

Partnerships for Peace and Development: South Sudan and China

Seminar and Workshop Report

May 2013

South Sudan has been marred by a history of colonisation, exploitation, sectarianism, and war. From 1956-1972 Sudan played host to Africa's longest civil war, ending with the Addis Ababa Peace Accord. A second phase of war ensued in 1983, brought to an end with the signing of the Comprehensive Peace Agreement (CPA) in 2005. The CPA provided a framework for peace between the North and the South, concluding in July 2011 with the South's formal secession from its northern neighbour.

Decades of war have created tremendous socio-political, economic, security, and development challenges for this newly created country – from establishing accountable, inclusive, and responsive governance systems to providing security and peaceful development and building the economy needed for a viable state. Indeed conditions for achieving any progress beyond the most basic living standards, infrastructure, institutions, and services had never been in place across large swathes of the two countries. As such, South Sudanese norms and institutions are often being created from scratch, and where they do exist, they fall well below international standards of what constitutes an effectively functioning administration.

Governance challenges, centre-periphery tensions and bloody rebellions outline the scale of the challenges ahead. Despite the signing of the CPA, the South has continued to witness serious violence and challenges in establishing the rule of law. The civil war also made violent methods for pursuing interests more commonplace, weakened traditional leadership structures, and ensured weapons proliferation across society on a massive scale. Clearly, South Sudan's security and development challenges cannot be disentangled. Widespread insecurity has the very real potential to impede South Sudan's broader economic development, while many of the country's security challenges have their roots in its severe underdevelopment.

Chinese actors have played a significant role in the two countries over the past two decades, influencing the trajectory of development and conflict considerably through economic investment, trade, and infrastructural development as well as via military cooperation.¹

In this context, since September 2012, Saferworld has been facilitating policy research and discussion between Chinese and South Sudanese stakeholders on how China's economic cooperation in the development, infrastructure, and extractive sectors could be more conflict-sensitive. A series of activities were held in South Sudan in April 2013. A positive context for discussions existed as a closer agreement between Juba and Khartoum on security issues had led to oil production in South Sudan being resumed. At the same time, on 23 April 2013, China announced a package of loans for South Sudan for infrastructure development, with Chinese officials welcoming a South Sudanese delegation to Beijing and publically voicing their support for an improved security situation.²

Seminar

On 15 April, Saferworld hosted with the University of Juba a seminar entitled "Partnerships for Peace and Development: South Sudan and China". The event included around 50 participants drawn from South Sudanese and Chinese government bodies, research institutes and organisations, state-owned and private companies, and non-governmental organisations (NGOs).

The seminar was officially opened with remarks from the Honourable Aggrey Tisa Sabuni, Advisor to the

¹ Saferworld (2012), 'China and conflict-affected states: Between principle and pragmatism', p89-104.

² Kiir Mayardit, H.E. Gen. S (2013), 'The Statement H.E. Gen. Salva Kiir Mayardit President of the Republic of South Sudan To the National Legislature', 23 April (<http://wau.anglican.org/docstore/RSSSalvaNLAState.pdf>)

South Sudanese President on Economic Affairs, and Mr Zhang Yi, Economic and Commercial Counsellor of the Chinese Embassy. Both spoke of the deepening economic cooperation between China and South Sudan, including in the area of financing for infrastructure.

During the seminar, senior officials from the Government of South Sudan's Ministry of Finance and the Ministry of Petroleum and Mining were joined by company representatives from China National Petroleum Corporation (CNPC) and Sinohydro, researchers from the Central Party School of the Communist Party of China, the South Sudanese NGO Community Empowerment for Progress Organisation (CEPO), and Saferworld to share reflections on the links between economic cooperation and conflict. These presentations were followed by an open discussion amongst participants.

Workshop

On 16 April Saferworld also hosted a workshop with five major Chinese companies, four Chinese research institutes, one South Sudanese research institute, seven South Sudanese NGOs and one Chinese NGO. Past experiences were shared and policy recommendations identified for how companies and civil society could better work with one another to promote long-term peace and stability.

Key Issues

Some of the key issues that were voiced and discussed by participants during the seminar and workshop are explored below. These are followed by recommendations made during the workshop. This report is not exhaustive, conclusive, or intended to represent the views of Saferworld.

