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SAFERWORLD BRIEFING

Working to prevent violent conflict

South Sudan President Salva Kiir, rear left, and Chinese President Hu Jintao, rear right, attend a signing ceremony at the Great Hall of the People in Beijing, April 2012. © KAZUHIRO IBUKI/ ASSOCIATED PRESS

CHINA AND SOUTH SUDAN

China's growing role in Africa has received substantial attention, not least in Sudan and South Sudan, where decades of conflict and instability have made it an especially contentious context. China's traditional foreign policy has been tested while contradictions in its non-interference policy, military relations and economic engagement have been exposed. On the whole, Beijing has adopted pragmatic responses to the realities of a complex situation, especially with regards to the Republic of South Sudan's independence from Sudan in July 2011. Aside from the Chinese Government, there are many other Chinese actors who are involved in South Sudan, including a variety of state-owned banks, corporations and private companies.

While of varied opinion and perspective, this collection of articles demonstrates that China is set to take a significant place in the future of South Sudan's peace and development. Although a highly context-specific case, how Chinese actors continue to adapt and learn from engaging in South Sudan will likely inform their approaches in other conflict-affected states, both in and beyond the African continent. Pragmatic and *ad hoc* practices, especially when repeated, have a tendency to become established policy. As such, the world's youngest country may still hold lessons for one of the world's oldest and largest powers.

INTRODUCTION

Building on an in-depth research project,[1] Saferworld has continued to engage on China's role in conflict-affected states. South Sudan has remained under special focus. For example, through seminars held in Beijing, Juba, Nairobi, Washington DC, London and Vienna. Saferworld has facilitated greater levels of dialogue between officials and experts on China's role in the newly independent country.[2]

Saferworld has also sought to support researchers from Chinese, African and European institutions to conduct field research in South Sudan. This briefing presents the first outputs of this process. It is based on the findings of a research trip carried out between 27 May and 2 June 2012 in Juba, where a team of researchers conducted interviews with Chinese Embassy officials, businesses and workers, South Sudanese Government officials, civil society and academics, and international diplomats and non-governmental organisations (NGOs).[3]

As the research made clear, South Sudanese perceptions of China today are still tainted by its role in Sudan's second civil war. New problems, for example related to oil extraction, fuel distrust. Nonetheless, largely due to China's support for the South Sudan referendum and the work of high-level delegations, political relations are thought by many to have improved. Furthermore, there is a widespread belief that China and South Sudan make natural partners: one is a source of energy resources and new markets; the other is a considerable source of financial assistance for development. Pronouncements of a new chapter in friendship, partnership and pragmatic co-operation have been forthcoming from senior officials of both countries.

At the same time, it is conflict – both within South Sudan and with its northern neighbour – that continues to obstruct the relationship's meaningful deepening, whether with regard to blocked development projects, oil production shut downs, armed clashes, expectations of greater diplomatic leadership or tests of political commitment.

The three articles in this briefing examine some of these obstacles in more detail, reflecting the personal views of the authors based on their time in South Sudan. In the first article, Steven C. Kuo outlines Chinese perspectives on the crisis between South Sudan and Sudan, concluding that while Beijing has been forced to engage on conflict issues, it is still reluctant to take the leading role expected of it. In the second article, Laura Barber and Xiao Yuhua explore the various dimensions of China and South Sudan's economic relationship, laying out in rich detail its multifaceted nature and the various obstacles to deepening it. In the final article, Thomas Wheeler illustrates some of the links between economic co-operation and insecurity, arguing that government and corporate decision-makers in China could do more to make their engagement in South Sudan more sensitive to conflict, especially through a more honest assessment of their history in pre-succession Sudan.

ABOUT THE AUTHORS

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1. NOT LOOKING TO LEAD

BEIJING'S VIEW OF THE CRISIS BETWEEN THE TWO SUDANS

BY STEVEN C. KUO

- **South Sudan is a useful test case to assess Beijing's vision of peaceful development in Africa**
- **Despite greater recognition that business cannot be separated from politics, Chinese authorities remain reluctant to play the leading role in the resolution of conflict between South Sudan and Sudan**
- **This has created a gap in understanding between the expectations of South Sudanese and Chinese officials.**

The current Chinese emergence in Africa promises to do more for African economic growth and development than previous attempts by colonial powers, Western donors and lending agencies. South Sudan – the newest and least developed country in Africa – provides a test case and excellent opportunity for Beijing to demonstrate its good faith in support of its vision of peaceful development in Africa.

Beijing's African security policy since the era of Reform to the present has been characterised by conservatism. During the turbulent era of the 1960s and 1970s, Beijing provided political and military support for numerous liberation movements in Africa from Angola to Zimbabwe.[4] Ostensibly in aid of world revolution, the primary motivation at that time was for China to compete with the Soviet Union and, to a lesser extent, the United States (US) for influence and legitimacy in the third world. This policy of engaging in a proxy contest with the superpowers was abandoned by Deng Xiaoping when he chose to steer China on a path of reform and peaceful development.

A Chinese peace?

As China's economic rise gained momentum and as its economic presence in Africa became abundantly apparent in the 21st century, Beijing chose to emphasise a policy of economic win-win engagements in its engagements with African countries. Focusing on economics, the Chinese Deputy Foreign Minister, Zhou Wenzhong, went as far as to say in 2004 that for the Chinese in Africa, "business is business… we try to separate politics from business".[5] This policy of non-interference in Africa is primarily informed by the view held by many Chinese scholars and policymakers that the legacy of colonialism and continued neo-colonial interference in African politics by Western countries are the leading factors of unrest in Africa and that internal issues cannot be solved by externally imposed solutions.[6] As a result, Beijing has chosen to stay out of the spot light of African politics, limiting its support to the idea of 'African solutions for African problems'. In this way, Beijing traditionally avoids taking a leadership role in helping manage or resolve conflicts.

