



# China and conflict-affected states

## Between principle and pragmatism



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Dell Marie Butler and Bernardo Mariani**

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This report was researched and written for Saferworld by Ivan Campbell, Thomas Wheeler, Larry Attree, Dell Marie Butler and Bernardo Mariani.

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# 1

## Introduction

### 1.1 Overview

**WE ARE WITNESSING** a “revolution in the global order” and China is leading this revolution.<sup>1</sup> In the West, analysts and policy makers are grappling with what China’s rise means for international relations and the spectrum of foreign policy concerns. In China itself policy makers are also coming to terms with this new found influence and the responsibilities that come with it. A critical issue will be what happens as China and other rising powers make their presence increasingly felt in countries where peace is precarious. The risk is that conflict issues may be aggravated, leading to instability and even the return of violent conflict. But equally, China’s increasing engagement offers opportunities to consolidate peace.

This report is one of the main outputs of a 12-month research project that examined the implications for peace and stability of China’s increasing engagement in conflict-affected states. The aim of the project is to contribute to more harmonised engagement by international actors in the context of major changes in the global order. While it examines the role of China in particular, it is situated within a wider Saferworld programme that focuses upon ‘rising powers’ more broadly and the implications of their rise for peace and stability.

The report is based upon research in four conflict-affected states: Sri Lanka, Nepal, Sudan and South Sudan. As well as deepening understanding of China’s engagement in these contexts and of the interests that underpin it, the report explores how this will impact upon conflict issues and considers the implications for policy makers. It is intended to inform and stimulate thinking among policy communities both in China and in the West.

Based on the findings of in-country research and analysis, this report contributes to the evidence base about how China’s rise will affect conflict-affected states. It is meant not only to raise awareness, but also to encourage policy makers to engage with the new realities, including how they can respond to the changing context for international efforts to promote peace and stability.

We start from the premise that the rise of China and other new actors should not be viewed simply as a threat to peace and stability; rather, it presents opportunities as well as challenges. However, the longer that policy makers in the West and in China fail to engage with each other about these issues, the likelier it is that the challenges will predominate over the opportunities. Therefore part of our objective is to help lay the foundations for constructive dialogue between policy communities in China and the West regarding how to support peace and stability in conflict-affected states.

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<sup>1</sup> Browne J, (UK Foreign Office Minister), ‘Navigating the New World Order’, speech at Chatham House, 20 July 2011, [www.fco.gov.uk/en/news/latest-news/?view=Speech&id=633554682](http://www.fco.gov.uk/en/news/latest-news/?view=Speech&id=633554682), accessed 3 November 2011

## 1.2 Rationale

The nature of the international community is changing and with it how we must act collectively in support of peace and stability. The rise of a number of emerging powers means that we are moving from a unipolar to a multipolar world order. China and India are the most obvious examples, while others include Russia, Brazil and South Africa, a quintet referred to as the BRICS states. Largely by virtue of their rapid economic growth in recent years, these states now play a much more significant role on the global stage than previously.

Preventing violent conflict is among the key challenges facing the international community, both in terms of its devastating direct impacts and its potential to undermine development. It is increasingly understood that conflict and insecurity are a profound obstacle to social and economic transformation. In its 2011 World Development Report (WDR), the World Bank clearly recognised that violent conflict underpins many of the challenges facing development, and that preventing conflict must inform strategies for economic development and pursuing the millennium development goals (MDGs). The WDR presents strong evidence and arguments that conflict and security need to be addressed both as prerequisites for development and as ends in themselves.

Increasingly, international donors are stepping up to the challenge of preventing conflict and insecurity, and there is growing consensus that more attention and resources are needed to tackle state fragility and instability. However, the question of how to engage effectively in such contexts remains a key challenge for policy makers. The recent track record of the international community in assisting countries emerging from war to build sustainable peace is not encouraging. Despite a decrease in conflict globally, national and international actors have struggled to build peace in post-war contexts.

The reconfiguration of the international community, and in particular the emergence of major new players such as China and India, provides an opportunity to reassess and refresh policy approaches to conflict-affected states. The opportunity is there for Western donors to engage these new actors based on a shared interest in, and concern to promote, peace and stability. This may require shedding some preconceptions on all sides, as well as developing new forums and mechanisms for constructive policy engagement and dialogue.

China is globally the most influential of these emerging actors, due primarily to its exceptional economic growth. The success of China's economy depends upon its access to overseas markets and resources, and it has become a major investor and donor in many parts of the developing world, both within Asia and increasingly in Africa. This injection of resources means that China can have considerable political leverage in the countries concerned. China's engagement has therefore altered the context in which international efforts to build peace and stability take place. It is likely to be in a position where it can either buttress or undermine the peacebuilding influence of Western donors in conflict-affected states.

While there has been some research and analysis of donor policies and interventions in conflict-affected states, this has largely focused upon 'traditional' (i.e. Western) donors. Thus far, relatively little attention has been paid to the impact of rising powers on conflict-affected states. The focus of this research project therefore is to understand better how the involvement of new actors like China is altering the context for building peace and stability. It seeks to raise awareness of the fact that the peacebuilding context is changing, and to illustrate how and why this is happening.

The rationale for the project is not simply to sound an alarm, but rather to contribute to the global debate about how to support peace and stability in the new world order. In particular, it is intended to support constructive engagement and dialogue between policy communities in China and the West regarding their respective priorities for peace. Thus the report not only focuses upon the challenges and potential problems of

conflicting donor approaches, but also identifies opportunities to strengthen engagement and coherence between ‘old’ and ‘new’ donors based upon a shared interest in peace and stability.

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## 1.3 Background

Saferworld is an international non-governmental organisation that has for the past 20 years been working to prevent and reduce violent conflict in conflict-affected states in Africa, Eastern Europe and South and Central Asia. A key area of our work is to examine how international aid policies and practice affect conflict dynamics and peace processes. In recent years we have expanded the focus of this work from traditional donors to consider also the role and influence of new and emerging powers, such as China and India.

In 2006, Saferworld established a programme that focuses on China’s role in conflicts and conflict prevention. This covers issues of arms proliferation, China’s growing role in peace and security in Africa and its engagement in conflict-affected states more broadly. Over the past five years, Saferworld has built a strong network of contacts with Chinese think tanks and universities involved in formulating policy on these issues, as well as developing good relations with government officials. We are therefore well placed to engage with and influence the policy community in China.

Building upon these foundations, and as part of a broader strategy focusing on rising powers, Saferworld initiated a new project in 2011 designed to examine China’s role in conflict-affected states in more detail. The project was made possible by a grant from the UK Government’s Department for International Development (DFID). In 2010, DFID established a research programme, entitled the ‘Future of Aid and Beyond’, intended to help identify and better understand emerging issues, such as the rise of newly powerful economies, and to react to the challenges, as well as the opportunities, that these issues present. Saferworld’s project is funded under this DFID research programme.

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## 1.4 Research focus

Saferworld undertook research in four conflict-affected states: Sri Lanka, Nepal, South Sudan and Sudan. They were selected because all have suffered from protracted and bloody conflict that has ended in recent years. In the case of Sri Lanka, the war lasted almost three decades, eventually coming to an end in 2009; the insurgency in Nepal went on for ten years until 2006; while in Sudan the war between north and south lasted on and off for five decades until a peace agreement in 2005, and conflicts persist in a number of areas in both states. There are differences as well as similarities between the cases; the conflict in Sri Lanka was ultimately resolved by military means, while the Comprehensive Peace Agreements signed in Nepal and Sudan represent negotiated solutions to the conflicts.

Despite the end of war, all these countries are some way off from securing a lasting and inclusive peace settlement. There has been considerable investment in post-conflict peacebuilding and development by the international community, especially in Nepal and South Sudan. However, all four contexts still experience instability and insecurity to varying degrees, so peace and stability remain precarious. Hence the selection of these contexts as illustrative of conflict-affected states more generally.

In all four countries, China has significantly increased its engagement over the past five years. It is now a major investor and has significant influence over reconstruction and development. In the case of the two Sudans, China’s engagement is linked to the countries’ energy resources. In Sri Lanka, China’s engagement relates to its location



at the nexus of maritime trading routes. In neighbouring Nepal, China's engagement is linked to the Tibet issue and to the country's strategic location with regard to India. Therefore these four countries offer comparative examples of the different sort of interests that underpin China's engagement in conflict-affected states.

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## 1.5 Methodology

The methodology is based upon field research in the four selected countries as the basis for analysing the peace and conflict impacts of China's rise and for identifying the policy implications. Parallel research was conducted in China in order to complement the perspectives gathered in-country. The research findings and analysis are presented in discrete country case studies in the report (because of the strong inter-linkages, Sudan and South Sudan are considered in a single case study).

In each case, the research process began with desk-based information gathering and analysis. This focused upon existing context and conflict assessments, donor policies and relevant articles and academic publications. These background analyses served as the basis for the field research. In-country interviews were conducted with a wide cross-section of national stakeholders, including: politicians, diplomats, military personnel, business people, journalists, NGOs and community representatives. In-country interviews were also conducted with international representatives of embassies, multilateral agencies, INGOs and think tanks. Saferworld has programmes in all of the focus countries except Sudan, so we were able to draw upon existing relationships with national and international stakeholders.

In addition, Saferworld undertook two research trips to China in order to deepen our understanding of the policy background to China's engagement and to elicit the views of Chinese stakeholders regarding its role in conflict-affected states. Interviews were conducted in Beijing and Shanghai with prominent academics, policy think tanks, government officials, state banks, the private sector and foreign media. All interviews were structured to focus upon key questions relating to the research topic. Throughout the project period Saferworld monitored relevant media reports and publications, as well as drawing upon the most up-to-date statistical information.

The findings of the field research were reviewed and analysed in order to prepare the case study reports and the introductory chapter concerning China's foreign policy approaches. Drafts of the case studies were extensively reviewed both by Saferworld country teams and by external experts before producing this final report. The key findings and conclusions of each case study were compared in order to extrapolate common issues and to formulate general policy recommendations.

The scope of this one-year research project was necessarily limited, so the report presents a preliminary and relatively light-touch exploration of China's engagement in conflict-affected states. It is not intended as a comprehensive analysis of the topic, but as a foundation for more detailed research and analysis into how China's rise will affect peace and stability.

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## 1.6 Structure

The report is structured in six sections: the introduction; a preliminary assessment of Chinese foreign policy in respect of conflict-affected states; three case studies focusing on specific conflict-affected contexts (Sri Lanka, Nepal, Sudan/South Sudan); and a concluding section that draws out some general findings across the three case studies and makes recommendations for policy responses.

Although written by different authors, each case study is structured in a similar way. They begin by reviewing the past conflicts in the country concerned, followed by an

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assessment of current conflict drivers and dynamics. Next, they examine the nature and extent China's role in each of these contexts, looking at a broad spectrum of engagement including economic, developmental, military and diplomatic. Based on this, they consider what impact China's increasing role is likely to have upon conflict drivers and dynamics in the context concerned; both its direct impact and how it may indirectly affect the engagement of other actors. Each case study concludes with an assessment of the conflict implications and suggested options for policy makers concerned with supporting peace and stability.

The online version of the report is structured in a modular format so that those interested in a particular country case study are able to download it separately. In addition to this report, Saferworld has produced a short Briefing that summarises the main findings and lessons from the case studies, identifies common challenges and opportunities, and presents recommendations for policy makers. The full report, as well as the Briefing, will be translated and published in Chinese as well as in English.



# 2

## China's approach

### 2.1 Introduction

For an explanation of acronyms used in this chapter, see p 23.

**IT IS NOW UNDERSTOOD** that the security concerns and development needs of conflict-affected states require from the international community special attention and differentiated aid approaches. Less discussed is the assumption in much of the conflict prevention discourse that this international community is composed of like-minded actors with global leverage and legitimacy in the countries in which they intervene.<sup>1</sup> China's growing prominence as a global actor compels a re-examination of these assumptions.

China's approach to development and peacebuilding diverges in significant ways from other countries, notably that of the liberal democracies of Europe and North America, and other donors brought together under the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC). This is not simply to assert that China's involvement in, and engagement with, developing and conflict-affected countries is necessarily inimical to a 'Western' approach – nor all that different to some established donor practice. Rather, China's growing presence in these countries suggests the need for a more careful understanding of Chinese perspectives and approaches.

There are necessary caveats to be stated at the outset of any such analysis. Firstly, there is no overarching Chinese policy on conflict-affected states; indeed, within China, policy and research focus on civil wars and state fragility is extremely limited. As one Chinese academic notes: "The terminology of 'peacebuilding' or 'post-conflict' does not really exist. Security issues are divided from development or economic co-operation. This is partly due to a lack of understanding, but it is also because security issues are seen as too political."<sup>2</sup> Secondly, the nature of the Chinese state may be central to understanding its position in the contemporary global order, but there should be no assumption of a unitary, "monolithic Chinese dragon";<sup>3</sup> nor a neatly bounded notion of a single 'Chinese position'. China's engagement with the developing world involves a wide range of actors beyond the central state elite, including multiple bureaucracies and networked Chinese business investment. Similarly, China's foreign policy stance is more accurately captured by a plurality of approaches than a single "strategic intent";<sup>4</sup> the formulation of foreign policy involving multiple institutions, factions and ideologies.<sup>5</sup> Finally, the precise configurations of China's foreign policy stance on any given issue are – as is in the case of other states – dynamic and context-specific. As

<sup>1</sup> Høglund K and Orjuela C, 'Winning the peace: conflict prevention after a victor's peace in Sri Lanka', *Contemporary Social Science* (2011), vol 6 no 1, p 23.

<sup>2</sup> Saferworld interview, Beijing, May 2011.

<sup>3</sup> Large D, 'Beyond "Dragon in the Bush": The study of China-Africa relations', *African Affairs* (2008), vol 107 no 426, p 46.

<sup>4</sup> Glaser B S and Medeiros E S, 'The changing ecology of foreign policy-making in China: The ascension and demise of the theory of "Peaceful Rise"', *The China Quarterly* (June 2007), vol 190, pp 291–310.

<sup>5</sup> Jakobsen L and Knox D, *New Foreign Policy Actors in China*, SIPRI Policy Paper 26 paper (Stockholm International Peace Research Institute [SIPRI], 2010).

such, the aim here is not to predict Beijing's foreign policy behaviour or strategies in the developing world. Broadly surveying Chinese foreign policy principles and praxis, this section simply identifies trends and patterns in China's engagement with conflict-affected states, discerning here an evolving, though chiefly pragmatic orientation, balancing "official rhetorical rigidity" with "limited flexibility".<sup>6</sup>

## 2.2 Interests and principles informing China's engagements abroad

While the notion of 'emerging donors' is popularly deployed in contrast with 'established' or traditional OECD DAC donors, the term risks overlooking that the former are not new to development assistance.<sup>7</sup> China has long had an economic and diplomatic presence in Asia, Africa and Latin America and has been a major source of aid to these regions since the 1960s – aid then being used as a foreign policy tool in the context of Cold War geopolitics and the Taiwan question. In the last decade or so however, economic interests, in particular the pursuit of resource security, have increasingly driven a widening and deepening of Chinese engagement in these regions. Geostrategic concerns also shape Beijing's foreign relations closer to home. China's aid activities in Asia, it is observed, "appear to provide relatively greater long-term diplomatic benefits in comparison to its engagements further afield in Africa and Latin America".<sup>8</sup>

'Peace', 'stability' and 'development' have been central to foreign policy discourse promoting China's role as a responsible great power (*fu zeren de daguo*). In April 2004, Hu Jintao declared the "very purpose of China's foreign policy" to be "to maintain world peace and promote common development", promising that China would "follow a peaceful development path (*heping fazhan*) holding high the banners of peace, development and co-operation" and make "a greater contribution to the lofty cause of peace and development in the world".<sup>9</sup> More recently, the 2011 White Paper on China's Peaceful Development re-emphasises that the "central goal of China's diplomacy is to create a peaceful and stable international environment for its development".<sup>10</sup> Numerous official and academic pronouncements to this tune make clear the investment of an increasingly large effort in branding China as a responsible member of the international community. Just how China's contribution to peace is to be made is little explained, however.

