDP, 2021&2022</i>	188%	9%	42%	24%	31%
<i>Human Development Index (HDI), 2021</i>	0.508	0.831	0.855	0.875	0.911
<i>Corruption Perceptions Rank, 2022</i>	22	42	58	51	67
<i>Doing Business Ranking (of 190 countries), 2020</i>	171	83	77	63	16
<i>Exports % GDP, 2021</i>	13%	52%	48%	31%	85%
<i>Imports % GDP, 2021</i>	26%	24%	16%	19%	77%
<i>Trade balance % GDP, 2021</i>	-14%	28%	33%	12%	25%
<i>General gov. Expenditure (%GDP), 2021</i>	10%	55%	24%	28%	23%
<i>Defence Expenditure (%Budget), 2022, 2014*</i>	10%	12%	24%	28%	17%*
<i>Defence Expenditure P.C. US\$, 2022, 2014*</i>	7	1,635	5,815	2,556	2,586*

Source: countryeconomy.com



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