However, the belief that China should have no role in the politics or conflicts of Africa has had to be modified due to more extensive and deepening Chinese interests on the continent, Western pressure and rising African expectations of Beijing. Sudan – and since its independence in July 2011, South Sudan – provide the most acute case that China is in fact inextricably part and parcel of local, bilateral and international politics. Sudan and South Sudan's oil is exported primarily to Asia. In 2011, of the average production of 330,000 barrels per day, China imported 66 percent, Malaysia nine percent, Japan eight percent, United Arab Emirates five percent, India four percent and Singapore four percent.[7] As the single largest economic investor and by far the largest buyer of oil, few international observers or Sudanese believe the Chinese plea that China is also a developing country with limited ability and influence.

For Khartoum, isolated from the West because of its support for fundamentalist Islamic groups and alleged violations of human rights, China has become not only its most important economic partner but also the foremost political patron.[8] Beijing has shielded Khartoum from Western pressure in the United Nations Security Council (UNSC) on the Darfur Crisis. In addition, Beijing has also provided considerable funds and expertise in major infrastructure projects in Sudan, the most significant being Sinohydro's construction of the Merowe Dam in northern Sudan which was an important symbolic project for President Omar al-Bashir in his 2010 presidential election campaign.[9]

In contrast to the Western-led 'liberal peace' – with its focus on good governance, free markets and protection of individual rights – the 'Chinese peace' emphasises economic development led by infrastructure construction, poverty alleviation and stable governance.

In response to international pressure, Beijing was successful in its diplomatic negotiations with the Khartoum regime over the Darfur Crisis. In 2007, Beijing successfully lobbied President al-Bashir to accept the United Nations (UN) – African Union (AU) Hybrid force – an externally (albeit multilateral) imposed solution to what Khartoum insisted was a domestic issue. Given that neither the AU nor the West had much leverage over Khartoum, Beijing deserves to be commended for its diplomatic efforts.

Following the signing of the Comprehensive Peace Agreement (CPA) in 2005 that ended the war between the Government of Sudan and the Sudan People's Liberation Movement/Army

These people living near Ramich, Tonj East county in 2010 were among the last to move farther from town and closer to larger supplies of water and grazing grounds for their cattle. Pastoralism is a traditional way of life for many of South Sudan's citizens. December 2010.
© PETE MULLER

(SPLM/A), the Chinese became more engaged with North-South politics. Sudan and South Sudan provides a test case for the Chinese perspective on post-conflict reconstruction and peace-building to be put into practice. In contrast to the Western-led 'liberal peace' – with its focus on good governance, free markets and protection of individual rights – the 'Chinese peace' emphasises economic development led by infrastructure construction, poverty alleviation and stable governance.[10] Given the failures of Western-led aid for post-conflict construction programmes and given the success of China's own economic development, there is great expectation from both South Sudanese officials and some NGOs in South Sudan that China can play a greater role in bringing about peaceful development in the country.

Juba's perspective on Beijing's involvement in and between the two Sudans

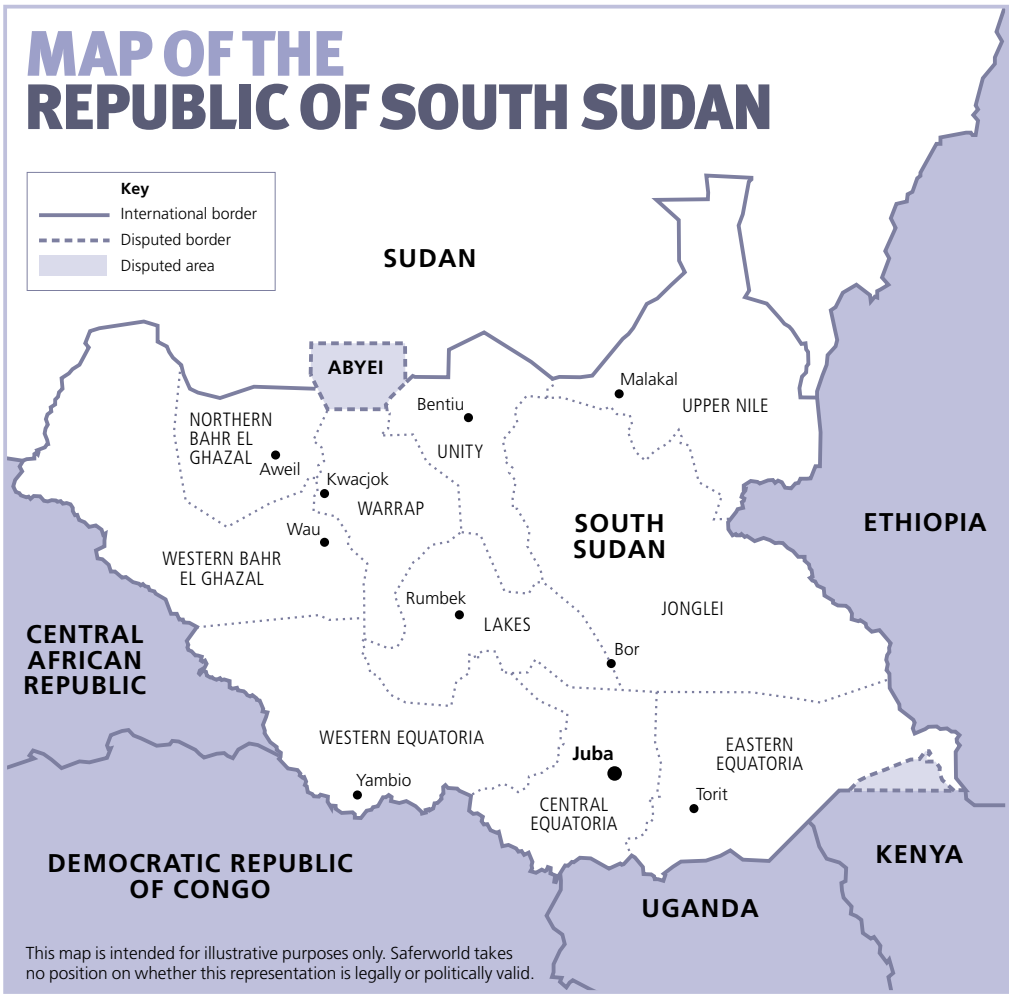
Officials in Juba admit that during their civil war with the North, they saw China as an ally of Khartoum.[11] The SPLM/A view was that China "supported the war machinery of Khartoum". After the CPA, the SPLM/A had concerns that China might interfere with the transition. When this did not materialise, it became apparent to Juba that China had a major role to play in South Sudan's development.[12]