Invocations of a "uniquely Chinese" approach to foreign policy often take as a point of departure China's more recent, rapid development. Both an aid-recipient and donor, China continues to grapple with its self-image as a developing country.<sup>11</sup> Attention to China's rapidly rising power often neglects analysis in per capita terms: in 2010, its estimated GDP per capita of US\$7,500 ranked it only 125 in the world.<sup>12</sup> Though this status is not unique to China,<sup>13</sup> it is iteratively mobilised to set China apart from established donors and the West more broadly: proclamations of China's shared history with Africa of Western colonisation, for instance, accompanied by "virtuous commitments against any future hegemonic role".<sup>14</sup> 'South – South co-operation', 'non-interference'

<sup>6</sup> Gill B and Reilly J, 'Sovereignty, intervention and peacekeeping: The view from Beijing', *Survival* (Autumn 2000), vol 42 no 3, p 42.

<sup>7</sup> Woods N, 'Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance', *International Affairs* (2008), vol 84 no 6.

<sup>8</sup> Lum T, Fischer H, Gomez-Granger J and Leland A, *China's foreign aid activities in Africa, Latin America, and Southeast Asia*, (Congressional Research Service, 25 February 2009), p 16.

<sup>9</sup> 'Hu Jintao Bo'ao Forum Speech', *Xinhua News*, 23 April 2004.

<sup>10</sup> Government of the People's Republic of China, *White Paper on China's Peaceful Development* (2011), p 3.

<sup>11</sup> Godement F, European Council on Foreign Relations (ECFR) Asia Centre, 'China debates its global strategy', *China Analysis* (April 2011), p 5, [http://ecfr.eu/page/-/China%20Analysis\\_China%20debates%20its%20global%20strategy\\_April2011.pdf](http://ecfr.eu/page/-/China%20Analysis_China%20debates%20its%20global%20strategy_April2011.pdf), accessed 3 November 2011.

<sup>12</sup> Central Intelligence Agency, 'China', *The World Factbook*, 8 November 2011, [www.cia.gov/library/publications/the-world-factbook/geos/ch.html](http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html), accessed 22 November 2011.

<sup>13</sup> Notably, India too continues to receive foreign aid even as its own aid programmes have become increasingly ambitious. see: Dehejia R S, 'India Journal: Why does India give and receive aid?', *Wall Street Journal*, 8 September 2010, [blogs.wsj.com/indiarealtime/2010/09/08/why-does-india-give-and-receive-aid/](http://blogs.wsj.com/indiarealtime/2010/09/08/why-does-india-give-and-receive-aid/), accessed 9 November 2011.

<sup>14</sup> Cf. "The foreign aid given to the South by the North is a major tool to compensate for the wrongs done by the colonial West in history, and to correct the unfair allocation of resources and unequal distribution of wealth at present." – Huang Ying, 'A Comparative Study of China's Foreign Aid', *Contemporary International Relations* (May/June 2007), p 91; and *op cit* Large, pp 47–48.

and 'non-conditionality' stand at the front and centre of China's approach, presented as "one of humanitarian and development aid plus influence without interference, in contrast to the West's coercive approach of sanctions plus military intervention".<sup>15</sup> Donor-recipient references are largely absent in official and academic discourse on foreign aid, China instead preferring to present its engagement with developing countries in the language of mutual assistance and two-way exchange "between equal friends".<sup>16</sup>

It is important to note that China's approach is more nuanced than one of straightforward opposition to the West: "On the one hand China stresses the distinctiveness of its approach, but on the other hand China is keen to assert that it contributes to, or is part of, global aid efforts, adopting the MDG vocabulary and seeking to be part of international organisations".<sup>17</sup> The notion of a "uniquely unique", or atypical, "Chinese model" is, in this sense, somewhat misleading.<sup>18</sup> Following Chinese academic Yao Yang, it can be argued that the hallmark of China's approach to development and governance is simply "pragmatism" (*wushi zhuyi*): a "commitment to doing whatever it takes to promote growth while maintaining political stability", itself a prerequisite for economic development.<sup>19</sup>

### Foreign policy actors in China

China's engagement with conflict-affected countries involves multiple state bureaucratic bodies and non-state actors. Wielding decision making power, formally participating in the policy formulation process, or simply seeking to influence foreign policy, these actors each bring different, even conflicting, agendas. While overall responsibility for Chinese foreign policy lies with the **State Council**, a diverse range of key actors are involved in the formation and implementation of Beijing's diplomatic relations. The **Communist Party of China's (CPC)** International Department, the Politburo's Leading Group of Foreign Affairs and other party bodies are crucial in policy formation, while **military** and **security agencies** also provide input into policy on peace and security issues. As the "CPC seeks new ideas and new solutions rather than simply relying on sources that justify already-held beliefs", **think tanks** and **academics** too play an increasingly important role in advising on policy direction.<sup>20</sup> Although the **Ministry of Foreign Affairs** holds official responsibility for the implementation of China's diplomatic relations, many understand the **Ministry of Commerce (MOFCOM)** to wield more influence, as it manages economic relations and distributes development assistance. The **Ministry of Finance**, the state-owned **China Development Bank** and the **China Export Import (Exim) Bank** also play important roles in managing China's economic engagement in developing countries. **Provincial governments** have also been increasingly involved in policy formation and implementation: deepening trade links, and playing a key part in implementing China's national aid programmes.<sup>21</sup>

Other internal and external dynamics also influence the processes of policy germination, formalisation and implementation. While most foreign policy decisions are made with little regard for public opinion, **netizens** are an emergent, influential force, with officials increasingly aware that proliferating dissatisfaction on the Internet can give rise to questions over the Party's ability to govern. Beijing's conduct of foreign relations is further constrained by the difficulties inherent in controlling the proliferating Chinese actors operating abroad.<sup>22</sup> **State-owned enterprises** are particularly visible, and have significant influence. Among the most prominent are the main energy state-owned corporations: Sinopec, the China National Petroleum Corporation (CNPC) and the China National Offshore Oil Company (CNOOC). In addition to these commercial actors there are **provincial firms** and **private companies**, all driven by their own profit incentives in often highly competitive markets.

15 Qian J and Wu A, cited in: Tan-Mullins M, Mohan G and Power M, 'Redefining "aid" in the China-Africa context', *Development and Change* (2010), vol 41 no 5, p 861.

16 See: *op cit* Huang Ying; and: 'Is Chinese aid to blame for African corruption?' [*Zhongguo wai yuan cheng suo wei feizhou ruobai de wo ken?*], 6 September 2011, *Huanqiu*, world.huanqiu.com/roll/2011-09/1979464.html, accessed 20 September 2011.

17 *Op cit* Tan-Mullins, Mohan and Power, p 861.

18 Breslin S, 'The "China model" and the global crisis: from Friedrich List to a Chinese mode of governance?', forthcoming in: *International Affairs* (2011), vol 87 no 6.

19 Yao Yang, 'Beijing's motives are often just pragmatic', 16 February 2011, National School of Development at Peking University, en.nsd.edu.cn/article.asp?articleid=7094, accessed 15 November 2011.

20 Raine S, 'Introduction', *China's Africa Challenges*, Adelphi series (2009), vol 49 no 404, p 71.

21 Chen Zhimin and Jian Junbo, *Chinese provinces as foreign policy actors in Africa*, China in Africa Programme Occasional Paper no 22 (South African Institute of International Affairs, January 2009).

22 Dyer G and McGregor R, 'China's champions: why state ownership is no longer proving a dead hand', *FT.com*, 16 March 2008, www.gmpolicy.net/china/readings/FT%20article%20on%20SOE%27s.pdf, accessed 15 November 2011.

## 2.3 Foreign policy principles

This emphasis on ‘political stability’ provides insight into China’s cherished foreign policy principle of non-interference. Domestically, political stability is shorthand for ‘regime stability’ – a strong state, and strong government – and measured by a top-down capacity to maintain order over a given territory. This precedence of internal stability and territorial integrity extends to China’s bilateral engagements. Beijing maintains that national governments alone should focus on and respond to matters related to domestic political, economic or social affairs – including internal conflict. China’s own history and its sensitivity on issues such as Taiwan and Tibet heavily inform this view on the proper conduct of international relations. Official and academic defences of the non-interference principle also invoke a historical ‘South – South solidarity’, with and alongside a shared sense of unjust treatment by the West, including a history of colonisation. Finally, China’s refusal to attach political conditions to bilateral aid and development projects reinforces China’s projected image as a pragmatic international player,<sup>23</sup> its concerns simultaneously purely commercial and yet humanitarian.

The principle of non-interference is likely a genuine, deeply-held belief among many Chinese officials and academics. It is, however, a policy that has also served China’s strategic interests, evidenced in its response to recent coups in the Central African Republic (2003), Mauritania (2008), Guinea (2008), Madagascar (2009) and Niger (2010). While growing Chinese interest had been registered in all five countries prior to their respective political upheavals, a pragmatic hands-off response “allowed China to continue to consolidate its position under the new strongmen”.<sup>24</sup> In this regard, non-interference serves as a means through which China can maintain stable relations with host governments, usually with an eye to ensuring that economic co-operation continues unaffected by political change. Critics – both in the West and the developing world<sup>25</sup> – point to China’s relations with these and other ‘rogue regimes’ (Burma/ Myanmar and Zimbabwe, for example) to argue that the non-interference principle undermines good governance, democratisation and human rights.<sup>26</sup> Chinese academic and policy elites counter that human rights is “first and foremost a right to subsistence”,<sup>27</sup> with socio-economic rights taking precedence over abstract political rights. Furthermore, it is argued that political rights cannot be imposed from the outside; instead, sovereignty is to be protected and autonomy honoured to allow for indigenous development strategies.

Some critics go further to suggest that the non-interference principle is a cover to contain democracy or to export an illiberal model of development, summed up as the ‘Beijing Consensus’. There is, however, no evidence – for now – to suggest this. Chinese officials and academics have repeatedly stressed that each country must choose its own path, the key message being to “start from national conditions, and take your own road”.<sup>28</sup> As Premier Wen Jiabao has argued in relation to Sino-African relations, “China supports the development of democracy and the rule of law in Africa. But we never impose our will on others. We believe that people in every region and country have the right and ability to properly handle their own affairs.”<sup>29</sup>

Ultimately, China is not alone in approaching relations through the prism of non-interference. Even established democracies, such as Brazil and India, frequently make reference to the imperative of sovereignty and non-interference. In any event, there is

<sup>23</sup> *Op cit* Tan-Mullins, Mohan and Power, p 865.

<sup>24</sup> Holslag J and van Hoeymissen S, eds, *The limits of socialization: the search for EU-China cooperation towards security challenges in Africa*, (Brussels Institute of Contemporary China Studies, 30 May 2010), p 9.

<sup>25</sup> Taylor I, *China’s new role in Africa*, (Lynne Rienner, 2009), pp 89–112.

<sup>26</sup> see for example: Naim M, ‘Rogue aid’, *Foreign Policy*, (1 March 2007), [www.foreignpolicy.com/articles/2007/02/14/rogue\\_aid](http://www.foreignpolicy.com/articles/2007/02/14/rogue_aid), accessed 22 November 2011.

<sup>27</sup> Li Zhaoxing’s press conference at the 5th Session of the 10th National People’s Congress, [www.fmprc.gov.cn/eng/zxxx/t303723.htm#](http://www.fmprc.gov.cn/eng/zxxx/t303723.htm#), accessed 22 November 2011.

<sup>28</sup> Shen Li and Bai Qunying, ‘Jiedu zhongguo jingjimoshi’ [‘Analysis of China’s economic model’], *Guangming Ribao*, 15 May 2006.

<sup>29</sup> It is worth noting, on this point, that China maintains close relations with both democracies and authoritarian states. Wen Jiabao, cited in Huang Zhaoyu and Zhao Jinfu, ‘China’s relations with Africa: Building a harmonious world’, *Contemporary International Relations* (2009), vol 19 no 1, pp 65–78.

no international consensus on global rules for how donor countries should act where issues surrounding human rights, democracy and recipient country corruption arise.<sup>30</sup>

While criticism of China in this regard is somewhat misplaced, there are clearly tensions between the principle of non-interference and Chinese proclamations to uphold peace and stability. Formal non-interference in the internal affairs of recipient countries may work to ensure the stability of bilateral relations, but it is no guarantee of internal stability in countries at risk from conflict. Indeed, it appears policy makers in Beijing are increasingly realising that “attempts to separate politics and business do not generally succeed”.<sup>31</sup>

These entanglements threw up a complex set of challenges when, in 2011, a political uprising in Libya turned violent, eventually unseating leader Muammar Gaddafi. Drawing into focus Beijing's policy stance on the rebel leadership reveals the extent to which China's principled respect for formal sovereignty was tested. Chinese interests were clearly at stake: China sourced some three percent of its oil imports from Libya,<sup>32</sup> some 30,000 Chinese citizens worked there, and 75 Chinese companies were involved in contracts worth US\$18.8 billion, representing in 2009 some 4.6 percent of China's total global project turnover.<sup>33</sup> Despite initial, sharp criticism of the North Atlantic Treaty Organization's (NATO) intervention – which, Beijing argued, overstepped the original UN resolution to establish a ‘no-fly zone’ and protect civilians – China ultimately extended contact with the Libyan transitional government authorities soon after the launch of NATO military action. It was evident when compared to other global powers, however, that China was slow to recognise the National Transitional Council (NTC) as a legitimate representative of the Libyan people. Chinese policy-makers will no doubt again be faced with a similarly precarious balance: protecting China's interests overseas while at the same time maintaining a steadfast commitment to the principle of state sovereignty.

Further complicating their calculations are international pressures, cloaked in the language of responsibility, for China to take a more proactive role in countries affected by conflict. A more carefully calibrated foreign and security policy stance is imperative, as academic Jiang Hengkun points out: “we insist on the non-interference principle, but under certain circumstances we probably can put some conditions before the principle to protect our interests. In this, the choice of the local population needs to be taken into account.”<sup>34</sup>

There are suggestions that China's approach to security and stability is shifting, if only cautiously and gradually. As observed, these shifts have been prompted by “a complex amalgam” of factors: by a growing recognition in Beijing of the value of aligning its national interests with international norms and making tangible contributions to international security, but also by China's increasing socialisation and interaction with the international community.<sup>35</sup> Official pronouncements gesture towards a broad acceptance that China will promote conflict resolution through negotiations in stating, for instance, that “China calls for settling disputes and conflicts through talks and consultation and by seeking common ground while putting aside differences”.<sup>36</sup> China may have played the role of mediator, for example, in pushing partner regimes into talks in Rwanda and the Democratic Republic of the Congo (DRC).<sup>37</sup> The broader policy community, too, has increasingly called for Chinese foreign and security policy “to be defined beyond material power interests”, and to “become more global in nature”.<sup>38</sup>

30 Brautigam D, *China, Africa and the international aid architecture*, Working Paper no 107 (Africa Development Bank, 2010).

31 *Op cit* Taylor, p 111.

