



China–South Sudan: Governance in Emerging Relations

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RECOMMENDATIONS

- The development of new institutional co-operation mechanisms between China and South Sudan to generally promote ties, and enhance the efficacy of working relations that can tackle development needs in particular, is a positive step that should be encouraged.
- Properly managed according to South Sudan's needs, China is a development partner that can beneficially assist the new state. However, the government of South Sudan would benefit from a more strategic and focused policy engagement while seeking to harness China's potential to contribute to economic development in sustainable, longer-term ways.
- Better public communication would redress the lack of information about China's finance to South Sudan, and help address popular misperceptions and grievances over China's role. Better, more widely available information would also help other actors in terms of their plans and ensure a greater degree of policy co-ordination.
- China's deepening governance engagement, beyond South Sudan, is first and foremost a matter for African governments; it is a significant policy trend that impacts on other external policy engagements, of which African leaders need to be cognizant.

EXECUTIVE SUMMARY

A way from news headlines about oil, conflict and political instability, China has been developing a more involved engagement with the government of South Sudan and its ruling party, the Sudan People's Liberation Movement (SPLM). Governance is fundamental to the nature of, and prospects, for China's current and future relations with South Sudan. It is inextricably tied both to China's ability to deliver and sustain a developmental contribution, and to South Sudan's prospects for managing China's engagement to advance its own development goals.

INTRODUCTION

Since South Sudan's independence in July 2011, and especially following the economic hardship following Juba's decision to shut down its oil industry in early 2012, the influence of unstable politics has been all too clearly shown. In April 2013, following another agreement brokered by the African Union (AU) High-Level Panel between South Sudan and Sudan, the oil started flowing again, but remained subject to considerable uncertainty.

There were high hopes and expectations about what China could contribute to South Sudan's development before and after July 2011, both inside and outside the new country. In one sense, this was a false dawn. These mostly external projections were more imagined than in line with the realities of the fledgling new state.

While conflict between and within South Sudan and Sudan has remained prominent, a process has been underway at the same time that has entailed a deepening Chinese engagement with the government of South Sudan. This potentially significant governance

role has seen South Sudan and China try to enhance political relations and, in the process, to add substance to a much heralded but, as yet, mostly undeveloped economic partnership, outside oil. This underlines the fundamental significance of governance to China's current and future relations with South Sudan, and how this is inextricably tied both to China's ability to deliver a sustained developmental contribution and to South Sudan's prospects for managing China's engagement to advance its own development goals.

THE \$8 BILLION LOAN AFFAIR AND MUTUAL DISCONTENT

China's relations with South Sudan are of recent origin and have been continually evolving since Sudan's 2005 Comprehensive Peace Agreement, which led to the creation of the new state in July 2011. In April 2012, South Sudan's Minister of Information announced an \$8 billion loan from China. This came not long after President Salva Kiir had visited Beijing to meet his Chinese counterpart and open South Sudan's new embassy, returning early to Juba amidst fighting in the oilfields. There had been intensive efforts between China and South Sudan to negotiate a Chinese financial package for some time. Together with wider efforts to advance an economic partnership beyond oil, these preceded South Sudan's independence but were elevated in importance once this had been achieved. When announced, however, this loan had not been agreed to. By neither publicly denying nor confirming the claim for nearly a year, the Chinese government hardly helped resolve the ambiguity. Indeed, only in mid-March 2013 did China's special envoy publicly confirm that Beijing had not offered the \$8 billion loan.

Regardless, the legend of the 'so-called 8 billion dollar affair'² rapidly took on a life of its own. Overlaid onto the troubled history of China's wartime role in Sudan, the affair generated fresh popular discontent within South Sudan. Beijing was popularly perceived as having ample financial means but not the political will to help Juba fully at a critical time. The widely received message,

in other words, was 'We are friends but no loan'.³

Mutual discontent characterised the fallout. The disquiet some South Sudanese politicians and officials felt regarding China was mirrored by the private frustrations of Chinese officials, including at what they regarded as Juba's failure to prioritise its needs, and its poor planning. Other factors were China's aversion to blank cheque diplomacy and the lack of repayment guarantees. In this context, both sides sought to advance more effective working relations, and convert official rhetoric about partnership into a living reality better able to deliver tangible benefits.

Chinese officials expressed the desire to 'conduct full-fledged relations' with South Sudan,⁴ but the pronounced asymmetrical administrative and negotiating capacity between the two sides introduced tensions. This was indicative of wider problems in Juba, which long predated, but were exacerbated by, the oil shutdown. It was unsurprising, given the daunting challenges the new state faced on top of historic neglect and protracted, devastating warfare. Nor is it unusual, given Juba's more pressing political priorities and relations with Sudan and its other external partners. However, Juba's lack of sufficient capability to negotiate complex financial deals with China has been a key impediment that both sides have sought to unblock in order to unlock the development finance that could make a huge difference to South Sudan's prospects.