Since the CPA, the belief that essential and pressing infrastructure projects can be speedily and efficiently approved, financed and built by the Chinese has done much to improve the South Sudanese perception of the Chinese. An official visit to China was made by President Salva Kiir in April 2012 to cement the relations between the two countries during which Kiir made the request for the construction of an alternative oil pipeline through Kenya, a request that was unsurprisingly declined (see next article, *Win-win?*).

In addition to being a source of investment and developmental assistance, Juba sees Beijing as a key player in resolving the current crisis between Juba and Khartoum where Juba shut down the oil production in January 2012 accusing Khartoum of non-payment and siphoning off oil. From Juba's perspective, Beijing has demonstrated its political muscle over Khartoum by persuading President al-Bashir to accept a UN-AU hybrid force in Darfur. As such, Beijing has the interest, leverage and influence to force Khartoum to arrive at a settlement on the current impasse.

China's understanding of the conflict between the two Sudans

Chinese scholars and policymakers associate the primary cause of the conflict between Sudan and South Sudan with the experience of British colonialism.[13] This legacy was only reinforced as the North continued to impose its religion, culture and language on to those living in the South. Chinese observers have also



Li Baodong, Permanent Representative of China to the UN and President of the Security Council for June, chairs the Council's meeting on the situation in Sudan. June 2012
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noted that the successful secession of and claim to independence by South Sudan was primarily due to US pressure.[14]

Taking a long term perspective, Chinese businessmen and diplomats in Juba hold a positive outlook for peace in South Sudan.

Taking a long term perspective, Chinese businessmen and diplomats in Juba hold a positive outlook for peace in South Sudan. They see the current crisis between Juba and Khartoum as the opening bargaining position taken by the two sides and it is but another episode in the decades-long conflict. A Chinese construction company manager pointed out that the high-risk environment of South Sudan provides high profit margins and that there are a great deal of business opportunities given the need for infrastructure and South Sudan's resource rich status.[15] A manager at the Juba office of the Chinese National Petroleum Corporation (CNPC) maintained that there is an over-politicisation of China's role in the two Sudans. This is because the oil is sold on a commercial basis on the international market to the highest bidder and is not necessarily shipped back to China. In addition, while Beijing will provide assistance to CNPC, it is understood that CNPC needs to accept risks and losses for its own investments.

The predominant view among the relatively small Chinese community in Juba is that the stalemate will not last long as both sides need the oil to flow. Using the debate on intervention in Libya in 2011 and the current Syrian crisis as a counter-example, a Chinese diplomat in Juba pointed out that while there may be disagreement on the best way forward in Libya and Syria, there is a consensus between the Chinese, American and other permanent members of the UNSC on the need for a negotiated settlement to resolve the crisis between Sudan and South Sudan.[16] Therefore it is unlikely that there will be external support for either side from the great powers for a prolonged conflict between the North and the South.

Chinese analysts point out that the economies of the two Sudans are complimentary and co-operation is necessary and to the advantage of both sides.[17] This view is shared by the Chinese on the ground in Juba who see the unsettled nature of the Government of South Sudan's (GoSS) institutions and its relative inexperience in international diplomacy as major factors in the decision to cease oil production from Southern oil fields. They believe that as the South Sudanese administration matures, it can be expected to come to the conclusion that a peaceful solution will be to the benefit of all sides.

Perception gaps

The GoSS sees China holding the keys to its development and peace with the North. Given the interest CNPC has on the resumption of oil production, Juba would prefer China to take on a greater leadership role in resolving the conflict between the two neighbours. On Chinese investment in South Sudan and on developmental assistance, there is little doubt that Beijing and Juba will find a great deal of commonality. However, there is a gap of understanding on what role Beijing should play in terms of political negotiations between the North and the South. President Salva Kiir's request for China to support its bid to build an alternative oil pipeline through Kenya was unrealistic and demonstrated Juba's insufficient understanding of Chinese interests, as an alternative pipeline would undermine CNPC's existing infrastructure in the North and greatly undermine Beijing's relations with Khartoum.

It is unrealistic at present to expect Beijing to take on a more prominent leadership role in the management of conflict between the two Sudans.

Given that the focus of Beijing's core security concerns are in its immediate East Asian neighbourhood, we cannot expect the crisis between Sudan and South Sudan or, for that matter, Africa's security challenges more generally, to be a top priority for Chinese policymakers. Beijing will most likely remain an interested party that seeks to contribute primarily through participation in multilateral efforts. It is unrealistic at present to expect Beijing to substantially shift policy beyond this and take on a more prominent leadership role in the management of conflict between the two Sudans.