32 ‘Relying on Libya’ in *The Economist Daily Chart*, 25 February 2011, [www.economist.com/blogs/dailychart/2011/02/libyan\\_oil](http://www.economist.com/blogs/dailychart/2011/02/libyan_oil), accessed 22 November 2011.

33 ‘Premature for Chinese firms to go back to Libya’, *China Daily* (2011), 30 August 2011; and ‘Chinese investments face low risk from Libyan rebels’, *China Daily* (2011), 4 September 2011.

34 ‘Respecting Africa's decisions will benefit China’, *Global Times*, 3 November 2011, [www.globaltimes.cn/NEWS/tabid/99/ID/682394/categoryId/76/Respecting-Africas-decisions-will-benefit-China.aspx](http://www.globaltimes.cn/NEWS/tabid/99/ID/682394/categoryId/76/Respecting-Africas-decisions-will-benefit-China.aspx), accessed 11 November 2011.

35 Huang C, ‘Principles and praxis of China's peacekeeping’, *International Peacekeeping* (June 2011), vol 18 no 3, pp 257–270.

36 *Op cit* Government of the People's Republic of China, p 11.

37 Saferworld, *China's growing role in African peace and security* (Saferworld, 2011).

38 *Op cit* Huang, pp 260–261.



Yet, *ad hoc* foreign policy behaviour aside, there is little concrete evidence to substantiate a real shift. Capacity to act as a conflict manager overseas is limited; China has little experience of doing so. Willingness to do so, moreover, is equally restricted: some Chinese policy and academic elites assert that the government is ultimately little concerned with events abroad not directly linked or relevant to the twin political priorities: domestic economic growth and the continued legitimacy of the CPC.<sup>39</sup> At least for now, non-interference, stable regimes and stable relations that are conducive to maintaining China's global economic engagement, will retain precedence in guiding Beijing's diplomatic relations with conflict-affected states.

## 2.4 Military engagement

China's military co-operation with many developing countries – modest compared to its wider economic engagements – is facilitated through high-level military exchanges and defence attaches based in embassies. Primarily used to strengthen political ties, military co-operation is also a means through which China can help host governments maintain stability and security – or indeed, strengthen their hold on power.

### China's military co-operation

"In adherence to the principles of being non-aligned, non-confrontational, and not directed against any third party, the PLA has held joint exercises and training with other countries pursuant to the guidelines of mutual benefit, equality and reciprocity. As of December 2010, the PLA has held 44 joint military and training exercises with foreign troops. This is conducive to promoting mutual trust and cooperation, drawing on useful lessons, and accelerating the PLA's modernization."

Information Office of the State Council of the People's Republic of China, 31 March 2011, White Paper *China's National Defense in 2010*

The content of military co-operation varies from country to country, but includes financial assistance for military infrastructure, demining support and training for armed forces, including for peacekeeping operations. Training usually occurs in China, either on a regular or more *ad hoc* basis. While less common, the People's Liberation Army (PLA) also sends trainers overseas. Another dimension of military co-operation is through joint military exercises.

Military co-operation is upheld in foreign policy pronouncements as a tangible example of China's growing sense of responsibility on the global stage. The 2010 White Paper on *China's National Defense* is emphatic, for instance, on the importance of "connecting the fundamental interests of the Chinese people and the common interests of the peoples around the globe".<sup>40</sup> Established on the principle of "mutual respect for core interests",<sup>41</sup> however, military co-operation is never conditional on political or human rights issues.<sup>42</sup> Given the secrecy surrounding military relations with other countries, real difficulties arise in assessing the impact they have on peace and security dynamics in countries facing internal instability.

## 2.5 Arms transfers

Chinese arms transfers also reveal tensions between Beijing's stated international responsibilities, its foreign policy principles and its commercial and developmental prerogatives. The paucity of reliable data and information make it difficult to provide a completely accurate and comprehensive picture of China's arms transfers to conflict-

<sup>39</sup> Saferworld interview, Shanghai, May 2011.

<sup>40</sup> Information Office of the State Council of the People's Republic of China, *White Paper on China's National Defense (2010)*, Preface.

<sup>41</sup> *Ibid* Preface.

<sup>42</sup> *Op cit* Saferworld, 'Chapter Five: Military co-operation'.

affected states. It is clear nonetheless, that China's arms exports are growing. In 2000, China was the world's eighth largest supplier; in 2010, it was the fourth largest.<sup>43</sup> Between 2006 and 2009, over 98 percent of its arms exports went to the developing world.<sup>44</sup> From 2005 to 2009, most of China's arms went to South Asia (57 percent), the Middle East (21 percent) and Africa (12 percent).<sup>45</sup> According to some estimates, China was the single largest arms exporter to sub-Saharan Africa during this period, providing a wide range of conventional weapons to a large number of states.<sup>46</sup>

Given the secrecy surrounding arms transfers, it is unclear which actors are directly involved in making deals. The Government has authorised 12 Chinese companies to export arms, and there are five main authorities involved in licensing. While ultimately under the supervision of the State Council, the PLA has close ties to the defence industry and plays a role in authorisations. Arms exports appear to be an area of policy formation and implementation where various actors play a role, and not always in a co-ordinated or coherent manner.<sup>47</sup>

### China's arms export controls

The primary piece of legislation governing China's arms export trade is its *Regulations of the People's Republic of China on the Administration of Arms Exports* (1997), updated in 2002 and accompanied by the adoption of a control list of items subject to legislation. Additionally, three basic principles guide Chinese arms export licensing policy. Firstly, arms exports must be meant for the importing state's legitimate self-defence. Secondly, the export must not impair peace, safety or stability in the recipient's region or globally. Thirdly, exports should not be used as a means of interfering in the internal affairs of the recipient country. Further to these principles, arms export applications will be denied if: "they are against the international conventions China has acceded to, or the international commitments China has made; they jeopardize China's national security and social interests directly or indirectly; the recipient party is under a UNSC military embargo, or is a non-state actor". Finally, Chinese policy does not allow the unauthorised re-export of arms.

Ministry of Foreign Affairs of the People's Republic of China (2010) *National Report of the People's Republic of China on the Implementation of the United Nations Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, and of the International Instrument to Enable States to Identify and Trace, in a Timely and Reliable Manner, Illicit Small Arms and Light Weapons*

China is a particularly large supplier of small arms and light weapons (SALW) and is a source of affordable weapons for many conflict-affected states – including states that the West refuses to trade with. Developing countries are seen as a growing market for China's state-owned but commercially-focused defence industry, seeking to modernise and develop itself after serious decline in the 1990s. Arms transfers also serve to cement political ties, especially with regimes that are otherwise isolated. Lastly, providing arms to allies facing internal rebellions or other security challenges is seen as a means to extend support in their efforts to enforce stability. For example, Chinese academics point to Chinese arms exports to Sri Lanka as playing a positive role in allowing the Government to enforce peace.<sup>48</sup> However, some of China's exports have been the focus of heavy criticism on several counts, including the fuelling of ongoing conflicts, human rights violations, the undermining of international sanctions and the continued proliferation of SALW in regions of instability.<sup>49</sup> Where Chinese arms have ended up and how they have been used, has on occasion been a source of embarrassment for Chinese diplomats charged with protecting the rising power's image.

Chinese policy makers and academics are increasingly aware of these problems and contradictions and are wary of international condemnation. Besides seeking to codify

<sup>43</sup> SIPRI Arms Transfers Database (2011).

<sup>44</sup> Grimmert, R, *Conventional arms transfers to developing nations, 2002–2009* (United States Congressional Research Service, 2010).

<sup>45</sup> *SIPRI Yearbook 2010: Armaments, Disarmament and International Security* (SIPRI, 2010).

<sup>46</sup> *Op cit* Grimmert.

<sup>47</sup> For example, responding to accusations that state-owned defence companies offered US\$200 million of weapons to Libyan officials after UN sanctions had already been applied on Libya, the Ministry of Foreign Affairs stated that the Government had no knowledge of the meetings. See: 'China denies knowledge of Libya arms talks', *Al Jazeera News*, 5 September 2011.

<sup>48</sup> Saferworld interview, Shanghai, May 2011.

<sup>49</sup> Amnesty International, *China: Sustaining Conflict and Human Rights Abuses* (Amnesty International, 2006).

in law its arms export controls, China has committed itself to assisting African states with SALW control programmes, though without visible progress to date. It has also sought to be seen as playing an active role in UN initiatives such as the UN Programme of Action on SALW and by introducing new rules on the marking of weapons under the UN Firearms Protocol and International Tracing Instrument. While remaining sceptical of its objectives and proposed criteria, China has stated its support for the creation of an international and legally-binding Arms Trade Treaty (ATT).<sup>50</sup>

## 2.6 China at the international level

Official and academic endorsement of a multipolar world order – a vision consistent with the sovereign equality of states and mutual non-interference – is given institutional shape in broad support for the UN.<sup>51</sup> China's White Paper on Peaceful Development specifies that "it is important to give full play to the UN's role in maintaining world peace and security and establish a fair and effective mechanism for upholding common security".<sup>52</sup> Presently, most of China's diplomatic engagement on peace and security takes place at the UNSC. Since regaining China's UN seat in 1971, Beijing has slowly, but progressively, become more engaged at the UNSC.

However, China maintains that international intervention in a state's internal affairs, especially through the use of force under Chapter IV of the UN Charter, is only legitimate if it has both UNSC authorisation and host state consent (*dangshi guo*) – in this way distinguishing between illegitimate interference (*gan she*) and legitimate intervention (*gan yu*). More broadly, Beijing has argued that many internal crises fall outside of the UNSC's mandate. Officials have also made clear their scepticism regarding the effectiveness of sanctions and other tools of coercion, arguing these simply exacerbate tensions. As part of South – South co-operation, China has sought to present itself as a representative of developing countries, often voting on contentious issues in line with the positions of regional groupings like the African Union (AU) and the Arab League. As part of a principled adherence to non-interference, on the other hand, Beijing has consistently abstained from voting on sanctions and the use of force under UN auspices. Ultimately pragmatic, abstention signals Chinese opposition to interference in the internal affairs of sovereign states, while allowing Beijing to avoid alienating allies and the wider international community.<sup>53</sup>

Critics argue that China has exploited its position at the UNSC to protect partner regimes and its economic interests in countries facing internal instability, compromising efforts to enforce or reinstate stability. Between 2004 and 2007, China consistently abstained from or weakened resolutions on the Darfur issue, including those related to sanctions and the deployment of UN peacekeepers. In 2007, however, China voted for the deployment of a joint UN-AU force in Darfur after Khartoum gave its consent – consent that was, to a large degree, the result of Chinese diplomatic pressure. This development might have signified that Beijing was beginning to accept greater scope for UN intervention, though ultimately China adhered to a principled stance on non-interference. China's position on intervention in Libya in 2011 hinted at greater flexibility: voting in favour of Resolution 1970, which imposed an arms embargo against Libya; a freezing of Libyan funds and assets; a referral to the International Criminal Court (ICC) to investigate crimes against humanity; and a clear reference to the Responsibility to Protect (R2P) principles. However, China abstained on further international action under Resolution 1973 and later joined Russia, India, Brazil and

<sup>50</sup> Statement by the Chinese Delegation at the *Third Biennial Meeting of States to Consider the Implementation of the Programme of Action to Prevent, Combat and Eradicate the Illicit Trade of Small Arms and Light Weapons in All its Aspects*, New York, July 2008.

<sup>51</sup> Ministry of Foreign Affairs of the People's Republic of China, 'China's views on the trend towards multipolarization', 19 September 2003, [www.mfa.gov.cn/eng/wjbx/zjg/zcyjs/xgxw/t24937.htm](http://www.mfa.gov.cn/eng/wjbx/zjg/zcyjs/xgxw/t24937.htm) accessed 20 October 2011.

<sup>52</sup> *Op cit* Government of the People's Republic of China, p. 13.

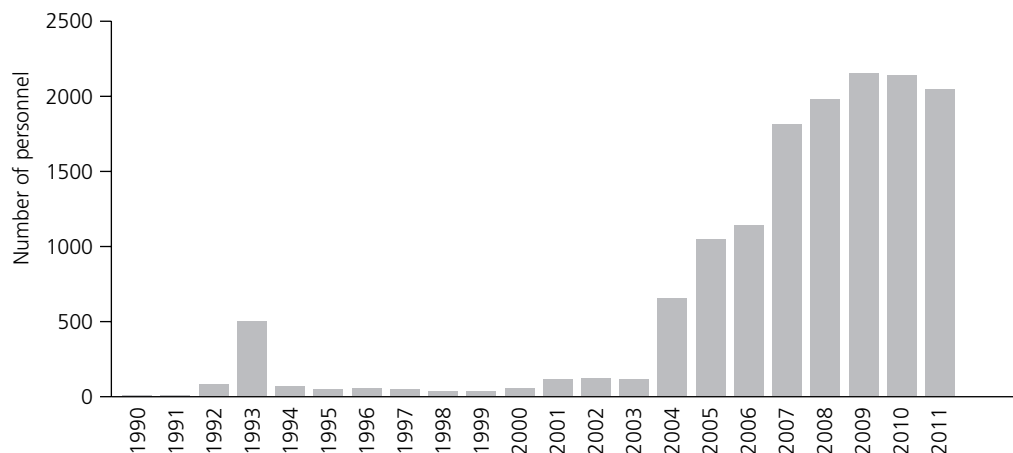
<sup>53</sup> Shichor Y, 'China's voting behaviour in the UN Security Council', *China Brief*, 9 May 2007, vol 6 no 18, [www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=3976](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=3976), accessed 9 November 2011.

South Africa in criticising NATO military action. Beijing clearly remains sceptical on the lengths humanitarian intervention and the use of force should go.

While China has endorsed the R2P principle, its interpretation of the implementation of the R2P remains qualified and cautious. Insistent that the R2P should not be mis-used, Beijing has continually emphasised that civilian security is the primary responsibility of states and that the will of host governments should always be respected.<sup>54</sup> Above all, China has argued that forcible intervention should be avoided and only used as a very last resort, with conflict prevention – rather than crisis response – the central objective of R2P. China also supported the principles behind the ICC, although it refused to endorse the Rome Statute that activated it. Beijing has since remained vocally critical of the timing of some of the ICC's indictments, arguing that they undermine peace negotiations or local efforts at reconciliation.

One area in which China has become especially active, however, is UN peacekeeping operations. Beijing's position on peacekeeping missions has evolved from outright rejection in the 1970s, through a gradual change in attitude in the 1980s and 1990s, to active engagement from 1999. This trajectory "demonstrates just how far its foreign policy in this regard has shifted and changed in a relatively short period of time".<sup>55</sup> At present, China ranks as the fifteenth largest troop-contributing country in the world, is the largest troop contributor among the five permanent members of the UNSC and ranks seventh amongst the top providers of financial contributions to UN peacekeeping operations.<sup>56</sup> China's stance on the use of force has become more flexible and less conservative, with some Chinese officials arguing that peacekeepers need to intervene "earlier, faster and more forcefully".<sup>57</sup>

#### Annual contribution of peacekeeping personnel from China



Mariani B, Starting to build? China's role in UN peacekeeping operations (Saferworld, October 2011), p 2.

Still, China has continued to insist, before supporting peacekeeping operations, on host-state consent, impartiality and the non-use of force except in self-defence.<sup>58</sup> These remain areas of contention between China and other members of the international community. There are other limits to the extent to which China participates in peacekeeping. Chinese peacekeeping deployments have typically comprised engineering battalions and medical units and have also been involved in policing and the training of local police forces. While these contributions have been widely welcomed, China

<sup>54</sup> Teitt S, 'Strengthening China's role in protecting populations from mass atrocity crimes', paper presented at the *International Studies Association 2009 Conference*, 15 February 2009.