Saferworld understands that there are both positive and negative aspects to China's economic engagement in South Sudan. Saferworld also recognises that responsibility for preventing conflict is in the hands of multiple stakeholders. On the one hand, as recent history in the region has shown, economic cooperation can unintentionally exacerbate conflict, whether at the national or local level. Many people in South Sudan point out that the development of Sudan's oil infrastructure – which involved companies from China and other countries – was associated with high levels of violence between Sudanese security services, armed groups, and civilians in oil-rich areas. At the same time, however, primary responsibility for avoiding the repeat of such problems lies in the hands of South Sudan's government, leaders, and civil society.³

Saferworld's role during the seminar and workshop was to bring together Chinese and South Sudanese government officials, company representatives, researchers, and NGOs to facilitate discussion on how China's economic cooperation in the development, infrastructure, and extractive sectors could be more conflict-sensitive, thus benefiting both China and South Sudan.

1. Security and development in South Sudan

- Given its history, it is unsurprising that South Sudan still faces considerable challenges; it is yet to celebrate its second anniversary of independence. Prior to independence it had been a subnational entity for five years, and before that it had been engulfed by conflict for five decades. Whole generations missed out on education, infrastructure was not built, and development opportunities were missed. The obstacles to the effective CPA implementation were also obstacles to development. For example, the conflict with Sudan resulted in the shutdown of oil production, which led to stringent austerity measures. This illustrates the necessity of addressing simultaneously security and development issues.
- Armed struggle has long defined South Sudan. Given improved relations with Khartoum, the resumption of oil production, and progress on border security arrangements, the South Sudanese Government has the opportunity to turn to delivering development to its people.
- The South Sudan Development Plan (SSDP) lays out the government's priorities for addressing the many challenges the country faces. It has four pillars of focus: governance, economic development, social and human development, and conflict prevention and security. Within each pillar lie five areas of focus. The SSDP will reportedly cost about US\$6-8 billion a year.

2. Chinese actors on their role in South Sudan

- The role of China in pre-succession Sudan continues to loom over relations between Beijing and Juba. Some argue that greater respect, forgiveness, and trust are required on the part of the South Sudanese and that their gaze should be set firmly on the future rather than the past. Others argue that it is impossible to overlook the past. For example, the development of Sudan's oil infrastructure – in which Chinese companies were heavily involved – was extremely disruptive, with people being violently pushed off their land. It

³Wheeler T (2013), 'China's economic cooperation with South Sudan needs to be conflict-sensitive', 25 April (<http://www.saferworld.org.uk/news-and-views/comment/85>)

occurred without the consultation of southern people, leading to grievances and fuelling war. By reflecting on the past, it is hoped such mistakes can be avoided in the future.

- According to foreign policy scholars, China's global strategic approach is perceived to promote peace and the common development of the world's countries. For example, it contributes peacekeepers and provides development assistance to many African countries.
- Some scholars believe that China's experience in the last 100 years is similar to South Sudan's in that it also included civil war and turmoil. There are some lessons to be learnt. At the same time, China's model cannot simply be copied; instead, South Sudan should work out its own way, and China will support this.
- According to one participant, oil production remains the most critical dimension of China–South Sudan relations. South Sudan can use its oil wealth to promote development in the long-run. However, the direct benefits may be limited in the short and medium term. As such, before the full economic benefits of oil production are realised, the international community needs to assist South Sudan in providing development assistance for the country's most immediate needs.

2.1 Chinese government: aid and development finance

- China's aid to South Sudan is relatively small compared to other international donors; China perceives itself as being a developing country with limited capacity to assist other countries. However, it has provided more grant aid to South Sudan than to most other African countries.
- The Chinese Government has already provided, or will in the near future, grant aid in the form of direct budget support, construction of water projects, hospitals, and schools, the donation of anti-malarial nets, vehicles, and tents for displaced people, a 12-member medical team to Juba Hospital, and the training of 400 South Sudanese civil servants and officials in China.
- Although distinct from aid, China will also assist with development through deepening economic cooperation with South Sudan in the areas of finance, investment, and trade. Chinese companies have signed

Memorandums of Understanding for more than 60 projects spanning a wide range of sectors, including roads, schools, telecoms, energy, and bridges. This is seen to reflect a good match between Chinese companies' capacities and South Sudanese needs.