2. WIN-WIN?

CHINA'S ECONOMIC ENGAGEMENT WITH SOUTH SUDAN

BY LAURA BARBER AND DR XIAO YUHUA

- **Keeping one eye on the difficult economic and political climate, the Chinese Government is likely to provide significant loans for infrastructure development in South Sudan**
- **Private and state-owned Chinese construction companies face various challenges operating in South Sudan but continue to see significant opportunities in the world's newest country**
- **Differences remain between South Sudanese officials and China's national oil companies, for example around the level of contribution they should be making to social welfare**
- **How responsibly Chinese companies act will depend on the strength of local laws, but a new Petroleum Bill could signal South Sudan's intention to enshrine international best practice.**

China's role in South Sudan's economic development

The independence of South Sudan has marked an important turning point in its political history. One year on from its secession from the North, however, the new state of the Republic of South Sudan continues to face significant economic and security challenges as a result of on-going tensions with Khartoum. Moreover, with the recent loss of oil revenue (which constitutes 98 percent of the Government's budget) following a unilateral decision to shut down oil production earlier this year, South Sudan is in dire need of budgetary support and foreign capital in order to sustain its development plans, and ultimately the functioning of the state itself.

While Southern perceptions of China continue to be coloured by Beijing's strong relationship with Khartoum during the second civil war, South Sudan is increasingly cognisant of the opportunities that China presents for its post-independence national development, particularly in addressing the country's large infrastructure deficit. China's foreign policy principle of non-interference in other countries' internal affairs, although increasingly questionable as Chinese interests become ever more entrenched and consequently caught up in Africa's domestic and regional politics, is also presenting its attractiveness to South Sudan[18].

At the same time, China's large foreign reserves and the country's 'go out' strategy for its businesses have found synergies with South Sudan's development ambitions. According to the Chinese Embassy based in Juba, the number of Chinese nationals working in South Sudan at present is only around 1,000, and most of them remain in Juba for security reasons. However, the desire of Chinese private and state-owned companies to explore new markets in the world's newest country is high.[19]

Chinese Government loans for development in South Sudan

While the GoSS has been seeking lines of credit for budget support from Gulf-based banks (such as the Qatar National Bank) and other African states, the Chinese Government and its state-owned Export-Import (Exim) Bank have expressed willingness to provide low-interest loans for development and infrastructure projects, which would be allocated to its state-owned companies.[20] However, South Sudan's recent diplomatic overtures to Beijing have to an extent met lukewarm responses, as they have with its traditional Western donors. The halting of oil production and the heightened situation of insecurity between the two Sudan's are featuring as key factors influencing the amount and technical arrangement of Chinese loans. The US$8.0 billion loan that was widely reported in the media during Salva Kiir's state visit to Beijing in April, a figure that notably went unconfirmed by the Chinese Government, in fact continues to be much under discussion.[21] It was stated by senior South Sudanese officials that only US$1.2 billion of loans have actually been signed and agreed at this stage, and that the US$8.0 billion figure was a projection of the potential sum of economic co-operation between both countries in the future.[22]

Chinese diplomats in Juba expressed their reservations about South Sudan's bold proposals for financial support and called on the US, which had been a key proponent of South Sudan's independence, to make more contributions to South Sudan's post-independence development.[23] As such, it is apparent that under the present security circumstances, Chinese financial institutions and construction companies are playing a cautious game of 'wait and see' in order to keep themselves abreast of investment opportunities while averting potential risks. At the same time, however, the Chinese Government has shown its willingness to develop friendly relations with South Sudan by delivering humanitarian aid, anti-malaria drugs and sports facilities. An international conference centre in Juba with Chinese support is also being considered to improve the conference facilities for Africa's youngest member state.

It is apparent that under the present security circumstances, Chinese financial institutions and construction companies are playing a cautious game of 'wait and see' in order to keep themselves abreast of investment opportunities while averting potential risks.

The projects that have been agreed reportedly include the construction of a new embassy in Beijing and a US$150

Railway points looking north at the village of Atido, originally linking Northern and Southern Sudan. Infrastructure remains a pressing need for landlocked South Sudan. March 2010.
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million preferred supplier credit agreement to revamp Juba airport. Regarding Chinese financing for larger projects, it has been stated that an agreement has been signed with a Chinese company, China Gezhouba Group, to connect power lines from Ethiopia to the eastern part of the Nile (covering Upper Nile, Jonglei and Central Equatoria states) at the cost of US$330 million to be provided by the Chinese Government.[24] Road construction projects that are still on the table include a large section of South Sudan's proposed N2 road between Juba and Rumbek (for which the private company Shangdong Highspeed has been conducting a feasibility study) and the completion of the proposed N1 road in Upper Nile that Sinohydro began constructing before independence.[25]

Ultimately, the reality that a host of Memorandums of Understanding signed between both governments result in the extension of finance for development projects to a large extent depends on how the security and economic situation develops over the coming months. Senior GoSS officials expressed their recognition of the dilemma faced by the Chinese Government in releasing funds while South Sudan's oil is not flowing, an issue which is a great cause for concern among Chinese state-owned companies that have vested interests in the Sudan's oil sectors. However, they also stated that before the GoSS can reverse the oil shutdown, they require guarantees that Sudan will not hold the South to ransom by confiscating its oil; guarantees they are increasingly cognisant that the Chinese alone cannot provide. At the time of writing, it is apparent that increasing international pressure and economic instability in both Sudan and the GoSS is pushing both sides closer to the signing of a renewed agreement, including on border demarcation and oil transit fees. In the event that a peace agreement comes to fruition and is implemented in practice, economic co-operation between China and South Sudan is likely to expand further.