<sup>55</sup> *Op cit* Huang, p 258.

<sup>56</sup> China's increased involvement in peacekeeping has been mirrored by an equally dramatic increase in the number of Chinese peacekeepers participating in peacekeeping missions. Until 1989, China had no peacekeepers. As of August 2011, 1,925 Chinese peacekeepers were serving on 12 UN peacekeeping operations. He Yin, *China's changing policy on UN peacekeeping operations* (Institute for Security and Development Policy, July 2007); Position Paper of the People's Republic of China at the 66th Session of the United Nations General Assembly, 9 September 2011; United Nations Peace Operations, *Year in Review* (2010), [www.un.org/en/peacekeeping/publications/yir/yir2010.pdf](http://www.un.org/en/peacekeeping/publications/yir/yir2010.pdf), accessed 13 September 2011.

<sup>57</sup> Zhang Yishan, Chinese Ambassador to the UN, cited in: Gill B and Huang Chin-Hao, *China's expanding role in peacebuilding: Prospects and policy implications*, Policy Paper no 25 (SIPRI, 2009), p 11.

<sup>58</sup> *Op cit* Position Paper of the People's Republic of China (2011).

has yet to contribute combat troops to peacekeeping missions, though this will likely change in the near future.<sup>59</sup>

One area of peace operations where China is yet to play a significant role is in peacebuilding, i.e. the use of a wider spectrum of security, civilian, administrative, political, humanitarian, human rights and economic tools to build the foundations for longer term peace in post-conflict countries. In the past, Beijing has shown great reluctance towards multilateral missions that heavily interfere in what it considers to be the domestic and sovereign affairs of states.<sup>60</sup> Today, in an area of great interest for many Chinese scholars and policy makers, it is clear that China is set to play a larger role alongside more traditional international actors in the future.<sup>61</sup> The expression of Chinese support for the strengthening of the UN's peacebuilding capacity and "better co-ordination and integration of all UN peacebuilding endeavours" bears witness to this trend, as does China's contribution, from 2006 to 2011, of US\$4.0 million to the UN Peacebuilding Fund.<sup>62</sup>

Underlying tensions remain, however, between the non-interference principle and Beijing's desire for recognition as a responsible global power. In 2001, China stated at the UN that it recognised that "peacekeeping operations, conflict prevention and peacebuilding activities had become increasingly intertwined",<sup>63</sup> but stressed that host states were to play the dominant role. Again, in 2005, President Hu publicly and officially embraced a "comprehensive strategy featuring prevention, peace restoration, peacekeeping and post-conflict reconstruction".<sup>64</sup> However, he stressed that the UN should refrain from "imposing a predetermined model of governance".<sup>65</sup> The problem, argues Zhao Lei, is that China and Western countries have different understandings of what constitutes peacebuilding:

*"The main thought of the Western countries' involvement in peace building is liberal democracy ... under special conditions, the international community can use active humanitarian interventions to promote democratic systems. After the end of conflicts, those measures include the amendment of the constitution, holding a general election, establishing a multi-party system, fostering the opposition party and developing civil society. These are always the panacea used by Western countries to heal conflicts. However, China believes every country has its own priorities and to promote democratic system immediately after the end of conflicts is not necessarily a must choice. Instead, measures such as reducing poverty and resolving unemployment are usually the most important tasks."*<sup>66</sup>

Shen Guofang, China's Deputy Permanent Representative at the UN argues that because poverty leads to instability, the longer term objectives of peacebuilding must be "the eradication of poverty, the development of the economy as well as a peaceful and rewarding life for people in post-conflict countries and regions".<sup>67</sup> Chinese approaches take a heavily state-centric view, namely that the "focus of work should be on enhancing the concerned country's capacity building instead of weakening its leadership".<sup>68</sup> This implies direct government-to-government support to strengthen the state. Such an approach, emphasising economic growth and a strong state, is shared with many Western states. However, divergent views on the need for political

<sup>59</sup> Hirono M and Lanteigne M, 'China and UN peacekeeping', *International Peacekeeping* (2010), vol 18 no 3, p 245.

<sup>60</sup> Stahle S, 'China's shifting attitude towards United Nations peacekeeping operations', in: *China Quarterly* (2008), vol 195, pp 631–655.

<sup>61</sup> Mariani B, *Starting to build? China's role in UN peacekeeping operations* (Saferworld, October 2011).

<sup>62</sup> Statement by Ambassador Liu Zhenmin at Security Council Open Debate on Post-conflict Peacebuilding, New York, 22 July 2009; 'Contributions', United Nations Peacebuilding Fund, [www.unpbf.org/donors/contributions/](http://www.unpbf.org/donors/contributions/), accessed 5 December 2011.

<sup>63</sup> Chinese UN delegation, cited in: *op cit* Stahle (2008), p 650.

<sup>64</sup> Cited in: *ibid* p 650.

<sup>65</sup> *Ibid.*

<sup>66</sup> Zhao Lei, 'China's international peace involvement strategy and anti-piracy efforts', Paper presented to the *China-Africa Civil Society Forum on Peace and Development* Beijing, 2–4 June 2010, p 3.

<sup>67</sup> Zhao Lei, 'Two pillars of China's global peace engagement strategy: UN peacekeeping operations and international peacebuilding operations', *International Peacekeeping* (2011), vol 18 no 3, pp 344–362.

<sup>68</sup> *Op cit* Zhao Lei (2010), p 3.

reforms have led to tensions between China and other members of the international community, particularly where state actors in the conflict-affected countries in question are themselves parties to the conflict, and/or deploy heavy-handed methods of political control.

## 2.7 International co-operation outside the UN

It is recognised that there are obvious opportunities outside of UN auspices for co-operation on security and development in conflict-affected states. Official discourse in China makes rhetorical reference to the importance of co-operation with other states and there is a growing recognition that “security is not isolated, zero-sum and absolute”.<sup>69</sup> This is especially the case with non-traditional security threats. China’s naval deployment, as part of multilateral efforts to combat piracy off the coast of Somalia, is in part motivated by geopolitics and the protection of national interests. Nonetheless, Chinese scholars have argued that it also displays China’s willingness to share the burden of upholding international peace and security.<sup>70</sup>

In seeking recognition as a responsible global power, China does co-operate with other states on security and development in conflict-affected states, but the extent of its collaboration must be qualified. Where there has been broad international consensus on development and stability-promoting norms and activities, China has typically lent its support. At the international level, China is a signatory of the 2005 ‘Paris Declaration on Aid Effectiveness’ and the 2008 ‘Accra Agenda for Action’. It has also attended meetings at the OECD’s ‘International Dialogue on Peacebuilding and Statebuilding’.<sup>71</sup> A joint UK-PLA peacekeeping project has also proven limited, focusing primarily on English-language training. Some co-operation is also evidenced in development finance. China has made several agreements with multilateral institutions such as the Asian Development Bank, the African Development Bank and the World Bank,<sup>72</sup> and has worked with UN organisations such as the Food and Agriculture Organisation.<sup>73</sup> At country level, China has also attended some consultative group meetings of donors, but these generally appear to be exceptions.<sup>74</sup>

Ultimately, even rudimentary information sharing is exceptional and there is often little substantive contact between Chinese officials and those from other governments and aid agencies. It has been observed for instance, that China’s hydropower projects in the upper Mekong delta have typically been developed unilaterally, despite the significant implications for regional security.<sup>75</sup> In Africa meanwhile, both the European Union (EU) and United States (US) have proposed closer co-operation with China, but these proposals remain “at the conceptual stage”, unfulfilled in practice.<sup>76</sup> A host of factors undermine these overtures to co-operation. Firstly, Chinese officials regularly and publicly affirm the UN as the appropriate forum for co-operation. Moreover,

69 Wei Zhonglei and Fu Yu, ‘China’s foreign strategy: Constantly deepening and broadening’, *Contemporary International Relations* (March/April 2010), vol 20 no 2, p 83.

70 *Op cit* Zhao Lei (2010).

71 Additionally, China participates in a China-DAC study group together with other major donor agencies. *op cit* Brautigam (2010), pp 39–40.

72 China contributed US\$30 million to the Asia Development Bank’s (ADB) Asian Development Front in 2005, and with the ADB also set up a US\$20 million People’s Republic of China Regional Cooperation and Poverty Reduction Fund. In 2007, China also pledged to contribute to the World Bank’s concessional loan operations (IDA). A memorandum of understanding (MoU) signed between the World Bank and the China Eximbank in July 2007 was intended to lead to “joint action” – though this has so far shown little in the way of concrete results. Bilateral agreement on technical co-operation with the African Development Bank (AfDB), setting up a China Trust Fund of US\$2.0 million; the AfDB also has two MoUs with Exim Bank and China Development Bank. Exim Bank has a line of credit to the Africa Exim Bank, and China Development Bank to both the East African Development Bank and the Eastern and Southern African Trade and Development Bank.

73 China contributed 514 experts and technicians to Nigeria under the first five-year phase of the Food and Agriculture Organization tripartite programme (2003–07), as well as providing teams to Sierra Leone. see: *op cit* Brautigam (2010), pp 39–40.

74 For example, China was part of the donor group called the International Committee for the Accompaniment of the Transition in the DRC.

75 Goh E, *China in the Mekong River Basin: the regional security implications of resource development on the Lancang Jiang*, Working Paper Series No 69, (Institute of Defence and Strategic Studies Singapore, July 2004).

76 Wojna B, ‘Trilateral relations between the EU, China and Africa: the European perspective’ in *China-Europe-Africa cooperation: chances and challenges. Proceedings of the 6th Shanghai Workshop on Global Governance, March 14–15, 2008* (Shanghai Institutes for International Studies/Friedrich-Ebert-Stiftung, 2008), p 31.

Beijing remains reluctant to associate itself with traditional Western powers, stating its scepticism as to the latter's underlying intentions and the actual benefits of co-operation. Lastly, and perhaps most importantly, Beijing frequently reiterates that host states must consent to co-operation. Unsurprisingly, losing the ability to play donors off against one another is not something that host states have been quick to agree to.

Chinese scholars emphasise, however, that “new progress” has been made in China's co-ordination and co-operation with developing countries through regional groupings;<sup>77</sup> for example, with the Association of Southeast Asian Nations (ASEAN) and the South Asian Association for Regional Cooperation (SAARC). China has expressed the potential for the Shanghai Cooperation Organisation (SCO) to “strengthen security co-operation with Central Asian countries in order to fight terrorism and drug trafficking, ensure the security of energy supplies, and guarantee the safety of Chinese nationals working in Central Asia”, though the organisation has remained somewhat ineffectual in this regard.<sup>78</sup> While the focus on internal security issues within these groupings is often limited, China is increasingly engaging security issues with the AU and, to a lesser degree, sub-regional organisations in Africa, also making pledges to assist regional security bodies.<sup>79</sup> Financially, this support has largely been symbolic, offering rhetorical reinforcement for Beijing's desire to play a responsible and constructive role. The Forum on China-Africa Cooperation (FOCAC) has been a venue for discussion on peace and security issues and commitments from China for assistance, but these have generally focused on the implementation of bilateral initiatives with individual countries or with the AU. Ultimately – tentative multilateral engagements aside – Chinese involvement in the security and development of conflict-affected states has remained primarily at a bilateral level, emphasising “co-operation and mutual support between developing countries.”<sup>80</sup>

## 2.8 Aid

Although matters surrounding internal security and stability in developing countries have been largely neglected in Chinese academic and policy analyses, links are frequently drawn between under-development and conflict. Shen Guofang's comments at the UN on the need for poverty-eradication to be at the centre of peacebuilding are emblematic in this regard. The security – development nexus is also addressed in academic circles: Chinese scholars pointed to economic stagnation and poverty as a major cause of instability in Kyrgyzstan in 2010, for instance.<sup>81</sup> Other Chinese academics suggest that the belief that reducing poverty reduces conflict is heavily informed by China's experience with its own restive frontier regions.<sup>82</sup> China's growing trade, investment and economic co-operation with the rest of the world, including conflict-affected states, officials and academics assert, is one means through which China is promoting peace. Another way is through the provision of aid.

Current thinking in China on foreign aid policy, it is regularly argued, continues to be guided by Zhou Enlai's ‘Eight Principles for Economic Aid and Technical Assistance to Other Countries’ – testament to the continued importance given to non-conditionality and recipient country sovereignty in Chinese aid provision. Chinese aid is rhetorically packaged as a form of mutual economic partnership. As one scholar explains, China, as an aid recipient, “rejects any aid provided with the intention of the supplier interfering

<sup>77</sup> *Op cit* Wei Zhonglei and Fu Yu, p 91.

<sup>78</sup> Doyon J, ‘Strengthening the SCO’, *The new great game in Central Asia* (European Council on Foreign Relations [ECFR], 2011).

<sup>79</sup> For example: China has provided the AU with US\$1.8 million for its peacekeeping mission in Sudan and given smaller amounts of money to the AU mission in Somalia and West Africa's sub-regional peace fund; Van Hoeymissen S, ‘China's support to Africa's regional security architecture: Helping Africa to settle conflicts and keep the peace?’, in: ‘New avenues for Sino-African partnership & co-operation – China & African regional’, *The China Monitor* (March 2010), issue 49, p 13.

<sup>80</sup> Huang Ying, ‘A comparative study of China's foreign aid’, *Contemporary International Relations* (May/June 2007), p 81.

<sup>81</sup> Bassan M, ‘Addressing instability in Kyrgyzstan’, *The new great game in Central Asia* (ECFR, September 2011).

<sup>82</sup> Jiang H, ‘China and the Darfur crisis: Chinese perspectives’, Paper presented to the *China-Africa Civil Society Forum on Peace and Development*, Beijing, 2–4 June 2010.

in its internal affairs”<sup>83</sup> Concurrently, it is emphasised that China can only provide limited aid within its own capacity. It is stressed alongside this that economic and social development must come – as in China’s own experience – from within a country.<sup>84</sup> Distinctively shaped and circumscribed as such, China’s foreign aid is presented as “suited both to China’s actual conditions and the needs of the recipient countries”<sup>85</sup>

#### **China’s ‘Eight Principles for Economic Aid and Technical Assistance to Other Countries’ (January 1964)**

1. The Chinese Government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual.
2. In providing aid to other countries, the Chinese Government strictly respects the sovereignty of recipient countries, and never attaches any conditions or asks for any privileges.
3. China provides economic aid in the form of interest-free or low-interest loans, and extends the time limit for the repayment when necessary so as to lighten the burden on recipient countries as far as possible.
4. In providing aid to other countries, the purpose of the Chinese Government is not to make recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.
5. The Chinese Government does its best to help recipient countries complete projects which require less investment but yield quicker results, so that the latter may increase their income and accumulate capital.
6. The Chinese Government provides the best-quality equipment and materials manufactured by China at international market prices. If the equipment and materials provided by the Chinese Government are not up to the agreed specifications and quality, the Chinese Government undertakes to replace them or refund the payment.
7. In giving any particular technical assistance, the Chinese Government will see to it that the personnel of the recipient country fully master the technology.
8. The experts dispatched by China to help in construction in recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

Information Office of the State Council of the People’s Republic of China (2011) *China’s Foreign Aid Whitepaper*

Though context-specific and far from static, Chinese aid modalities differ from those of established donors in several key ways. Most obviously, China does not use OECD DAC definitions of aid;<sup>86</sup> there is in fact some disagreement among observers as to whether China even has an official definition of aid.<sup>87</sup> Estimates typically paint a very misleading picture of aid flows, since “much of what is believed by outside observers to be ‘Chinese aid’ is actually a market-rate line of credit”<sup>88</sup> Chinese export credits, or commercially focused loans, are often counted as aid. To be sure, China is a very significant source of *finance* for developing country governments – but only a small portion of this is actually *aid* as understood by traditional donors. Difficulties in assessment are further compounded by a profound lack of transparency, particularly surrounding aid flows at country level. Aid figures remain “a sensitive issue in China”: firstly, for their potential conflict with principles of mutual benefit in South – South co-operation; secondly, for the persisting and pressing need for finance to be spent at home rather than overseas.<sup>89</sup> Because of this, calculations of China’s aid are often inaccurate.