- Many of these projects will require financing from China. This is mainly available in the form of concessional loans, buyer's credit, or special facilities funding from China Export Import Bank (Exim Bank) and other Chinese state banks. Loans are conditional on guarantee of repayment, which can be based on assets or future revenue. They are assessed on a commercial risk basis.
- Examples of Chinese financing include: a finalised agreement has been finalised for the completion of Juba Airport under a preferential buyer's credit that will be repaid from future airport revenues; and hydropower and road projects have also been agreed or are close to being so, with on-going negotiations over a special facility – a line of credit that is not necessarily tied to one project – which may be re-paid from future oil revenues. These revenues can be used to finance development in the short and medium term.

2.2 Chinese companies: case studies

- State Owned Enterprise (SOE) China National Petroleum Corporation (CNPC) first ventured into Sudan in September 1995 after signing an agreement with the Sudanese government to develop oil exploration Block 6 in Muglad Basin. Today, in South Sudan, CNPC has a 41% stake in Dar Petroleum Operating Company – a consortium of oil exploration and production companies operating in the South Sudan – and a 40% stake in Greater Pioneer Operating Limited consortium. It is the largest stakeholder in both. CNPC has nine other companies operating in South Sudan, working on a range of projects, not all related to oil.
- Participants claimed that CNPC bases its corporate social responsibility and support for sustainable development in three areas: human capital development, social infrastructure development, and social community development. CNPC states that its achievement is measured not just by attaining targeted financial returns and business growth but also through contributing to social well-being in the areas in which it works.

- By the end of 2012, over 80,000 local people had assumed jobs with CNPC. The proportion of local employees working for CNPC globally exceeds 95% on oil projects and has reached 75% in engineering, construction, and oil field services. CNPC reports to have supported this human capital development in South Sudan through training and career development programmes and other measures. In 2009 it provided \$700,000 to set up an Education and Training Fund at Juba University, and in 2010 a computer laboratory was donated to the university.
 - In the area of social infrastructure development, CNPC spent \$1.6 million on the Palouge Friendship Hospital in 2006. A Biodegradation Sewage Treatment Project was completed by May 2004 covering an area of 5.28 km², the largest in the world. A conference and cultural centre in Malakal and basketball courts in Juba have also been donated for social community development.
 - Sinohydro, a major infrastructure SOE with over 400 projects in 62 countries, has been working in Sudan and South Sudan for several years, assisting with building roads and other development projects. They believe that their engagement follows the old saying: “Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime”, as they provide job opportunities and enhanced working skills to local South Sudanese. Sinohydro states that across Africa they have sought to train and employ increasing numbers of host country nationals.
 - The company believes that public diplomacy is a crucial dimension of its work in conflict-affected states. As such, they have donated stationary, bags, footballs, and other support to local schools, provided clean drinking water facilities to local people, and donated a water supply system to the China-South Sudan Friendship School in Gudele.
 - Sinohydro managers believed that one of the major problems fuelling conflict in South Sudan was food insecurity. In order to help the situation, they strengthened relations between local communities by working with them on small farming projects. When Sinohydro workers were in danger, these same communities came to protect them. The company learned a lot from this experience about how good community relations can manage risk.
- 3. Cooperation challenges: conflict and insecurity**
- It is recognised at both political and commercial levels in China that Chinese businesses and political actors face a variety of significant risks overseas. There is a need for greater risk assessment and crisis management at both official and company levels.
 - These risks are especially high in conflict-affected countries. Chinese actors face financial risks to their investments, threats to their safety, damage to the image and reputation of their own country, a reduction in the effectiveness of development assistance, and risks of unintentionally fuelling conflict.
 - Without sufficient analysis, it is often difficult for external actors to understand the complexity of conflict-affected contexts. There is a need for greater knowledge and understanding of local conflict dynamics.
 - Economic cooperation and aid projects bring in resources; many conflicts start with disputes over resources. As such, despite the best intentions, Chinese projects can become a focus for conflict over access and control of the possible prosperity and power that they bring in.
 - CNPC has identified four areas of risk to its operations: disturbance, confrontation, strikes, and interruptions. For example, the decision by the South Sudanese Government to halt oil production had a significant impact on CNPC’s operations in South Sudan, affecting the company’s profits, the efficiency of its work force, and the security of its business practices.
 - Insecurity has been a major challenge for many companies. For example, Sinohydro has dealt with risks to its employees, demonstrated by the January 2012 kidnapping of 29 workers in South Kordofan State in Sudan. A similar incident occurred in April 2012 when CNPC workers needed to be evacuated from the region of Malakal due to tensions between Sudan and South Sudan.
 - One of the tasks of the Chinese Embassy is to instruct Chinese companies and individuals to respect regulations, laws, and practices found in the respective countries in which they are engaged. However, quite a number of Chinese companies and individuals are still learning about operating abroad. For example, engaging with communities and civil society is quite new for them. Their learning should be seen as part of China’s own development.