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Chinese construction companies in South Sudan

The emergence of Chinese private commercial actors in South Sudan pre-dated Beijing's official diplomatic presence in Juba, which was marked by the establishment of a Chinese consulate in 2008. Several private enterprises began establishing operations in the quasi-independent state soon after the signing of the CPA in 2005; many of which have been actively involved in construction. For example, privately owned Zhonghao Overseas Construction Engineering Company entered Southern Sudan in 2006, when it began constructing boreholes, and the majority of the company's clients have since been the UN and a host of NGOs. In stating the incentive to operate in South Sudan, Zhonghao managers opined that "high risk environments can generate high profits", and that the company drew from its vast experience of investing in other African states such as Nigeria, Zimbabwe, Mali and Algeria.[26]

The state-owned construction company China Overseas Engineering Group (COVEC) also began operating in Southern Sudan before independence. However, it was stressed by the company that the decision to invest was not the result of financial support from Beijing.[27] In 2006, the GoSS awarded COVEC with a contract to construct government buildings as part of the Emergency Rehabilitation Programme in Juba. A senior GoSS official stated that the company was selected for the project over others due to its renowned reputation for high-speed building construction.[28] The company's clients have been primarily the GoSS and the World Bank, which awarded COVEC with the contract to renovate Juba teaching hospital in 2006, and the company has been constructing the new World Bank offices in the capital. Whilst the GoSS, donors, or private individuals have financed the majority of its projects, COVEC is likely to be one of the many state-owned companies to obtain contracts for Chinese government-financed projects in South Sudan in the near future.[29] Many of the Chinese construction managers interviewed expressed their concerns about the current investment climate in South Sudan, as the GoSS is unable to fulfil its part in financing several construction projects due to the deteriorating economic situation following the oil shutdown.

The wider concerns expressed by construction firms included increased competition both with other Chinese companies and the recent influx of European and Japanese companies that have entered the construction market since South Sudan's independence. While the security situation in Juba has been relatively stable, some Chinese companies with operations outside of the capital revealed their concern about the recently deteriorating security situation along the border between Sudan and South Sudan. Direct attacks on Chinese construction companies have endangered the Chinese presence on the ground, although some of the hostages released after the January 2012 kidnapping incident in Sudan's South Kordofan state have already returned to work but this time based in Juba.[30] Certain company managers stated that they had learnt the importance of building good relations with the local police when operating in such unstable environments.[31]

Juba, South Sudan – Computer laboratory donated by the Chinese Government, funded by the China National Petroleum Corporation and built by Beijing Construction Ltd. July 2011.

For the construction companies operating in South Sudan, obtaining building materials was stated to have been the most challenging issue both in terms of cost and efficiency, as much of the cement used has to be imported from Kenya or Uganda. However, Chinese companies have also seen building material production such as cement as a profitable investment opportunity in South Sudan. The China National Machinery and Equipment Import and Export Corporation has recently been awarded a contract to build a cement factory in Kapeota County, which will certainly lower the operational costs of other companies operating in South Sudan.

Chinese companies in South Sudan's oil sector

South Sudanese perceptions of Chinese National Oil Companies have historically been tainted by their role as key investors in Sudan during the second Sudanese civil war (see next article, *Development through Peace*). During the interim period following the CPA in 2005 Southern officials complained that, despite petroleum sharing arrangements outlined in the CPA, the CNPC did not provide the South with oil production data when Khartoum was accused of reporting lower figures than those of the oil companies. At independence in July 2011, GoSS officials contended that the companies continued to view the Khartoum Government as their main partner in the oilfields, despite 75 percent of Sudan's oil reserves being transferred to the South when it seceded from the North.[32]

From the perspective of the companies, the original petroleum contracts signed with the Khartoum Government, that were still valid during the interim period, obliged the company not to reveal production data to third parties. This would continue to be the case until new agreements with the GoSS after independence could replace those previously signed with the North. Despite continuing issues as Juba and the oil companies began a lengthy process of negotiating new contracts following independence, both parties agreed to maintain the terms of the existing agreements, and new five-year transitional contracts were signed in January 2012. The most substantial changes were with regards to stronger environmental regulations, employment quotas for South Sudanese, social protections, and transparency.

The signing of the new contracts also drew the oil companies into the complexities of the on-going disputes between Sudan and South Sudan, particularly transit fees to be paid by Juba and Khartoum's seizing of southern oil in lieu of these payments. Although South Sudan stated that its unilateral move to shut down its oil production was largely "a decision imposed on us" by Khartoum, in many ways Juba hoped that, in exemplifying how their interests are also directly affected by Khartoum's repeated attacks on South Sudan, the oil companies would do more to assist in resolving the conflict.

In February this year, the GoSS ordered the head of the Chinese-Malaysian oil consortium, Petrodar, to leave the country on the grounds of "non-cooperation". Among the reasons stated, it was claimed that a number of unreported wells were discovered in the oilfields, that the company was dragging its feet when it came to the shutting down of its oil operations, and that Petrodar was continuing to delay the relocation of its headquarters to Juba. Chinese diplomats in Juba asserted that Chinese oil companies had provided the GoSS with the relevant documentation on oil production and wells, and that the halting of oil production in haste would have resulted in damage to the oil infrastructure.[33] Despite the appearance of deteriorating relations, Southern officials maintained that the incident was not an attempt to target Chinese interests in the country, but to send a clear message to any foreign company that was suspected of colluding with the North. As one senior Minister stated at the time, "it is not in South Sudan's interests to have a problem with the Chinese [companies]."[34]

Regarding the role of Chinese oil companies in resolving the oil impasse, a potential initiative was under discussion involving the relocation of the central oil processing facility in Unity State further to the south of the country, from where the consortium companies could purchase oil directly.[35] However, during a state visit to Beijing in April, President Salva Kiir and his delegation were unable to garner support from Chinese companies in the financing of an alternative pipeline to Kenya's proposed port at Lamu; a project that is hoped would ease South Sudan's dependence on Sudan for its oil exports. Whilst CNPC representatives echoed Beijing's official position of intending to remain neutral in the conflict, it is apparent that the decision not to financially support the alternative pipeline project was ultimately based upon the commercial considerations of the company itself.[36]

The main issue of contention expressed by South Sudanese officials regarding the presence of Chinese oil companies pertains to social welfare contributions and corporate social responsibility. It has been stated that the companies need to do more than act 'defensively' by increasing delivery of social services in the local oil areas, and stepping up advanced technology and knowledge transfers in the oil sector. However, as in all African states, the extent to which companies act responsibly will depend on the strength of local laws that are in place. In this regard, the GoSS's new Petroleum Bill, which is yet to be signed off by President Kiir, displays its Parliament's intention to enshrine international best practices into law, and to establish a Petroleum Commission to oversee their implementation.