<sup>83</sup> Jin Ling, ‘Aid to Africa: What can the EU and China learn from each other?’, Occasional Paper No 56 (South African Institute of International Affairs, March 2010), p 6.

<sup>84</sup> Chinese ambassador to Malawi: “No country in the world can develop itself through foreign aid ... To develop your economy is your job; you have to do it yourselves.” – cited in: *op cit* Brautigam (2010), p 35.

<sup>85</sup> Information Office of the State Council, *White Paper on China’s Foreign Aid* (2011), Section One.

<sup>86</sup> The OECD DAC’s standardised definition of aid is as “official development assistance (ODA): flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries (‘bilateral ODA’) and to multilateral institutions”; OECD DAC, *Glossary of Terms* (2011), [www.oecd.org/document/19/0,3746,en\\_21571361\\_39494699\\_39503763\\_1\\_1\\_1\\_1,00.html#O](http://www.oecd.org/document/19/0,3746,en_21571361_39494699_39503763_1_1_1_1,00.html#O), accessed 22 November 2011.

<sup>87</sup> See for example: Davies M *et al*, *How China delivers development assistance to Africa* (University of Stellenbosch, Centre for Chinese Studies, 2008).

<sup>88</sup> *Op cit* Brautigam (2010), p 13.

<sup>89</sup> Grimm S *et al*, *Transparency of Chinese aid: an analysis of the published information on Chinese external flows*, (Publish What You Fund and Centre for Chinese Studies, August 2011), p 4.



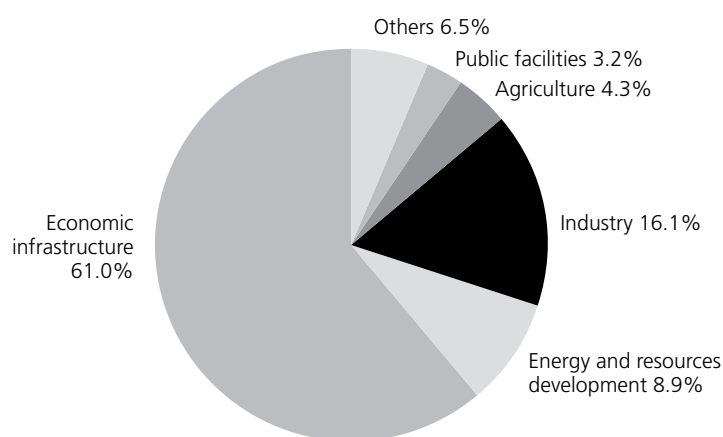
Despite this, some observers have attempted to make comparative estimates of Chinese aid. For example, it is estimated that China's aid to Africa in 2008 was approximately US\$1.2 billion. In contrast, the US provided US\$7.2 billion, the EU US\$6.0 billion, the World Bank US\$4.1 billion and France US\$3.4 billion.<sup>90</sup> While China does not yet provide aid at the levels of traditional donors, it is clear that Chinese aid has been growing and will continue to grow. The Chinese Government states that it delivered a total of US\$39.3 billion in aid before 2009 and that its aid budget has grown by 30 percent every year since 2004. China does not publish country-specific data on where its aid goes or how it is used. The Government has only revealed that in 2009, 46 percent of aid went to Africa, 33 percent to Asia, 13 percent to Latin America and the Caribbean, four percent to Oceania and the rest elsewhere.<sup>91</sup>

In line with its wider mode of foreign diplomatic engagement, most Chinese aid is provided on a bilateral basis in state-to-state agreements and it "seems unlikely that the Chinese will participate soon in the aid pooling mechanisms so popular with European donors".<sup>92</sup> China rarely provides direct budget-support to recipient states. However, some exceptions are found in post-conflict or unstable countries. After the conflict in Liberia, China provided budget support worth US\$3.0 million in 2004, and a further US\$1.5 million in 2006. After elections, Guinea Bissau received US\$4.0 million in 2005 to pay public sector salaries. Zimbabwe also received US\$5.0 million to pay salaries in 2009.<sup>93</sup> Nonetheless, this should not be taken to suggest that China has special aid policies for conflict-affected or fragile states. As one official notes, "There is not really a big difference between China's aid to conflict and non-conflict countries".<sup>94</sup>

Most of China's aid is provided in the form of turn-key projects that are then handed over to the recipient government. Particular focus is placed on infrastructure development, seen as a prerequisite to socioeconomic development.<sup>95</sup> As China's White Paper on Foreign Aid explains:

*The Chinese side is responsible for the whole or part of the process, from study, survey, to design and construction, provides all or part of the equipment and building materials, and sends engineers and technical personnel to organize and guide the construction, installation and trial production of these projects. After a project is completed, China hands it over to the recipient country.*<sup>96</sup>

#### Distribution of concessional loans from China, by sector (at the end of 2009)



Chinese White Paper on Foreign Aid (2011), p 5.

<sup>90</sup> Aid figures for the US, World Bank, EU and France are sourced from the OECD's DAC statistics. Brautigam D, 'Chinese development aid in Africa: What, where, why, and how much?', in: *Rising China: Global challenges and opportunities*, eds Golley J and Song Ligang (Australian National University Press, 2011), p 211.

<sup>91</sup> *Op cit* Information Office of the State Council, p 7.

<sup>92</sup> Lancaster C, *The Chinese aid system* (Center for Global Development, June 2007), p 4.

<sup>93</sup> Brautigam D, *The dragon's gift: The real story of China in Africa*, (Oxford University Press, 2009), p 137.

<sup>94</sup> Saferworld interview, Beijing, May 2011.

<sup>95</sup> *Op cit* Huang Ying, p 88.

<sup>96</sup> *Op cit* Information Office of the State Council, p 7.

According to Beijing, such projects account for 40 percent of total Chinese aid.<sup>97</sup> These large-scale projects are mostly financed through interest-free loans (funded directly from China's aid budget) or concessional loans (funded by the state-run China Exim Bank). Additionally, China provides aid through debt relief, humanitarian assistance, technical assistance, training, medical teams and volunteer teams. Together, these are claimed – in contrast to politicised, ideological and therefore ineffective, Western aid<sup>98</sup> – to address the “actual needs of recipient countries” by laying “a foundation for future development and embarkation on the road of self-reliance and independent development”.<sup>99</sup>

As with traditional donors, Chinese aid is used as a foreign policy tool to strengthen political relations with developing countries: to develop China's soft power and to compete, diplomatically with Taiwan and strategically with other countries such as India or Japan. Perhaps of greater consequence for the Chinese leadership, aid is part of China's ‘Going Out’ [*zou chu qu*] policy, which aims to sustain high levels of domestic economic growth through global engagement. Because Chinese aid must be at least partially spent on Chinese procurement and because projects are often implemented by Chinese companies, aid serves as a useful means through which to subsidise commercial actors' entry into developing-country markets. The fact that Chinese aid is co-ordinated by MOFCOM, rather than the Ministry of Foreign Affairs, reflects the significance of economic motives relative to diplomatic ones. In the words of one Chinese scholar, China's development assistance is in fact “not purely aid, but a mix of mutually beneficial economic co-operation”.<sup>100</sup> This is illustrated by the close link between Chinese aid and Chinese business interests – which is described as “a collaborative state-business approach to foreign policy”.<sup>101</sup>

### The Angola model

Significant attention has focused on China's resources-for-loans agreements, made famous by a US\$4.5 billion loan by Exim Bank to the Angolan Government. This loan was to be spent directly on infrastructure development in the post-conflict country, decided by the Angolan Government but carried out by Chinese firms with 50 percent of procurement from China. In exchange, China was to receive 10,000 barrels of Angolan oil per day.<sup>102</sup> Similar agreements have been made elsewhere. In Zimbabwe, US\$58 million in agricultural equipment was loaned to the Government by Exim Bank in exchange for tobacco exports.<sup>103</sup> In the DRC, Chinese firms received a huge stake in a copper-cobalt concession for US\$6.0 billion worth of infrastructure: 3402 km of roads, 3213 km of railway, 145 health centres, 31 hospitals, 5000 units of housing and two universities.<sup>104</sup> For Chinese officials and scholars, this model encapsulates the win-win principle of mutual benefit.

While Angola model-style deals have received significant press, it is worth noting that it is not as widespread a practice as suggested. Secondly, they are not unique to China, which in fact drew from Japan's own dealings with a once-resource rich and post-conflict China.<sup>105</sup> British banks have also made similar oil-for-loan agreements with Angola in the past.<sup>106</sup> Thirdly, worth billions of dollars of infrastructure construction, it should also be remembered that, “the business for Chinese contractors engendered by these packages may be as important as the ties to natural resources”.<sup>107</sup>

Above all, “none of these offers of credit or actual loans appear to involve foreign aid and they should be viewed as examples of credit for investment, or for trade. Nevertheless, the benefits of resource-secured loans are obvious as an instrument for development.”<sup>108</sup> While a degree of cynicism surrounds resource-backed Chinese finance, it is argued by some that “the system might be seen as an improvement over the current system in many weak states, where natural resources are exported, and the proceeds disappear into off-budget accounts, and from there, often, to off-shore accounts”.<sup>109</sup>

<sup>97</sup> *Ibid*

<sup>98</sup> *Op cit* Huang Ying, p 84.

<sup>99</sup> *Op cit* Information Office of the State Council, Section One.

<sup>100</sup> Saferworld interview, Shanghai, May 2011.

<sup>101</sup> *Op cit* Davies *et al* (2008), p iv.

<sup>102</sup> *Ibid* p 54.

<sup>103</sup> *Ibid* p 55.

<sup>104</sup> *Op cit* Brautigam (2010), p 16.

<sup>105</sup> *Op cit* Brautigam (2009).

<sup>106</sup> *Op cit* Taylor (2009), p 21.

<sup>107</sup> *Op cit* Brautigam (2010), p 16.

<sup>108</sup> *Ibid* p 18.

<sup>109</sup> *Ibid* p 19.

Official discourse argues that Chinese aid is distinctively and especially suited to “the needs of the recipient countries”.<sup>110</sup> For China’s critics, this rhetoric barely obscures the less-savoury reality of the impact of Chinese aid. Fundamentally, the needs Chinese aid purports to address are defined by the elites with whom China engages on an often exclusively bilateral basis; the real impact of China’s engagement, however, is felt beyond this state-to-state interaction. The most damning criticism has centred on the non-interference principle: responsible governing elites in developing countries, with “their more notorious confreres in pariah states, are being tempted away from introducing policies that embed accountability in everyday practice in favour of the ‘no strings attached’ loans from Beijing”.<sup>111</sup> Concerns have also been raised over the disregard for environmental protection in projects financed by Chinese aid and implemented by Chinese companies, as well as over labour standards. There is also anecdotal evidence that close links between Chinese businesses and aid have created opportunities for corruption.<sup>112</sup> Finally, it is suggested that China is worsening the debt sustainability of developing countries, with the opacity of loan contracting processes increasing the risk that funds will not be used for intended purposes.<sup>113</sup>

According to one think-tank analyst, China is becoming more sensitive about the consequences of its assistance and the need to make sure that assistance is not being abused by recipient governments. The trend is towards greater monitoring and evaluation of Chinese assistance projects.<sup>114</sup> While it is unclear how and to what extent these will be put into practice, executives in China’s Exim Bank point to more sophisticated methods of risk analysis being developed, including a better understanding of conflict dynamics in conflict-affected states and further development of their corporate social responsibility.<sup>115</sup> Chinese banks have also signed up to the voluntary ‘Equator Principles’, which requires them to consider environmental and social issues when financing development projects. This all suggests Chinese norms on environmental and social safeguards are evolving rapidly and there is some evidence that the framework for Chinese development loans has begun to take into account OECD standards and norms.<sup>116</sup> Notably, these shifts take place alongside continued assertions in official and academic discourse on foreign aid that “it is not realistic to ask China to regulate its aid within the normative guidelines established by the developed countries”.<sup>117</sup> Clearly, a principled insistence on the continued relevance and necessity of ‘Chinese characteristics’ remains.

## 2.9 Conclusions

It would be a mistake to dismiss the doctrinal aspects of Chinese foreign policy as mere rhetoric, instrumentally deployed to strategic ends. Beijing clearly sees the invocation of a ‘harmonious world’, South – South co-operation, and its identification as a peaceable, responsible actor as key to advancing China’s global economic strategy and consolidating domestic growth and political stability. Importantly, however, these ideas also frame and shape understandings of the international order and China’s place in the world, reinforcing Chinese views on the importance of non-interference and the immutability of state sovereignty.

<sup>110</sup> *Op cit* Information Office of the State Council, Section One.

<sup>111</sup> Alden C, *Is China changing Africa, or is Africa changing China?*, Royal African Society, [www.royalafricsociety.org/component/content/article/412.html](http://www.royalafricsociety.org/component/content/article/412.html), accessed 22 November 2011.

<sup>112</sup> Saferworld interviews, Colombo, June 2009 and London, July 2009.

<sup>113</sup> Huse M D and Muyakwa S L, *China in Africa: lending, policy space and governance* (Norwegian Council for Africa, 2008).

<sup>114</sup> For example, he points to a newly-founded official NGO called China Foundation for Peace and Development that looks, amongst others, at the effectiveness of China’s aid and assistance in promoting peace and development and will play a role to make assistance more localised, including outreach to local communities. Saferworld interview with Chinese researcher at a think tank, Beijing, July 2011. It is elsewhere noted that Beijing is increasingly concerned with the ways Chinese contractors operating abroad run the risk of damaging China’s image overseas. see: *op cit* Davies *et al*, p 20.

<sup>115</sup> Saferworld interview, Beijing, July 2011.

<sup>116</sup> *Op cit* Brautigam (2010).

<sup>117</sup> *Op cit* Huang Ying, p 82.

Heeding calls “to deepen understanding of China and bring in Chinese perspectives”,<sup>118</sup> this chapter provides an introductory guide to the ways Chinese interests and foreign policy principles inform the perceptions and policy decisions that drive China’s growing engagement with countries affected by conflict. From its qualified support for UN-led initiatives in peacebuilding and conflict resolution, to its bilateral economic and military co-operation, China’s presence in conflict-affected states is resolutely prudent: primarily commercially-driven to serve domestic growth, and focused at the level of the state, in line with Beijing’s own approach to development and stability.

The reality of China’s engagement with conflict-affected states, however, reveals crucial tensions between principle and practice, a point starkly revealed in the gap between stated intent and actual impact. China’s expanding economic footprint in such countries may presume and project a hands-off approach, but ultimately – and inevitably – carries critical political implications, impacting the conflict and security dynamics in the countries with which it engages. It will be increasingly difficult for China to maintain its credentials as a responsible international player committed to mutually beneficial South – South exchange if it does not live up to those responsibilities in its dealings with states plagued by instability. Yet, as China “becomes more and more integrated into the global order and assumes the responsibilities that come with this involvement”,<sup>119</sup> Beijing must balance the need to protect China’s interests overseas against its steadfast commitment to state sovereignty and non-interference. As one Chinese academic has observed, China’s policies “lag behind the rapidly evolving economic, social and security environment” in conflict-prone and affected states, and “will need to adjust accordingly”.<sup>120</sup> If not already in progress, China’s broader re-evaluation of the value of its foreign policy approach may be in order.

