Two days before Sudan splits in two, negotiating teams have failed to agree how to divide the oil critical to the economies of north and south, as aid agencies warn the country is closest to war since a 2005 peace deal.

Despite negotiations lasting nearly a year, diplomats told the Financial Times the two sides remained “diametrically opposed” over oil.

The north, home to pipelines, refineries and an export terminal, has threatened to halt southern exports, while the south, which produces three-quarters of Sudan’s oil, has said in private it is prepared to halt production and “go back to the bush”.

Either strategy would devastate both [economies in Africa’s largest country](http://www.ft.com/cms/s/0/04e20b4c-a599-11e0-83b2-00144feabdc0.html" \l "axzz1RLEZXXh4" \o "FT - South Sudan in economic tussle with north) as it prepares for partition after a near-unanimous January secession referendum of southerners. Oil revenues, split evenly between north and south since a 2005 peace deal that ended decades of war, represent 98 per cent of revenues in the south and 90 per cent of hard currency in the north.

“It’s like a poker game at the moment,” Barrie Walkley, US consul general in Juba, told the Financial Times. “The final cards aren’t on the table – it’s not so long ago the north was saying [we want] 50 per cent and the south was saying [you can have] zero.”

Southern sources told the FT they had rejected a Norwegian plan to phase out revenue sharing over five to seven years, arguing no independent nation has ever shared its sovereign resources.

The south is prepared to sell oil to the north at a 10 per cent discount over three years and pay pipeline transit fees and other taxes as part of “assistance” to the north that would total $3bn, about half through an oil package and half through cancelling arrears.

The south claims northern proposals – to maintain revenue sharing for six years and charge tariffs – add up to more than they are paying under the current arrangement.

An IMF study indicates the loss of the south would represent a financing gap of $5.2 billion to the north in the four and a half years to 2015, two thirds of which the south was prepared to offer. Sources indicate the north wants at least $9bn in compensation from the south for a financing gap estimated at $15bn by the north.

Many hope Chinese investors will intervene to ensure production continues. Chinese companies CNPC and construction company CPECC are critical to the industry on both sides of the new border.

A consortium of Chinese, Indian and Malaysian companies has three blocks that straddle the border.

“China had a good relationship in Sudan, everybody knows – that kind of relationship can be passed on to southern Sudan,” Zhang Jun, China’s economic counsellor in the south, told the FT, adding China would be a good friend to the south “in the political sector”, as well as economically.

He said China would send “special teams” to negotiate loans with the south, but added there was not yet any other pipeline plan.

“They have nothing in place, even a plan ... it will depend on its economic viability,” he said, adding the US had a bigger role to play than China.

The south has previously said it would consider building its own export pipelines south to Kenya’s coast, while CNPC officials said they were still waiting to hear how the two sides wanted to split their existing cross-border operation.

Chinese engineers said it was possible to build a pipeline in a year, but many urged caution.

“We would have loved to have had an agreement on oil before independence arrives, but it’s not in the interest of either side to cut off the oil flow or seek alternative pipelines – it’s just not practical, it’s sensible to come up with some interim arrangement,” said Mr Walkley.

Plenty of investor interest is forthcoming, however.

David Loro Gubek, number two at the southern energy ministry, said South Koreans, Japanese, Chinese, UAE, US and Spanish companies had all sent delegations with proposals to build refineries, hydropower plants and other projects.

No new exploration is expected until the southern government passes a petroleum bill prepared with Norwegian input.

Talks over oil, currencies and border will restart after independence. “If we don’t have money in this country there will be no South Sudan,” said a senior southern government official.