3. DEVELOPMENT THROUGH PEACE

COULD CHINA'S ECONOMIC CO-OPERATION WITH SOUTH SUDAN BE MORE CONFLICT-SENSITIVE?

BY THOMAS WHEELER

- **Chinese support for economic development does not inevitably support peace in South Sudan and may in some cases even exacerbate conflict drivers**
- **Chinese officials and commercial actors should engage with local stakeholders to carefully assess the potential impact of their economic engagement on conflict dynamics and act to ensure that no harm is done**
- **This could contribute to risk management, lead to more effective support for peacebuilding, and help guard against reputational costs.**

While China has already provided some development assistance, the reported US$8.0 billion infrastructure package agreed between China and the GoSS remains to be confirmed by Chinese officials, let alone materialise on the ground. The vast figure – more than half the value of South Sudan's entire economy and equating to just under US$1,000 for each of its citizens – is widely considered to be greatly exaggerated.[37] However, it remains highly likely that in the future China will provide considerable financial assistance to South Sudan, especially for the construction of infrastructure (see previous article, *Win-win?*).[38] This holds substantial promise for economic development in the world's newest nation. A World Bank working paper sums up what needs this could help address: "The new country's infrastructure remains in such a dismal state that it is difficult to pinpoint a single most pressing challenge … South Sudan's annual infrastructure funding gap is $879 million a year."[39]

Not a donor

As senior GoSS officials point out, "China is not a donor".[40] Much of China's financial assistance is not in fact development aid as understood by traditional donor definitions. If it follows the experience of China's infrastructure financing elsewhere in Africa, loans from Chinese state-owned banks to the GoSS will not necessarily be concessionary, and will be tied to Chinese contractors and significant levels of procurement from China. Although unlikely with the current oil impasse, financing could also take the form of the resources-for-infrastructure model that has been used in a handful of other African countries. This approach reflects a wider theme of Chinese discourse, which posits that it is 'win-win economic co-operation', rather than donor-recipient relationships, that will advance Africa's development. That this model also subsidises Chinese commercial actors to 'go out' and enter the African market is not seen as a mere positive side-effect, but a central objective. In short, it means business.

There is no denying that the approach, largely welcomed across the continent, may in many cases be win-win: though not without significant challenges, China has in places established commercial enterprises that have provided benefits, such as jobs and services, which may be more sustainable and transformative than Western aid. Furthermore, Chinese infrastructure is cheap, quick to be delivered and comes as a fully completed turn-key product. While Western donors shied away from funding infrastructure development in post-conflict Angola, oil-for-infrastructure deals with China, amounting to US$7.5 billion between 2004 and 2011, contributed to the reconstruction of roads, hospitals, schools, universities and power generation.[41]

But there is a catch: South Sudan is not post-conflict. In fact, for many of the new nation's people, the absence of a peace dividend is perhaps one of the biggest post-independence disappointments. Aside from continued tensions with its northern neighbour, insecurity inside South Sudan has persisted in Jonglei, Lakes, Unity, Upper Nile, Warrap and Western Equatoria states. The proliferation of small arms, alongside the absence of effective security provision, has meant that inter-community conflicts have escalated to alarming levels. Violent conflict takes lives, displaces families and wreaks humanitarian havoc.

As mentioned in the previous article, insecurity also acts as a barrier to the delivery of projects that are required for economic development. After 29 Chinese road workers were kidnapped in January 2012 by armed groups in Sudan's South Kordofan State, infrastructure contractors may think twice about deploying in South Sudanese states like Jonglei, where cycles of violence have affected up to 140,000 civilians.[42] More broadly, it is widely accepted that development cannot occur in conditions of heightened conflict and insecurity. The World Bank estimates that "civil conflict costs the average developing country roughly 30 years of GDP growth, and countries in protracted crisis can fall over 20 percentage points behind in overcoming poverty." It also notes that no low-income fragile or conflict-affected country has yet to achieve a single Millennium Development Goal.[43]

Fuelling conflict or building peace?

While insecurity might restrict economic growth, the reverse is also true: economic engagement, no matter how well-intentioned, can inadvertently fuel conflict. Justifying China's continued no-strings-attached economic co-operation with a pre-succession Sudan that was mired with conflict, Chinese officials long espoused a rhetorical line of 'peace through development'. However, the reality of China's economic co-operation presents a far more complex picture.[44]

Chinese state banks, and Chinese companies, have long been big players in Sudanese infrastructure development, funding and building railway tracks, water pipelines, electricity grids, ports and bridges. For example, China's Exim Bank was the lead external financer of

Armed Sudanese men in Tonj East, Warrap State, South Sudan, which is one of the most under-developed areas of the country with a high level of inter-communal violence. December 2010.
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the US$1.5 billion Merowe Dam project (constructed by Chinese, French and German companies) and is co-financing the construction of Khartoum's new international airport. And then there is, of course, oil. As the largest consumer of Sudanese oil, and the biggest shareholder in its oil blocks, CNPC made significant investments in the infrastructure required to extract it.