## Acronyms: China’s approach

<b>ADB</b>	Asian Development Bank	<b>MDGs</b>	Millennium Development Goals
<b>AfDB</b>	African Development Bank	<b>MOFCOM</b>	Ministry of Commerce
<b>ASEAN</b>	Association of Southeast Asian Nations	<b>MoU</b>	Memorandum of understanding
<b>ATT</b>	Arms Trade Treaty	<b>NATO</b>	North Atlantic Treaty Organization
<b>AU</b>	African Union	<b>NGO</b>	Non-governmental organisation
<b>CNOOC</b>	China National Offshore Oil Company	<b>NTC</b>	National Transitional Council
<b>CNPC</b>	China National Petroleum Corporation	<b>OECD</b>	Organization for Economic Cooperation and Development
<b>CPC</b>	Communist Party of China	<b>PLA</b>	People’s Liberation Army
<b>DAC</b>	Development Assistance Committee	<b>R2P</b>	Responsibility to Protect
<b>DFID</b>	UK Department for International Development	<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>DRC</b>	Democratic Republic of Congo	<b>SALW</b>	Small arms and light weapons
<b>ECFR</b>	European Council on Foreign Relations	<b>SCO</b>	Shanghai Cooperation Organisation
<b>EU</b>	European Union	<b>UK</b>	United Kingdom
<b>Exim Bank</b>	China Export Import Bank	<b>UN</b>	United Nations
<b>FOCAC</b>	Forum on China-Africa Cooperation	<b>UNSC</b>	UN Security Council
<b>ICC</b>	International Criminal Court	<b>US</b>	United States
<b>IDA</b>	International Development Association	<b>WDR</b>	World Development Report
<b>INGO</b>	International non-governmental organisation		

<sup>118</sup> *Op cit* Large, p 59.

<sup>119</sup> Taylor I, ‘China’s oil diplomacy in Africa’, *International Affairs* (July 2006), vol 82 no 5, pp 937–959.

<sup>120</sup> Li Anshan, ‘China and Africa: policy and challenges’, *China Security* (Summer 2007), vol 3 no 3, p 87.

# Sri Lanka



This map is intended for illustrative purposes only. Saferworld takes no position on whether this representation is legally or politically valid.

# 3

## Sri Lanka case study

### 3.1 Introduction

For an explanation of acronyms used in this chapter, see p 61.

**ACCORDING TO ONE CHINESE ACADEMIC**, “the backbone of China’s South Asia policy has been to maintain and promote regional peace and stability”.<sup>1</sup> It could be asked whether China has played this role in Sri Lanka, where a three-decade war came to a violent end in 2009 with the military’s defeat of the Liberation Tamil Tigers of Tamil Eelam (LTTE). Today, the country faces the challenges of laying the foundations for longer-term stability. The last few years of the war in Sri Lanka coincided with a deepening of relations with China. This case study examines the role China played during this period and discusses what impact it had on the conflict. It also explores whether China’s engagement has affected the form and shape stability has taken in post-war Sri Lanka. The study is based on evidence collected from a desk-review of literature, media analysis and research interviews carried out in Colombo, Beijing, Shanghai and London with diplomats, officials, academics, analysts, journalists and civil society organisations.

Section 3.2 provides an overview of the war and highlights possible future conflict risks, suggesting that their likelihood is tied to what type of stability is built in Sri Lanka. The section also gives a brief overview of the main external actors in Sri Lanka. Section 3.3 examines China’s role in more detail, exploring its historical, political, military and economic relations with Sri Lanka, followed by a discussion on the interests that underpin its engagement. The impact of China’s role on peace and conflict dynamics is explored in Section 3.4, starting with its military co-operation and arms transfers. The section then examines the implications of China’s bilateral and multilateral diplomacy. Humanitarian and development assistance is also discussed, with special focus on post-war reconstruction in Sri Lanka. Finally, the section questions whether China might have a further impact in three indirect ways: through weakening the influence of Western states, challenging Western norms and raising tensions with India. Section 3.5 summarises the findings and outlines the key implications for policy.

China has come to be a major external actor in Sri Lanka and this has undoubtedly had repercussions for peace and stability in the country. The Sri Lanka case study also unveils some of the trends and implications of China’s engagement in other conflict-affected countries. Traditional assumptions of an international community of like-minded actors are being challenged and, to a degree, Western policy makers are being forced to question certainties about their own legitimacy and leverage. As one Western diplomat interviewed noted, “It’s hard to imagine that the 2009 end to the conflict would have played out in the same way 15 years ago. Today’s context is different”.<sup>2</sup> For policy makers in Beijing, serious questions are being raised as to how they will shape

<sup>1</sup> Zhao G, ‘South Asia’s position in the international order and the choice before China’, *South Asian Studies Journal (Chinese)*, 2010, no 1.

<sup>2</sup> Saferworld interview, Colombo, June 2011.

and employ China's influence in the future. The answers will have implications for peace and stability far beyond South Asia.

## 3.2 Setting the context

### Conflict overview

Since independence (1948), ethnic rivalry has undermined stability and development in Sri Lanka as the majority Sinhala and minority Tamil populations have competed for political, economic and social influence, culminating in calls for secession by Tamil leaders. The failure of the state to manage these tensions lies at the epicentre of the conflict. In 1983 ethnic confrontation descended into a war that was driven by “the nature of the state, its political culture, the institutional framework of policy, uneven development patterns and competing nationalisms”.<sup>3</sup> External actors, including neighbouring states and hard-line sections of the Tamil diaspora, played a role. Starting as a small but disciplined militant group in 1976, by 2006 the Liberation Tigers of Tamil Eelam (LTTE) controlled large areas in the North and the East of the country, governing over the local population in a largely repressive way and amassing an army of 20,000 with a nascent air force and navy.

Efforts to find a peaceful settlement were frustrated by continued cycles of violence and re-armament and the unwillingness of either party to instigate substantive reform of their policies and interests: the LTTE's refusal to discuss anything short of secession was matched by the Sri Lankan state's failure to offer a credible alternative to the Tamils. While the United National Party (UNP) was in power, and with strong backing from several states in the international community, a formalised ceasefire agreement and negotiation process was signed in 2002 (the CFA). However, fractures in the ceasefire began to emerge and in 2005 Mahinda Rajapaksa of the Sri Lanka Freedom Party (SLFP) won the presidency with an explicitly nationalist strategy for ending the conflict. A new cycle of violence and retaliation – including attacks on security forces, extra-judicial killings, suicide bombings and military action – left the peace talks behind and by July 2006 hostilities resumed to full force. In July 2007 the Sri Lankan Armed Forces (SLAF) took control of the East of the country. At the same time as conflict worsened, political space for journalists, civil society and international non-governmental organisations (INGOs) in Sri Lanka began to close.

Questions about continued development and military assistance to the Government of Sri Lanka (GoSL) were being raised in some Western capitals. For example, the United States (US) suspended grant aid in early 2007, pending improvements in the security situation; Germany reduced bilateral aid, while the United Kingdom (UK) suspended US\$3 million of debt relief. In Colombo, “there was incredible frustration amongst Western donors at the breakdown of the ceasefire”.<sup>4</sup> The Sri Lanka Development Forum – a formal meeting of donors and the GoSL – which was held in early 2007, would prove to be the last. Tense divisions became apparent as donors made clear their opposition to an escalation of hostilities. The GoSL retorted that Sri Lanka's development was being held hostage by the LTTE, who it believed would never abandon armed struggle. Although it had already started to cultivate relations with non-Western states, in the opinion of one senior donor official this meeting conclusively confirmed to the Sri Lankan leadership that they would have to find political, military and financial support from elsewhere.<sup>5</sup>

The GoSL formally terminated the CFA in January 2008. Operations in the North intensified and by September international agencies were forced to withdraw after the GoSL refused to guarantee their safety. International calls for a ceasefire – to ensure civilian protection and allow for humanitarian access – fell on deaf ears. Having killed

<sup>3</sup> Goodhand J *et al*, *Aid, conflict, and peacebuilding in Sri Lanka 2000–2005*, (UK, Sweden, Netherlands, Asia Foundation, World Bank, 2005).

<sup>4</sup> Saferworld interview, Colombo, June 2011.

<sup>5</sup> Saferworld interview, Colombo, June 2011.

or captured the LTTE leadership, in May 2009 the Government finally claimed military victory and announced that the Tamil people had been liberated. However some 280,000 displaced Tamils were in military-run camps, leading to concerted international pressure to release them.

Aside from the Government – LTTE conflict, it should be remembered that Sri Lanka has been convulsed by two insurrections waged by supporters of the Marxist-Sinhalese nationalist Janatha Vimukthi Peramuna (JVP) party. In 1971, the first JVP uprising is thought to have claimed 8,000–10,000 lives nationwide. Between 1987 and 1989, a second wave of upheaval began and spiralled into widespread violence and brutal counter suppression – claiming even more lives nationwide.<sup>6</sup> As these episodes illustrate, the roots of instability in Sri Lanka extend far deeper than the state's confrontation with the LTTE.

## Current context

In the end, the conflict between the GoSL and the LTTE cost tens of thousands of civilian lives, caused dramatic human suffering, countless displacements and a humanitarian crisis. The final five months of the war allegedly included serious violations of international law on a larger scale than at any other period in its history.<sup>7</sup> In March 2011, a United Nations (UN) appointed panel of experts reported that it had found “credible allegations, which if proven, indicate that a wide range of serious violations of international humanitarian law and international human rights law was committed both by the GoSL and the LTTE, some of which would amount to war crimes and crimes against humanity”.<sup>8</sup> The same report found that subsequent efforts by the GoSL to address issues of accountability have failed to “satisfy key international standards of independence and impartiality”.<sup>9</sup> Sri Lanka's leaders continue to argue that its own process of accountability – the Lessons Learned and Reconciliation Commission (LLRC) – is sufficient and that the UN Panel findings lack legitimacy.

Sri Lanka has seen a centralisation of power, especially around the President's family, with the accusation of continued use of patronage politics long familiar to the country.<sup>10</sup> Elections in 2010, which kept the popular SLFP in power, were followed by amendments to the constitution that concentrate the President's power and abolish term limits. The judiciary's independence has been curtailed, while the police remain under control of the Ministry of Defence. The GoSL has continued to use heavy-handed tactics against its critics, for example arresting the 2010 opposition presidential candidate, General Fonseka. According to one analyst, the “counter-terrorism strategies the Government adopted have radically compromised individual liberties and press freedom; created a dangerous executive-military nexus and a culture of impunity; and enabled an extra-judicial and extra-constitutional regime promoting soft authoritarianism”.<sup>11</sup> While temporary emergency regulations have been lifted, parallel and equally strong anti-terror laws have taken their place.<sup>12</sup>

<sup>6</sup> Gunaratne R, *Sri Lanka: A lost revolution*, (Institute of Fundamental Studies, 1990); National Commission Against Proliferation of Illicit Small Arms (NCAPIISA), *Hambantota: Pilot survey of illicit small arms*, (Saferworld/NCAPIISA, 2006).

<sup>7</sup> *War crimes in Sri Lanka*, (International Crisis Group (ICG), 2010), Asia Report no 191.

<sup>8</sup> According to the report, this included indiscriminate Government shelling of areas where large amounts of civilians were trapped and the systematic shelling of No Fire Zones, hospitals and humanitarian operations despite detailed knowledge of their location. Most civilian casualties in the conflict were caused by shelling, at a time when humanitarian access was severely curtailed by the GoSL. The report also notes that some suspected LTTE members were summarily executed, while others disappeared. All IDPs were detained in closed camps for screening. For its part, the LTTE purposefully held civilians as hostages, forcibly recruited some (including children) and fired artillery and stored weapons from groups of IDPs, thus purposefully blurring the line between civilians and combatants. The LTTE executed civilians attempting to escape. UN Secretary-General, *Report of the Secretary-General's Panel of Experts on Accountability in Sri Lanka – March 2011*, (UN, 2011), p. ii.

<sup>9</sup> *Ibid* p v.

<sup>10</sup> According to one media report, the Rajapaksa family controls the Presidency, the Ministries of Defence, Finance, Aviation, Ports, Irrigation and Nation Building, as well as holding parliamentary and special advisor roles. In total, 70 percent of the budget is controlled by the family, which also controls substantial private economic interests. Page J, ‘Rise of Sri Lankan President's son Namal Rajapaksa sparks concern’, *The Sunday Times*, 22 February 2010.

<sup>11</sup> Clarke R, ‘Conventionally defeated but not eradicated: Asian arms networks and the potential return of Tamil militancy in Sri Lanka’, *Civil Wars* (2011), vol 13 No 2, p 162.

<sup>12</sup> *Sri Lanka: Post-War progress report*, (International Crisis Group (ICG), 2011a).



The Government's post-war strategy in the North and East has been to focus on economic development and recovery, which it sees as the primary way to address the root causes of the conflict. While high-security zones have been reduced, economic development in post-war areas occurs in a heavily top-down and securitised manner, with the Ministry of Defence playing a significant role and an increasingly permanent military presence being established.<sup>13</sup> The GoSL has accelerated demining efforts, though the scale of the problem is enormous. Significant progress has been made in the release of displaced Tamils, but challenges remain, especially with regards to their resettlement and the continued internment of several thousand.<sup>14</sup> The GoSL claims it has released over 8,000 ex-combatants and is still rehabilitating a further 3,000, though the process as a whole has not been without its critics.<sup>15</sup>

Numerous Sri Lankan leaders and officials have stated that they are ultimately committed to a political solution to the ethnic conflict, including reforms that would decentralise power and promote greater autonomy to the North and East. Meaningful movement towards this goal is yet to materialise and in 2011, Gotabaya Rajapaksa (Secretary for Defence and the President's brother) asserted that the "existing Constitution is more than enough for us to live together... devolution-wise we have done enough. I do not think there is a necessity to go beyond that."<sup>16</sup> Alongside political reforms, efforts towards instituting ethnic reconciliation and transitional justice have been minimal.

## Conflict risks

The defeat of the LTTE undoubtedly brought greater peace to Sri Lanka: there have been no bombings, no large-scale military operations and far fewer violent civilian deaths. For the majority of Sri Lankans, especially those in the North and the East, life is far more secure. The violent institutions and repressive leadership of the LTTE has been fully destroyed by security forces that now have control of the whole country. With the LTTE removed, political space has increased for more moderate Tamil parties to operate and elections have been held. In the North and East, schools, bridges and roads have been re-opened, trade eased, new businesses started and jobs created. Sri Lanka's three-decade war with the LTTE is well and truly over. Sri Lankans, and especially Tamils, are exhausted with war.

But stability is far from matured and long-term peace by no means guaranteed. As one Sri Lankan academic explains, "the war is over, but the conflict is not."<sup>17</sup> The infrastructure to fight a war has largely been dismantled, but while life has improved, many of the root causes and grievances that underpinned it remain unresolved. To start with, the absence of a political solution means that a fundamental restructuring of the state's capacity to manage competing nationalisms is no closer. War triumphalism by Sinhalese politicians may instead only deepen feelings of humiliation amongst many Tamils. The widespread presence of security forces that are mistrusted by local communities in the North and East and use heavy-handed methods may only exacerbate this. So too will frustration over access to land and services, rising food prices, disparities in wealth and a belief that economic opportunities are allocated on an ethnic or political basis. Young men, released from camps and with little experience except fighting, might seek to mobilise these frustrations in a violent or opportunist manner. It should not be forgotten that the LTTE started with a mere 50 recruits. Added to this is the continued existence of hard-line elements of the diaspora and the fact that the regional arms network that supplied the LTTE could potentially be resurrected.<sup>18</sup>

<sup>13</sup> *India and Sri Lanka after the LTTE*, (ICG, 2011b), Report no 206, p 10.