- Expectations of China as a whole need to be kept in perspective. China considers itself a developing country with a huge number of foreign policy agenda issues, including relations with all the other African countries and emerging powers. Chinese officials often felt that South Sudanese stakeholders made great demands of China which it cannot fulfil.
 - Communication and information sharing is a problem on several different levels. Companies often find it difficult to get information on government policies and laws, which frequently change. This makes it hard to operate. Furthermore, some Chinese companies find government officials hostile towards them and their requests for assistance, which they believe is due to past perceptions of China. They do not feel like they are treated professionally or fairly.
 - Chinese companies often find it difficult to find sufficient information for their risk analysis. They lack capacity to conduct thorough assessments such as a comprehensive conflict analysis.
 - Community expectations of Chinese companies are often above and beyond the reality of what companies can deliver or what is within their mandate to deliver. Such high expectations need to be managed through communicating clearly what they can and cannot do and when an issue is the responsibility of the South Sudanese Government rather than the Chinese company.
 - At the same time, if communities cannot easily share their concerns directly with Chinese officials and companies, they often turn to more disruptive and antagonistic means to make themselves heard. Communities have many legitimate concerns related to jobs, compensation, environmental damage, and local development; however, they do not feel that Chinese companies adequately engage with them on these issues, even when their operations have a direct bearing on them. Additionally, in the absence of open information– for example on local employment statistics – political actors at local and national levels can politicise the role of Chinese companies and use misinformation for their own objectives.
- Three areas should be prioritised: energy cooperation, agriculture, and water and ecology protection. It was suggested that China opens up to more South Sudanese exports and convinces other emerging countries (such as Brazil, Russia, India, South Africa) to assist the country.
- Beyond economic relations, China can promote positive relations between Khartoum and Juba through integrating peace and security into both formal and informal mechanisms for multilateral cooperation. For example, China can support a mutually beneficial security partnership under the framework of the Forum on China–Africa Cooperation (FOCAC) 2013-2015 Action Plan, which includes references to post-conflict reconstruction and development. China can also support the establishment of mechanisms for maintaining peace and security within the African Union (AU), as well as among neighbouring countries and other powers. Sudan and South Sudan in turn could cooperate with the mediation efforts of the AU and the international community. The Government of South Sudan will also need to safeguard the security of Chinese companies. A joint security dialogue and cooperation process will allow the two countries to address shared challenges.
 - Given a general lack of knowledge and understanding of respective languages, cultures and customs, cultural and educational cooperation should be an area of substantial focus, especially among universities and through the establishment of a Confucius Institute in South Sudan.

2. Conflict-sensitive approaches should be adopted by Chinese actors

- In general, Chinese actors lack conflict management tools. Conflict sensitivity is vital for South Sudan and is one of the most important ways in which China can promote stability. First, it requires that Chinese actors understand the context in which they operate, including the conflict actors, drivers, and dynamics. Second, they need to analyse the interaction between this context and their projects to identify the potential risks of fuelling conflict. Third, they must act upon this analysis in order to reduce harmful effects and support stability. Communication and engagement with a wide range of stakeholders – for example with youth in oil-producing areas – throughout this process will prove an effective way of generating their acceptance and developing good community relations, thus insulating against many risks.