Much of this co-operation between China and pre-secession Sudan likely brought real and tangible benefits for development and, ultimately, some people's wellbeing. Nonetheless, it could never be totally isolated from a context of conflict which was (and remains) so common to Sudan. In some cases, China's economic role exacerbated the pre-existing factors that drive conflict. For example, Chinese dam construction projects were reportedly associated with displacement and violent protest in regions where inter-ethnic relations were already tense.[45] The militarised development of Sudan's oil infrastructure, including roads, was associated with extremely high levels of violence between the Sudanese security services, armed groups and civilians in oil-rich areas. According to some studies, Chinese companies were complicit in this violence and its associated human rights violations.[46] As one civil society activist from South Sudan notes; "Their past approach was to drive people from the oil areas. We tried to ask them why they had done this, but we could not reach them."[47] There is little doubt that oil was one factor that fuelled Sudan's – and Africa's – longest civil war; that China continued to consume it throughout suggests yet another layer of complicity. As argued by one South Sudanese politician, repairing this image remains a major hurdle in China-South Sudan relations.[48]

Large scale development assistance to South Sudan may come to address one major criticism that is common among officials and civil society in the country, which is that, before independence, the benefits of economic co-operation with China – including infrastructure development and jobs – overwhelmingly favoured the North. "They say they have built things – hospitals and schools – but this is in the North, not in the South," summarises one South Sudanese observer.[49] Perceptions of marginalisation from economic activity and development projects underpinned armed rebellion down the path of succession for many Southerners.

In May 2012, investigating perceptions of donors through a series of key informant interviews and focus group discussions held in Tonj North, Warrap State, Saferworld included questions about perceptions of China. A common survey response was that China had only helped Northerners and as such was treated with suspicion. At the same time, many were also pleased that Chinese contractors had recently appeared in the area to start building a road.

A substantial boost in Chinese economic engagement in South Sudan may go some way to redressing the feelings of marginalisation. In this way, as Chinese officials and academics have long argued, economic engagement can positively address root causes of conflict. But another lesson also becomes evident: perceptions of where, and to whom, the benefits of economic co-operation are distributed matters more for stability than whether it is delivered at all.

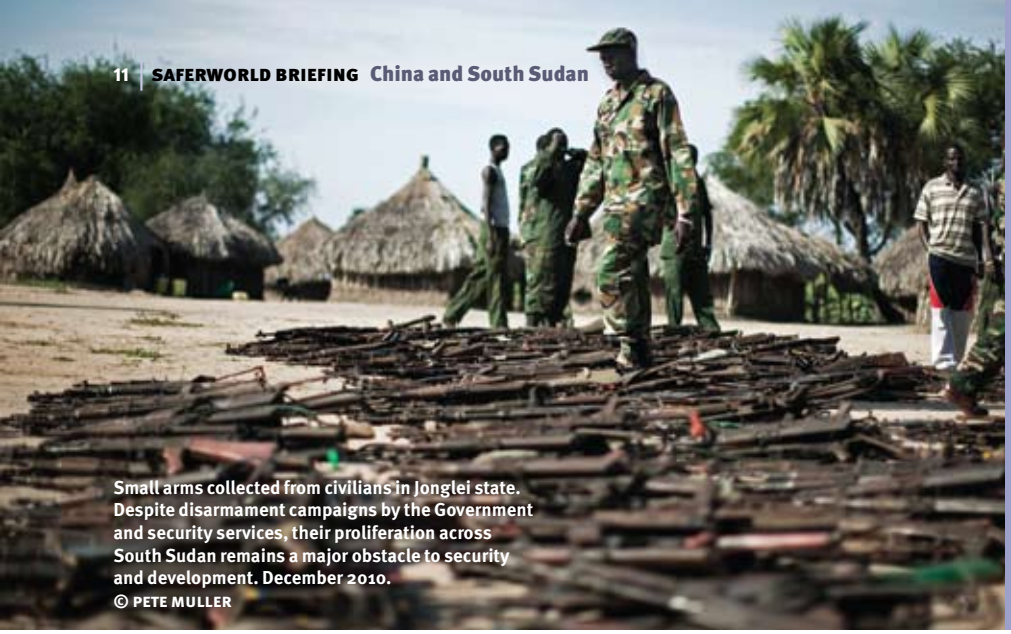
Shared responsibility

These are obviously extremely complex issues: attempts to characterise Chinese economic co-operation as either innately peaceful or inherently negative are a waste of time. Furthermore, there are tough questions about responsibility: was it Chinese companies, or warring parties that turned oil fields into battlefields? Is it Chinese state banks who should decide whether, where and how an infrastructure project is implemented, or the national government in whose country it is being built? If people are displaced, who should ensure that they have new homes to go to? And who is it that should decide where the fruits of economic growth go? Clearly, there are no straightforward answers – except perhaps that responsibility is multifaceted.

Of course it is South Sudanese leaders, both in Juba and at the state level, who hold primary responsibility in ensuring that assistance from China is as beneficial to the country's people as possible, that development is catalysed, that finances are transparent, that young men find jobs, that the environment is respected, that negative social impacts are minimised and, finally, that conflict is not exacerbated.

However, for Chinese officials and companies, there is still a simple lesson that the past holds for today: acknowledge that economic co-operation will have an impact on the high levels of violent conflict in South Sudan and – at the very least – take concrete measures to ensure that no harm is done. One way in which to meet this objective is through adopting the concept of conflict sensitivity.