<sup>14</sup> *Op cit* ICG (2011a).

<sup>15</sup> *Annual report 2011: Sri Lanka*, (Amnesty International, 2011), [www.amnesty.org/en/region/sri-lanka/report-2011](http://www.amnesty.org/en/region/sri-lanka/report-2011), accessed on 12 November 2011.

<sup>16</sup> Cited in: Suryanarayan V and Bonofer B, 'Sri Lanka goes back on its assurances – analysis', *Eurasia Review News and Analysis*, 11 September 2011.

<sup>17</sup> Saferworld interview, Colombo, June 2011.

<sup>18</sup> *Op cit* Clarke, p 165.

In the short-term, the likelihood of a major re-escalation of armed conflict in Sri Lanka is unlikely. The military's control is near absolute. Tamil grievances, if acted upon, will most likely take the form of smaller, asymmetrical attacks on military targets, or more worryingly, terrorist attacks on civilians. Violence in Sri Lanka could also occur in the form of localised clashes between ethnic and religious communities, made worse by the state's inability to manage their disputes. Land issues, exacerbated by decades of displacement, perceptions of unfairness and poorly functioning laws and institutions, are especially prominent. But according to one key informant, Sri Lanka's biggest threat to stability comes from the continued centralisation and personalisation of power at the national level, which has in turn been used coercively as a means to stamp out political opposition. The same informant goes on to argue that grievances are growing amongst some sections of society, such as relatively deprived young men in the South. Without political space, in which such grievances can be aired and managed, a nationalist armed uprising that mirrors that of the JVP in the 1970s is not impossible.<sup>19</sup>

The nature of the state and the effectiveness of its institutions continue to lie at the heart of potential conflict in Sri Lanka. Stability that is bought by patronage and imposed by state coercion is distinguishable from stability that is rooted in the effective management of competing nationalisms, responsive political institutions and equal access to economic opportunities. Given this, focus should not be restricted to immediate conflict drivers and short-term risks. For conflict prevention in the medium- and long-term, "the relevant questions in the Sri Lankan context are instead about the kind of peace which is currently emerging and how stable such peace will be".<sup>20</sup>

### Key external actors in Sri Lanka

The **Asian Development Bank (ADB)** is one of Sri Lanka's largest donors, largely aligning itself with the GoSL development priorities, focusing on infrastructure and service delivery. Its mandate prevents it from directly working on political issues and it has argued in the past that development aid should not be held hostage to progress in peace negotiations, as this will only make matters worse. At the same time, it has attempted to make its engagement more conflict-sensitive.<sup>21</sup> The ADB will finance Sri Lanka with around US\$300 million annually over the next few years, with a focus on roads, water supply and sanitation.<sup>22</sup> In 2010 the **World Bank** was Sri Lanka's fifth largest foreign financier, committing US\$347 million. It focuses on economic policy and service delivery, for example working with local governments to deliver services in the post-war North.<sup>23</sup> Faced with the same political restraints as the ADB, the Bank has tended to align itself closely with the GoSL and avoid working directly on conflict issues. At the same time it has developed a 'conflict filter' to its engagement, which poses certain questions regarding how its policies are implemented and what risk they have of exacerbating conflict. In July 2009 the **International Monetary Fund (IMF)** released a critical US\$2.6 billion loan to Sri Lanka to assist it with a balance of payments crisis. The decision to release the fund was delayed by opposition from several Western states (including the US, the UK and France) who argued that the timing was inappropriate.<sup>24</sup> While criticised for ignoring what impact the loan would have on conflict, the IMF maintained such factors were out of its mandate and should be dealt with in other forums. It has since claimed that its loan was instrumental for post-war economic reconstruction in Sri Lanka.<sup>25</sup>

<sup>19</sup> Saferworld interview, London, July 2011.

<sup>20</sup> Hoglund K and Orjuela C, 'Winning the peace: conflict prevention after a victor's peace in Sri Lanka', *Contemporary Social Science* (2011), vol 6, no 1, p 21.

<sup>21</sup> Chapman N, Duncan D, Timberman D and Abeygunawardana K, *OECD DAC evaluation of donor-supported activities in conflict sensitive development and conflict prevention and peace building in Sri Lanka – A pilot test of OECD DAC guidance*, (OECD/DAC, 2009), p 8; ADB, *Evaluation of operations in conflict-affected North and East*, (ADB, 2007), p 11, [www.adb.org/Documents/Evaluation/CAPES/SRI/conflict-affected-north-east.asp](http://www.adb.org/Documents/Evaluation/CAPES/SRI/conflict-affected-north-east.asp), accessed on 12 September 2011.

<sup>22</sup> 'Sri Lanka gets \$300 million per year for infrastructure from ADB', *Lanka Business Online*, 7 April 2011, [www.lankabusinessonline.com/fullstory.php?nid=1916127451](http://www.lankabusinessonline.com/fullstory.php?nid=1916127451), accessed on 18 September 2011

<sup>23</sup> Saferworld interview, Colombo, June 2011.

<sup>24</sup> Blakeley R, 'Britain to oppose IMF loan to Sri Lanka over plight of Tamil refugees', *The Sunday Times*, 24 July 2009.

<sup>25</sup> 'Post-conflict, brighter economic prospects for Sri Lanka', *IMF Survey Online*, 4 February 2011, [www.imf.org/external/pubs/ft/survey/so/2011/car020411a.htm](http://www.imf.org/external/pubs/ft/survey/so/2011/car020411a.htm), accessed on 12 September 2011.

The **European Union (EU)** believes that it is an important trade, development and political partner with Sri Lanka. It has, on numerous occasions, called for a peaceful resolution of the conflict and played an important role as a co-chair to the 2002 peace process. In 2006 it designated the LTTE as a terrorist organisation, limiting its engagement with the rebels. EU aid has been more explicitly aimed at promoting peace and supporting minorities and independent voices. It has also tried to take a conflict-sensitive approach in its delivery of aid. Despite this, at least 16 EU countries (all governed by common export controls) supplied Sri Lanka with numerous arms up until 2008.<sup>26</sup> An official delegation, led by David Miliband from the UK and Bernard Kouchner from France, went to Sri Lanka in May 2009 and called for a ceasefire. Besides rejecting the visa for the delegation's third member (Carl Bildt from Sweden), President Rajapaksa rejected the call and said, "We don't need lectures from Western representatives."<sup>27</sup> The EU has since continued to call for accountability for human rights violations in the conflict. The EU is Sri Lanka's largest trade partner and in August 2010 revoked trade tariff concessions, due to legal conditions related to the fulfilment of human rights in countries receiving special status.

Various **UN agencies** operate in Sri Lanka, such as the UN High Commissioner for Refugees (UNHCR), the UN Development Programme (UNDP), the UN Office for Coordination of Humanitarian Affairs (OCHA), the International Labour Organization (ILO), the World Food Programme (WFP), the UN Children's Fund (UNICEF) and the International Organization for Migration (IOM). In general, many of these organisations disapproved either of the conflict or its conduct, but in the opinion of the UN panel of experts, did not do enough to voice their concerns.<sup>28</sup> While conveying their concerns to the GoSL may have remained a private affair, for many UN agencies maintaining humanitarian and development access to those in need remained the priority.

Given its regional role, size, proximity and close ties, **India** has long played an important but varied role in the GoSL – LTTE conflict, and of all external actors is believed to have the greatest level of influence in Sri Lanka.<sup>29</sup> Tamil Nadu, an Indian state of 70 million people with close ties and sympathies with Sri Lanka's own Tamils, has complicated India's policy toward the island. India is alleged to have supported the LTTE in the late 1970s and early 1980s by providing training, arms and refuge.<sup>30</sup> It later attempted to enforce a peaceful solution to the conflict by brokering the 1987 Indo-Lanka Peace Accord and deploying peacekeepers in a fateful mission that cost 1,500 Indian soldiers' lives by its withdrawal in 1990. The backlash against the intervention from all parties to the conflict left India with a lasting reluctance to try to overtly influence the Sri Lanka conflict. The LTTE's assassination of Rajiv Gandhi in 1991 ended mainstream political sympathy for the group in much of India.

Since then, New Delhi has consistently opposed the LTTE, but supported the protection of minority rights and called for a political solution to the conflict through devolution. It has not provided offensive or lethal weapons to Sri Lanka. It endorsed the political engagement between the GoSL and the LTTE in 2002, but remained largely outside of the process. In the final stages of the conflict, India is believed to have provided critical intelligence, radar, naval and military technical assistance to the GoSL, while at the same time quietly advocating for the protection of civilians, adherence to international humanitarian law and assistance for the displaced. According to some, the Indian Government wanted fighting to end before national elections in India, as coalition politics made it somewhat reliant on winning the support of Tamil Nadu political

<sup>26</sup> Indeed, as one report notes, there was a certain degree of irony when the Czech Republic, one of the EU's largest exporters to Sri Lanka, delivered a call for war crimes investigations as acting president of the EU in May 2009. Linberg *et al*, *Arms trade with Sri Lanka – global business, local costs*, (Pax Editors, 2011), p 74.

<sup>27</sup> Beaumont P and Williams R, 'IMF loan to Sri Lanka can go ahead', *The Guardian*, 1 May 2011.

<sup>28</sup> *Op cit* UN Secretary-General (2011), p 116.

<sup>29</sup> India has also played a critical role in other conflicts in Sri Lanka. For example during the 1971 uprising by JVP, it sent military support, including equipment for 5,000 troops, six helicopters and 150 Indian troops to guard the airport: Suryanarayan V, 'Explaining China's growing influence in Sri Lanka', *South Asia Analysis Group*, 6 May 2010.

<sup>30</sup> See, for example: Swamy M, *Inside an elusive mind*, (Literate World, 2003): *op cit* ICG (2011b).

parties that were critical of the GoSL's actions. Though it eventually called for a ceasefire to allow for civilians to escape, there was no evidence that New Delhi actively sought an end to the military operation.<sup>31</sup> The Sri Lankan leadership allegedly promised Indian officials that a political solution would follow military action.<sup>32</sup>

India has sought to expand its role since the end of the conflict, motivated by its own security concerns, electoral considerations in Tamil Nadu, commercial opportunities and geopolitical fears surrounding China and Pakistan's deepening relations with Sri Lanka.<sup>33</sup> It has continued to push for implementation of the 13th Amendment, a devolution passage of the constitution agreed during the Indo-Lanka Accord, while also pressuring the GoSL to lift emergency laws and enter into full talks with Tamil political parties.<sup>34</sup> While voicing concern over human rights accountability, it has opposed UN action on the issue. Although it still only provides non-lethal arms, India has re-engaged in security co-operation, for example recently holding joint naval exercises with Sri Lanka for the first time in six years.<sup>35</sup> India has given over US\$1.5 billion in humanitarian aid since 2008.<sup>36</sup> It has also provided development aid and, while significantly behind China, it is Sri Lanka's second largest international financier, committing US\$484 million in 2010.<sup>37</sup> A large amount of India's aid has come in the form of grants, especially for reconstruction in the North and East, such as US\$300 million to build 50,000 houses. Alongside other loans, a concessionary US\$800 million credit line has also been extended for Indian-constructed infrastructure.<sup>38</sup> While providing finance for some rail infrastructure in the South, most of India's loans have been aimed at the North, including railway development, the construction of a coal power station and the upgrading of a port and an airport. Trade has also grown substantially, making India Sri Lanka's second largest trade partner after the EU.<sup>39</sup>

With projects dating to the 1970s, **Japan** was until recently Sri Lanka's largest donor. Before 2002, it worked around the conflict, providing funding for large infrastructure projects. However, Japan became significantly involved in the peace process from 2002, when a special peace envoy was appointed. In 2003 Japan hosted the Tokyo Conference, which it co-chaired with the EU, US and Norway. Conditional on progress in the peace process, the Tokyo Conference promised US\$4.3 billion of aid over four years to Sri Lanka. When the CFA collapsed in 2008 Japan put its assistance 'under conditional review', although in reality it went uncut. During the end of the conflict, Japan called for humanitarian law to be respected, civilians to be protected and for a ceasefire. However, Japan was reluctant for Sri Lanka to be placed on the UN Security Council (UNSC) agenda and was guarded in its criticism of the GoSL.<sup>40</sup> It has since stated its confidence in the GoSL's willingness to implement a political solution and a process of reconciliation, pledging US\$438 million in 2010 to make it the third largest donor after China and India.

The **US** has long provided aid to Sri Lanka for a broad spectrum of projects. During the 1980s and 1990s, it did not generally focus directly on peace and security issues, deferring instead to India's lead. The US designated the LTTE as a terrorist organisation in 1997. However, in late 2001 it became more deeply involved, endorsing the Tokyo process, applying conflict sensitivity and increasing aid to directly address causes of the conflict and create a peace dividend. It defined its interest in Sri Lanka as supporting a negotiated settlement and promoting democracy and human rights alongside

31 *Op cit* ICG (2011b) p 7.

32 *Ibid.*

33 *Ibid.*

34 *Ibid* p 11.

35 'Lanka, India start major naval exercise in six years', *The Times of India*, 20 September 2011.

36 *Op cit* ICG (2011b).

37 *Annual report 2010*, (Ministry of Finance and Planning, Sri Lanka, 2010), p 245.

38 'India loans \$87 mln for Sri Lanka's war-hit northern railway', *Reuters*, 17 August 2011a.

39 Samaranayake N, 'Are Sri Lanka's relations with China deepening? An analysis of economic, military and diplomatic data', *Asian Security* (2011), vol 7 issue 2, p 124; European Commission Directorate General for Trade (DG Trade), *Sri Lanka: EU bilateral trade and trade with world* (2011), [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113449.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113449.pdf), accessed on 18 September 2011

40 *Update report: Japan and the crisis in Sri Lanka*, (Asia-Pacific Centre for the Responsibility to Protect, 2009).

economic growth. At the same time, and within the context of the 'global war on terror', the US maintained substantial military and anti-terror co-operation with the GoSL, even as the peace process began to fall apart, possibly sending mixed messages. It has been reluctant to supply arms to Sri Lanka, with military aid being restricted to non-lethal weapons.<sup>41</sup> In 2008, all military aid and transfers to Sri Lanka were suspended due to the breakdown of the peace process and alleged human rights violations. Both bilaterally and at the UNSC, the US was critical of the GoSL's conduct in the final stages of the war and remains so today. In 2010, the US resumed non-lethal military aid to Sri Lanka and sought to provide development assistance and private sector investment in the North, while potentially seeking to mend damaged political ties with the GoSL and rhetorically supporting its LLRC. However, in July 2011 the US Congress voted to ban all aid to Sri Lanka (except for humanitarian, mine-clearing and democracy promotion) unless alleged war crimes were investigated.<sup>42</sup> The US is Sri Lanka's second largest export destination, accounting for 20.8 percent of its exports.<sup>43</sup>

The **UK** has openly insisted on improvements in democracy and human rights, while also supporting the private sector as a means to promote development in the North. The UK is one of the biggest sources of foreign direct investment (FDI) in Sri Lanka. Its development finance is limited in comparison to the past, given that in 2006 it stopped providing bilateral aid. The UK, at least officially, consistently pushed for a negotiated settlement during the conflict. Despite this, it continued to be Europe's largest exporter of arms to Sri Lanka up until the breakdown of the CFA in 2008, after which all transfers were stopped.<sup>44</sup> In February 2009, the UK assigned a special envoy to the country, but the GoSL dismissed the move as a "disrespectful intrusion".<sup>45</sup> Vocally critical of how the war was being conducted, in April 2009 the UK called for a ceasefire to allow for civilians to escape. The UK also voiced opposition to donors directly financing the GoSL. Alongside promoting human rights, today the UK is officially "committed to helping build a peaceful, prosperous and equitable Sri Lanka where the rights of all communities are respected and protected. [It] focuses on supporting projects that underpin a transition to sustainable peace, improve human security and promote effective governance structures".<sup>46</sup> With relations damaged by its criticism of the GoSL, it is believed that the UK is seeking to improve ties.