Recommendations based on participant input

1. Avenues for future cooperation

- China and South Sudan can look forward to continued cooperation in the economic field.

- These steps can help to identify and deal with conflict-related risks and guide the design and implementation of investments and company operations. Conflict sensitivity helps companies to reduce the risk of having to terminate projects, reduces dangers to staff, and, in the long term, will contribute to cost effectiveness. For the Chinese government it is a conceptual approach through which to deliver its assistance for post-conflict reconstruction and development.

3. Companies and civil society should work together on conflict analysis and conflict sensitivity

- As part of being conflict sensitive, Chinese companies need to start working on conflict analysis and early warning so that they know about conflict drivers before they escalate and they understand how their operations might affect them. Given their low capacity to conduct such analysis, they could partner with South Sudanese NGOs who specialise in this area and have extensive networks and relationships across the country. It will be important that such analysis is context-specific (rather than generalised) and includes community perspectives (rather than being restricted to elite-level views). South Sudanese NGOs, as well as other civil society groups and individuals, could also help Chinese companies to be more conflict sensitive in their operations, for example through assisting them to engage with local communities and listening to their concerns.
- All future workshops, seminars, and other activities should include the direct participation of company representatives in order to train them and build up their expertise in integrating conflict sensitivity into their operations. In this regard, the South Sudan context could provide a case study to guide companies through a step-by-step process on how conflict sensitivity works in practice.
- Chinese companies should consult widely – with the government, United Nations, other companies, and civil society – in order to pick appropriate South Sudanese civil society partners. There will be the need for careful and very clear agreement on the aims, roles, and responsibilities of each partner.
- Before such an initiative could start to be implemented, there is the need for South Sudanese civil society to formally express their interest in working with Chinese companies and vice versa. Companies should also inform the South Sudanese Government of their intentions. Chinese and South Sudanese officials should support such a process – whether informally or formally.

4. Communication and information sharing needs to be vastly improved

- It is crucial that the South Sudanese Government, Chinese stakeholders, and local communities share information and communicate with one another much more effectively than they have done. Misperceptions of China need to be addressed while Chinese stakeholders need to be able and willing to listen to the voices of South Sudanese citizens.
- While some are already successfully doing it, at a very basic level Chinese companies need to engage more directly with the local communities in the areas they operate in. For example, information sharing in the oil producing areas is crucial given that they are regions of conflict. The delivery of local Community Development Fund projects, to which Chinese oil companies contribute, could start to involve consultation with communities, carried out with the participation of oil companies themselves. This would make the funds more effective and also create opportunities for communication. Better communication would enable companies to better understand the views of civil society and so better assess their impact on the ground and the challenges they face. Before starting operations, Chinese companies should find agreement with their local South Sudanese partners on how to communicate effectively with local communities, many of which have existing institutions and structures that they can engage with. Companies need to have public relations departments and/or positions as part of day to day operations.
- Transparency is key. Company contracts and operating procedures – including, for example, employment statistics – need to be clear and made publicly available. This will be a critical tool for depoliticising disputes. Transparency is also crucial for allowing civil society groups to hold governments to account and for allowing investors to assess business prospects.
- At the official-level, the Chinese Embassy could also employ a public affairs officer who can regularly meet with South Sudanese civil society representatives, explaining to them China's role and positions while at the same time listening to their views and concerns,

and subsequently sharing this with other Chinese stakeholders.

- The Government of South Sudan could consider making the responsibility for community consultation and engagement a clear requirement within contracts. Contracts should clearly state that either the government or the respective company will take responsibility for organising and facilitating engagement with civil society on issues relating to conflict sensitivity.
- Chinese stakeholders and the Government of South Sudan could work together with national media, and especially radio, to raise awareness of China's role in the country and to address negative perceptions inherited from the war years.
- As in other contexts, language skills remain a hurdle and need to be more effectively addressed by Chinese stakeholders through ensuring that they have a grasp of the language of the region in which they are operating.
- There are few formal opportunities for South Sudanese civil society organisations to meet with Chinese companies. A bi-annual forum for them to meet could create the space for open discussion and dialogue, provide an opportunity for information sharing, and address grievances and misperceptions.
- To start with, a meeting involving the managers of Chinese companies, representatives of the Chinese Embassy, officials from relevant government ministries, NGOs, media and local community representatives should be convened to discuss these ideas further.