Various Chinese actors at various levels – including, for example, politicians and officials in Beijing, diplomats and Ministry of Commerce officials based in Juba, Exim Bank analysts, executives of oil and contractor companies and their project managers – can all take practical action towards implementing conflict sensitive principles and practice. A three-step approach is required: Firstly, they must invest greater resources and expertise into better understanding the conflict context in which they operate in, whether on a national macro-level or local micro-level. Systematically consulting with all the stakeholders – including the GoSS, state governments, civil society groups, elders and local communities – will be crucial. Secondly, they must clearly



Small arms collected from civilians in Jonglei state. Despite disarmament campaigns by the Government and security services, their proliferation across South Sudan remains a major obstacle to security and development. December 2010.
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Perceptions of where, and to whom, the benefits of economic co-operation are distributed matters more for stability than whether it is delivered at all.

identify how their engagement will impact on conflict dynamics by conducting a thorough risk analysis. Thirdly, they must act on this information to minimise negative impacts and promote positive ones. For example, they can try to ensure that projects are delivered in a way that does not significantly benefit one group at the expense of another in areas where conflict already exists. In some cases, it may transpire that the risks simply outweigh the benefits and that a project should not go ahead until conditions improve.

For Chinese companies, in both the infrastructure and extractive sectors, conflict sensitive approaches and practices offer significant benefits for risk management in a dangerous environment. Better understanding the operating environment and seeking acceptance from local communities and conflict actors may be less costly and more effective than relying exclusively on armed protection from state security services, who are very often targets themselves. For the Chinese Government, applying conflict sensitivity to its development co-operation can be a way it can meet its aspiration to move beyond peacekeeping into peacebuilding through positively contributing to post-conflict reconstruction and development. For both Chinese commercial actors and the Government, the approach will help guard against reputational costs that will be felt far beyond South Sudan.

Meeting expectations

It should not be forgotten that *all* international actors in South Sudan operate in the same conflict context: none are immune to the challenges that China faces. When acting as the Special Representative for African Affairs, Ambassador Liu Guijin stated that "China will work with the rest of the international community to actively participate in the reconstruction of South Sudan."[50] In order to do this, better ways to share information between China and Juba's other international partners should be found in order to enhance efforts to support peace through development assistance. Furthermore, there are experiences to be shared from conflict-affected states beyond and before South Sudan. Everyone has made mistakes and there is plenty of space for mutual lesson-learning; Chinese claims to impartiality and non-interference should not preclude dialogue and co-operation with other states.

It should not be forgotten that *all* international actors in South Sudan operate in the same conflict context: none are immune from the challenges that China faces.

There are other ways China can help South Sudan. Chinese policy makers at the highest levels must address the fact that Chinese weapons persistently end up in the wrong hands and are used for the wrong reasons – often fuelling conflict and violations of international law.[51] The Chinese Government can no longer ignore the crisis in Sudan's South Kordofan and Blue Nile states, which creates ripple effects over the border into the South, and must pressure Khartoum to allow for humanitarian access and to desist from its military campaign. Of course, it is Juba's current tensions with Khartoum that loom large over the security landscape; here too, Beijing can focus attention through continuing to pressure both sides to de-escalate the conflict, creating sustainable channels for dialogue and helping identify immediate measures to defuse hot issues. Again, China cannot be asked to do any of this alone: neighbouring countries, Western states, the UN and regional organisations must join it.

As has been argued in the first article (*Not Looking to Lead*), few in China continue to argue that business can be entirely separated from politics. While attempting to de-escalate the crisis between Sudan and South Sudan in May 2012, China's Special Representative on African affairs, Zhong Jianhua, stated that he wanted to tell leaders in South Sudan about "what we first did when we had our new People's Republic set-up", pointing out that in 1949 China faced similar challenges: "What we can share with them is that now is not the time for armed conflict, it's not time for revenge, it's time to deliver your promise to people when you tried to convince them independence will make their lives better … if you still want to gain the support of your own people, this is something we can probably help you to do. We are serious, we want to help. But make our help available."[52] While few officials or scholars in China would accept this as a form of political conditionality, it perhaps suggests that in Beijing some believe that a minimal level of commitment to peace by South Sudan's leadership is a pre-requisite for future Chinese development assistance.

A Chinese proverb, which captures its own history of development, reads *yao xiang fu, xian xiu lu*: if you want to be prosperous, build a road first. Future economic co-operation with China holds the promise of greater prosperity for South Sudan. It is clear that this prosperity is conditional on the young country's leadership making concerted efforts to end conflicts and tackle insecurity. Through greater reflection on China's role in the recent past, Chinese decision makers can meet their side of the bargain and ensure that this promise is not broken.

ABOUT SAFERWORLD

Saferworld is an independent international NGO. We work directly with local people, as well as governments and international organisations, to prevent violent conflict and encourage co-operative, people-centred approaches to peace and security. We believe that everyone should be able to lead peaceful, fulfilling lives, free from insecurity and violent conflict.

While we are not a traditional development agency, we seek to understand and influence the relationship between conflict, security and international development.

We work in over 15 countries in Europe, Africa, the Middle East and Asia. We have staff based in Bangladesh, Kenya, Kosovo, Nepal, Somalia, Sri Lanka, Sudan and Uganda, as well as in London, Brussels and Vienna.

All our publications are available to download from our website.

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The research team in Juba, South Sudan May 2012. From left to right: Mr Steven Kuo from University of Western Cape, Mr Berouk Mesfin from Institute of Security Studies, Dr Yuhua Xiao from Zhejiang Normal University and Ms Laura Barber from London School of Economics.

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24 Interview, Minister of Information, Juba, 26 March 2012. Talks with the Chinese company have in fact been underway since last year.

25 Interview, Deputy Minister for Roads and Bridges, Juba, 26 March 2012. Sinohydro began constructing the Renk–Malakal road in Upper Nile state in 2010 and was financed by the Sudanese government at the cost of US$50 million. The project was financed as part of the government's wider strategy of encouraging unity before the referendum. Prior to independence, the company halted construction with only 180km of the 345km road completed.

26 Interview, Manager, Zhonghao Overseas Construction Engineering Co. Ltd, Juba, 29 May 2012. The company employs approximately 100 Chinese workers and 1000 South Sudanese.

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