CHINA'S GOVERNANCE ENGAGEMENT WITH SOUTH SUDAN

China has been engaging with South Sudan's governance in a number of connected areas. These include inter-state relations and ongoing training programmes for South Sudanese officials falling within China's established 'human resource development' co-operation. South Sudan's membership of the Forum on China–Africa Cooperation means it has become eligible for a wider range of such opportunities. Two other areas are noteworthy.

The first is party relations. The cultivation of high-level political and economic ties between

Juba and Beijing before and after South Sudan's independence demonstrated the successful exercise of pragmatic mutual self-interest. The SPLM developed links with the Communist Party of China (CPC) before July 2011. Since then, CPC–SPLM relations have expanded, deepened and become formalised. Such links have involved SPLM exposure to China's governance training as well as its development experience. In November 2012, for example, an SPLM delegation toured China to learn about its governance experience. Among recent exchanges, in April 2013, a CPC delegation to Juba met the SPLM in another exchange presented in governance learning terms. This ongoing process clearly entails a somewhat different menu of ideas and experience from the SPLM's more established political links with the US, Norway or the UK. However, it remains subject to changing politics in South Sudan, most notably seen in July 2013 when Kiir removed his vice-president and suspended and ordered an investigation into SPLM Secretary General Pagan Amum.

The second area concerns the evolution of China's working relations with the government of South Sudan. Both sides have been developing new ways to overcome the problem of mismatched capacity. In particular, this has been seen in the joint efforts by South Sudan's Ministry of Finance and the Chinese embassy in Juba to establish a 'China desk' and a working team with Exim Bank. Such mechanisms, properly achieved, could play a significant role in negotiating the financial foundations of wider China–South Sudan economic relations, and, in turn, the developmental benefits for South Sudan that should accrue from these.

Despite the growth of a larger, more established and diverse Chinese business community in South Sudan, a basic underlying problem to date has been the lack of sufficient finance to underwrite and enable the many infrastructure projects that have been drawn up, but not initiated. Economic austerity has hardly helped and, as a result, most plans have remained on paper. If South Sudan's fledgling economic partnership with China is to progress, it will require institutional arrangements to

oversee technical agreement and manage practical implementation.

The finance bottleneck has not been entirely resolved, but such reform measures herald the potential for progress. The first evidence of sorts that loans are being agreed came in April 2013. Although not providing figures, Kiir announced to the National Legislature that 'a major loan scheme' had been agreed to with China to 'pay for major infrastructure projects', namely the Juba airport, roads and electricity schemes.⁵ There have been ongoing talks about a loan package to underwrite road, energy, agriculture and education projects.

CONCLUSION

The SPLM and South Sudanese leaders recognised the need for a co-ordinated strategic policy engagement with China some time before the January 2011 referendum. While this has taken a back seat to Juba's more pressing political and security imperatives, it remains important for South Sudan and central to the question of how far South Sudan can positively manage its relations with China to achieve wide and longer-term benefits.

Beyond China's challenge of trying to maintain good relations with Juba and Khartoum, and the efforts of both to use China in their own agendas, the theme of governance will be less manifest, but ultimately more influential, in shaping and sustaining future ties. China's interest in being a development partner is genuine. Mixed as this may be with other interests, Beijing is seeking to engage and support South Sudan in a serious way. The success of such ventures in achieving greater security and stability would suit Chinese interests and those of South Sudan. However, basic impediments have to be overcome before this can happen and growing pains are likely to continue.

While oil and economic interests remain important, China's relations with South Sudan, and by extension Sudan, have been undergoing a broad shift. Where once China promoted economic interests through political means, in some respects it now seeks to promote political

objectives through economic means. In the face of insecurity and the uncertainty this brings, the management of sustainable interests has become an increasingly complex challenge fraught with all manner of political, economic and security risks.

China's political relations with South Sudan have become more important, a trend likely to continue. While primarily concerned with bilateral dynamics – securing and enhancing political and economic links between Beijing and Juba – this necessarily has wider ramifications for international engagement in South Sudan, marshalled around the banner of state building. In the face of the sheer scale of Juba's challenges, the logic of China's emerging governance engagement appears to entail that of a deepening involvement concurrent with – but not obviously overtly harmonised with – the wider multilateral state-building policy drive.

Although South Sudan's relations with China are unique, this emerging governance dimension is also reflected more widely. By virtue of its deepening relations with Africa, China is necessarily having to confront and become increasingly involved in African politics in general, and questions of state capacity in particular. Not confined to, but expressed clearly in 'fragile states' contexts like South Sudan, this is likely to render governance far more important.

ENDNOTES

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- 2 Interview with Henry Odwar, chair of the South Sudan Legislative Assembly Committee on Petroleum and Mining, Juba, December 2012.
- 3 As a cartoon by Adija summarised it. See cartoon of the day, *The Citizen* (Juba), 21 November 2012.
- 4 Interview at Chinese Embassy, Juba, 22 November 2012.
- 5 Statement of H.E. President General Salva Kiir Mayardit, opening of the South Sudan National Legislature, 23 April 2013.

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