5. A single 'China help desk' within the Government of South Sudan should be created

- Chinese companies felt they were often treated randomly and, sometimes, unfairly by government officials at all levels. This contributes to making the operating environment unstable, the enforcement of policies unpredictable, and the protection of Chinese business interests and rights weak, which in turn deters Chinese investments.
- The creation of a dedicated China desk within a relevant government ministry would provide Chinese companies with a contact to whom they could direct questions, concerns, and grievances, and in so doing avoid some of

the unintentional negative effects of their operations. Such a contact would act as a liaison and play a role in coordinating and assisting Chinese stakeholders to address their problems, for example through helping them to navigate through the various official bodies and institutions.

- A China desk could also contribute to ensure that the rights of Chinese citizens and companies are better protected. At the same time, it would also facilitate compliance by Chinese actors with relevant South Sudanese laws, regulations, and guidelines. The Chinese Government could assist with technical and financial support in creating such a body. A parallel China–South Sudan Friendship Association, involving companies and civil society, could support the functions of the body.

List of organisations represented at the 15 April 2013 seminar, 'Partnerships for Peace and Development: South Sudan and China' at the University of Juba

- Africa-China-EU Expert Working Group on Conventional Arms
- African Union (AU) Liaison Office
- Catholic Relief Services
- Central Party School of the Communist Party of China
- China Foundation for Poverty Alleviation (CFPA)
- China National Petroleum Corporation (CNPC)
- China Overseas Engineering Group Co Ltd (COVEC)
- Chinese Academy of International Trade and Economic Cooperation (CAITEC), Ministry of Commerce
- Community Empowerment for Progress Organisation (CEPO)
- Community Security and Arms Control Bureau (CSAC), Government of the Republic of South Sudan
- Embassy of the People's Republic of China, Economic and Commercial Section
- Eve Women's Organisation for Human Development
- GADET-Pentagon Society for Civic Development
- Institute of African Studies, Zhejiang Normal University (IASZNU)
- Ministry of Finance of the Republic of South Sudan
- Ministry of Foreign Affairs and International Cooperation of the Republic of South Sudan
- Ministry of Petroleum and Mines of the Republic of South Sudan
- Office of the President of the Republic of South Sudan
- Open Society Institute South Sudan
- Railway Tenth Group
- Reconcile International
- Shanghai Institutes of International Studies (SIIS)
- Sinohydro
- South Sudan Associated Advocates
- South Sudan Chamber of Commerce
- South Sudan Investment Authority
- South Sudan Peace Commission
- South Sudan Peace and Reconciliation Commission
- South Sudan Reconstruction and Development Fund
- United Nations Development Programme (UNDP)
- United Nations Mission in South Sudan (UNMISS)
- University of Juba Centre for Peace and Development
- University of Stellenbosch
- World Bank
- Zhonghao Overseas
- Zhongxing Telecommunication Equipment Corporation (ZTE)

List of organisations represented at the 16 April 2013 workshop, 'Informal Policy Workshop on South Sudan and China'

- Africa-China-EU Expert Working Group on Conventional Arms
- Catholic Relief Services
- Central Party School of the Communist Party of China
- CFPA
- CAITEC, Ministry of Commerce
- CNPC
- CEPO
- COVEC
- Eve Women's Organisation for Human Development
- GADET-Pentagon Society for Civic Development
- IASZNU
- SIIS
- Sinohydro
- South Sudan Associated Advocates
- South Sudan Peace Commission
- University of Juba Centre for Peace and Development
- University of Stellenbosch
- ZTE

About Saferworld

Saferworld is an independent international organisation working to prevent violent conflict and build safer lives. We work with local people affected by conflict to improve their safety and sense of security, and conduct wider research and analysis. We use this evidence and learning to improve local, national and international policies and practices that can help build lasting peace. Our priority is people – we believe that everyone should be able to lead peaceful, fulfilling lives, free from insecurity and violent conflict.

We are a not-for-profit organisation with programmes in nearly 20 countries and territories across Africa, Asia and Europe.

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