**Norway** played a leading role as a mediator to the peace process in 2000, being part of a monitoring team and co-chair of the Tokyo Conference. Norway aimed to facilitate an ownership model towards the peace process, where the conflicting parties played a large role. However, facing serious contextual constraints and political realities, Norway's efforts in pushing for a negotiated settlement to the conflict ultimately failed and, as the conflict re-escalated, both sides ended up criticising Norway for failing to be impartial.<sup>47</sup> **Canada** has consistently called for a peaceful resolution of the conflict, while at the same time providing development aid to Sri Lanka. In 2011, the Canadian Prime Minister threatened to boycott a Commonwealth summit in Colombo on the basis of human rights concerns. Concerned about immigration issues amongst other interests, **Australia** has tripled its aid budget since 2008 to US\$55 million in 2011–12 and is now a significant bilateral donor, arguing the merits of engagement and co-operation over overly politicised criticism of the GoSL. At the same time, Australia has worked both directly on conflict issues and provided significant amounts of humanitarian aid.

<sup>41</sup> However, and while it is unclear as to whether transfers have occurred, the US has in fact, in 2007 and 2008, given export licences to US companies to provide lethal weapons to Sri Lanka. *op cit* Linberg, p 49.

<sup>42</sup> 'US panel votes to bar aid to Sri Lanka', *AFP*, 21 July 2011.

<sup>43</sup> *Op cit* European Commission DG Trade.

<sup>44</sup> *Op cit* Linberg, p 50.

<sup>45</sup> 'UK envoy in Sri Lanka peace talks', *BBC News*, 19 April 2009.

<sup>46</sup> *Conflict prevention and bilateral programme funding*, (British High Commission Colombo, 2011) <http://ukinsrilanka.fco.gov.uk/en/about-us/working-with-sri-lanka/bpf-cpp-assist/>, accessed on 25 September 2011

<sup>47</sup> For more on Norway's role, see: Sorbo G, Goodhand J, Klem B, Nissem A E and Selbervik H, *Pawns of peace: evaluation of Norway's peace efforts in Sri Lanka, 1997–2009*, (Norad, 2011).

**Russia** has, along with China, continued to protect Sri Lanka at the UNSC. In 2010 it signed an agreement for a US\$300 million credit line for weapons and other military equipment.<sup>48</sup> This made it Sri Lanka's fourth largest bilateral financier that year.<sup>49</sup> Russia has also begun oil exploration off the coast of Sri Lanka.<sup>50</sup> Israel, one of Sri Lanka's largest arms suppliers, has long provided various aircraft and naval ships, some of which proved crucial in the final fight against the LTTE. Israel has continued to provide arms to Sri Lanka after the war's end. In the final stages of the war, **Pakistan** supplied large amounts of small arms and ammunition to the Government and provided military technical assistance for the air force.<sup>51</sup> In 2010 a US\$200 million loan, intelligence sharing and other agreements were announced.<sup>52</sup> Encouraged by Colombo, Pakistan is likely to stay engaged in Sri Lanka with one eye on India. Since 2009, **Iran** has also played a role in Sri Lankan affairs, pledging development funds for an oil refinery, a new power plant and water and electricity projects. Iran has also extended US\$1.0 billion in interest-free credit for oil.<sup>53</sup>

### 3.3 China's growing role in Sri Lanka

#### Historical relations

Official pronouncements of China – Sri Lanka relations often make reference to deep-seated historical ties, for example pointing to Chinese Buddhist monks visiting as early as 401 AD.<sup>54</sup> Sri Lanka was one of the first countries to recognise the People's Republic of China in 1950 and from this point continually supported its accession to the UN. In 1952, an agreement to trade large quantities of rice and rubber was signed, resulting in the US revoking all aid to Sri Lanka.<sup>55</sup>

At the end of SLFP Prime Minister Bandaranaike's first term in the 1960s, the US and Britain suspended aid due to the state's takeover of foreign business, leading the Government to lean closer to China and Russia. In 1963, China and Sri Lanka signed a commercial maritime agreement to foster trade, though it was seen in India and by some in the West as an attempt by China to extend its naval presence.<sup>56</sup> In the 1965 elections, the UNP used the maritime agreement and the general influence of China as an electoral issue, taking a pro-Western tilt after its victory, symbolised by the seizure in 1967 of Maoist propaganda and a diplomatic stand-off with China.<sup>57</sup>

1970 saw the return of the SLFP and in 1971 Sri Lanka co-sponsored the draft resolution that would eventually give the People's Republic a permanent seat at the UN. Conscious of their left-wing rhetoric, Premier Zhou Enlai condemned the first JVP uprising as a plot by reactionaries.<sup>58</sup> In 1972 numerous aid, trade and arms deals were signed and by 1975 China was Sri Lanka's largest export destination, leading some to wonder whether Sri Lanka made herself too reliant on the East Asian giant.<sup>59</sup> Despite a return of the UNP in 1979 and a slight tilt towards the West, economic co-operation and aid projects continued through the 1980s. China's engagement on the emerging Tamil conflict was low-key, though in private when visiting in 1986, President Li Xiannian urged Colombo to find a political solution to the conflict, even though arms transfers from China continued. In 1987, during a period of serious strain in Sino-Indian relations, China

48 *Op cit* Linberg, p 49.

49 *Op cit* Ministry of Finance and Planning Sri Lanka (2010), p 245.

50 'Russia to explore for oil in Lanka', *Sunday Observer*, 19 June 2011.

51 *Op cit* Linberg.

52 *Op cit* ICG (2011b), p 17.

53 Kumarasinghe U and Range I, 'Iran to fund Uma Oya project', *Daily News*, 22 August 2009.

54 Historical references can be selective. For example, the 1411 abduction of Sri Lanka's King by Admiral Zheng He – an explorer often referred to by Chinese officials as symbol of its China's ancient, peaceful and non-imperialist relations with the developing world – is omitted.

55 Aiming to contain communism, the Mutual Defense Act of 1951 banned US aid to countries that did business with communist countries.

56 For example, a newspaper report in London claimed that, in return for Chinese aid, an agreement had been made for a Chinese naval port "because China has stepped up activities in Africa and needs some staging posts in the Indian Ocean". The claim was flatly denied. Jawawardane A (ed), *Documents on Sri Lanka's foreign policy, 1947–1965*, (Regional Centre for Security Studies, 2000), p 200.

57 Anand J P, 'Sino-Sri Lanka relations: Twenty-fifth anniversary', in: *China Report* (1977), vol 13 no 6, p 5.

58 *Op cit* Suryanarayan (2010).

59 *Op cit* Anand, p 6.

was the only country to openly question India's intervention in Sri Lanka, while at the same time exporting significant arms to Sri Lanka.<sup>60</sup> In the 1990s China became a less important trade partner for Sri Lanka, although it continued to provide small amounts of aid and in 1991, made a very large arms deal with the country. Relations with China did not feature highly after the UNP took power in 2001, although after the SLFP and its coalition partners took control of parliament in 2004 and Rajapaksa's presidential term started in November 2005, it is clear that political, economic and military relations with China deepened substantially.

### Political relations

According to one retired Sri Lankan diplomat, stable relations between Colombo and Beijing today are an excellent example of good relations between a large and a small country.<sup>61</sup> There have been several visits by Rajapaksa to China since 2005, although President Hu Jintao has never visited Sri Lanka and Premier Wen Jiabao only once, in 2005. Altogether there have been 18 high level meetings of Chinese and Sri Lankan officials between 2005 and 2009.<sup>62</sup> In 2007, the 'China – Sri Lanka Friendship Year' was announced to mark 50 years of full diplomatic ties and a series of deals were signed, followed by even more in December 2009 and June 2010. In July 2011, the Sri Lankan President stated that, "...it will be right to say that relations between China and Sri Lanka are at the highest levels of friendship and understanding".<sup>63</sup> The President's brother, Defence Secretary Rajapaksa, noted "We have understood who is important to us".<sup>64</sup>

According to one official in China's Ministry of Foreign Affairs, it is directly due to the policy of non-interference that China has managed to maintain stable relations with Sri Lanka since independence.<sup>65</sup> Sri Lanka's former Foreign Minister has stated that China has never tried to "...dominate, undermine or destabilize Sri Lanka. She has come to our rescue with timely assistance on several occasions when there were threats to Sri Lanka's security and territorial integrity. There had been no strings attached to Chinese aid".<sup>66</sup> As explored in section 3, China's policy of non-interference has meant that it has not openly engaged on any political issues, including the conflict. For example, when a Chinese spokesperson was asked if China was concerned about the arrest of General Fonseka in 2010, the answer was straightforward: "Your question concerns the internal affairs of Sri Lanka. China never interferes with other country's internal affairs and I am not in a position to make comment on that".<sup>67</sup> At the UN, China has consistently used non-interference to justify its objections to international intervention in what it sees to fall within the island nation's sovereignty.

### Military relations

There have been no major military-to-military exchanges or joint exercises between China and Sri Lanka made public in recent years. In 1985, Colombo was one of three ports visited by the Chinese Navy on its first visit to foreign countries. In March 2007 the Navy again visited Colombo on the way to China's first ever multilateral naval exercise with Pakistan. In 2009 and 2010 Chinese naval ships again visited Colombo, in one instance on the way to join anti-piracy operations in the Gulf of Aden, another first for China.<sup>68</sup> There has been some military training of Sri Lankan officers. For example, in 2009 it was announced that four senior Sri Lankan officers would be

<sup>60</sup> *Op cit* Suryanarayan (2010).

<sup>61</sup> Saferworld interview, Colombo, June 2011.

<sup>62</sup> *Op cit* Samaranyake, p 128.

<sup>63</sup> 'Interview: Sri Lanka looks forward to increased cooperation with China – President', *Xinhua News*, 8 July 2011.

<sup>64</sup> De Silva-Ranasinghe, 'Sri Lanka: The new great game', *The Diplomat*, 28 October 2009, <http://the-diplomat.com/2009/10/28/sri-lanka-the-new-great-game/>, accessed on September 12 2011.

<sup>65</sup> Saferworld interview, Beijing 2011.

<sup>66</sup> *Op cit* Suryanarayan and Bonofer.

<sup>67</sup> Ministry of Foreign Affairs of the People's Republic of China, *Foreign Ministry Spokesperson Ma Zhaoxu's Regular Press Conference*, February 11, 2010.

<sup>68</sup> *Op cit* Samaranyake, p 132.

placed at the National Defence University and that China would also train an additional 40.<sup>69</sup> Nonetheless, military-to-military relations may deepen: in October 2011, a visiting People's Liberation Army (PLA) delegation offered additional training for Sri Lankan officers, aid for the SLAF's Defence College and the opportunity for joint naval training and surveillance operations.<sup>70</sup> China has also provided assistance with demining in the North and provided the SLAF with demining equipment and training. In June 2011, the Sri Lankan military held a 'Seminar on defeating terrorism: The Sri Lankan experience.' The seminar was sponsored largely by two Chinese defence companies: Poly Technologies and China Electrical and Technologies Corporation.<sup>71</sup>

China has been Sri Lanka's largest supplier of conventional arms since relations were established in 1950. Throughout this period, China has provided considerable amounts of small arms, ammunition, landmines, naval vessels and aircraft. Some of these weapons (for example fighter aircraft) may have been provided as aid.<sup>72</sup> In 1991, a US\$104 million arms deal was signed, a figure much larger than more recent transfers. In 1993, defence company NORINCO set up an arms warehouse in Southern Sri Lanka for rapid supply – by mid-2007 the GoSL allegedly owed it US\$200 million. In the same year, Sri Lanka switched to receiving arms from Poly Technologies.<sup>73</sup> Arms sales increased substantially in 2008, hitting US\$75 million (it should be noted that these figures do not include the transfer of small arms and light weapons).<sup>74</sup>

According to Stockholm International Peace Research Institute (SIPRI) data, between 2005 and 2010 Sri Lanka was China's eighth largest arms market, although this is still a fairly small share of China's total arms trade. However, for Sri Lanka, China has been important: in the same period it was its largest supplier by a wide margin.<sup>75</sup> Nonetheless, Sri Lanka in fact cancelled a large arms order from China at the end of conflict, at the same time as receiving the credit line for Russian arms.<sup>76</sup> Since then, the only known transfers have been four aircraft delivered from China National Aero Technology Import and Export Corporation (CATIC) in 2010–11.<sup>77</sup> Some observers in Sri Lanka claim that the GoSL is still paying off debts to Chinese companies, partially explaining why the military budget remains so high.<sup>78</sup>

The LTTE acquired weapons made in various countries using a mix of methods. There appears to be evidence that Chinese-produced weapons were part of its arsenal. One former combatant, now part of the GoSL, reportedly stated that a significant amount of the LTTE's arms were of Chinese origin.<sup>79</sup> A research report notes that the LTTE used Chinese-made rifles, howitzers and surface-to-air missiles.<sup>80</sup> In 2011, the Sri Lankan Ministry of Defence released a report on the conflict which contained detailed lists of weapons recovered from the LTTE, including nearly 13,000 Chinese-model rifles worth over US\$1.0 million.<sup>81</sup> The origins of these weapons are discussed in more detail in Section Three.

## Development assistance

Over the years, China has provided small amounts of humanitarian aid to Sri Lanka. During the Tsunami, Sri Lanka was a recipient of US\$1.5million from the Chinese

<sup>69</sup> *Ibid.*

<sup>70</sup> 'China offers assistance to SL Navy', *Times Online*, 15 October 2011; Ministry of Defense and Urban Affairs, 'PRC to assist in upgrading of Defense Services College', *Press Release*, 13 October 2011.

<sup>71</sup> Radhakrishnan R, 'Managing India was key to victory against LTTE: Gotabaya', *The Hindu*, 31 May 2011.

<sup>72</sup> Stockholm International Peace Research Institute (SIPRI), *Arms transfer database: Sri Lanka 1950–2010*, <http://www.sipri.org/databases/armstransfers>, accessed 23 September 2011.

<sup>73</sup> 'Sri Lanka turns to Pakistan, China for military needs', *Lanka Papers*, 2 June 2007.

<sup>74</sup> *Op cit* Samaranyake, p 133.

<sup>75</sup> *Op cit* SIPRI Arms Transfers Database.

<sup>76</sup> *Op cit* Linberg, p 51.

<sup>77</sup> 'Sri Lanka Air Force takes delivery of MA60 aircraft', *Daily News*, 30 September 2011.

<sup>78</sup> Saferworld interviews, Colombo, June 2011 and London, July 2011.

<sup>79</sup> 'LTTE secured arms from Ukraine and China – Karuna', *Daily Mirror*, 5 November 2009.

<sup>80</sup> *Op cit* Clarke, p 174.

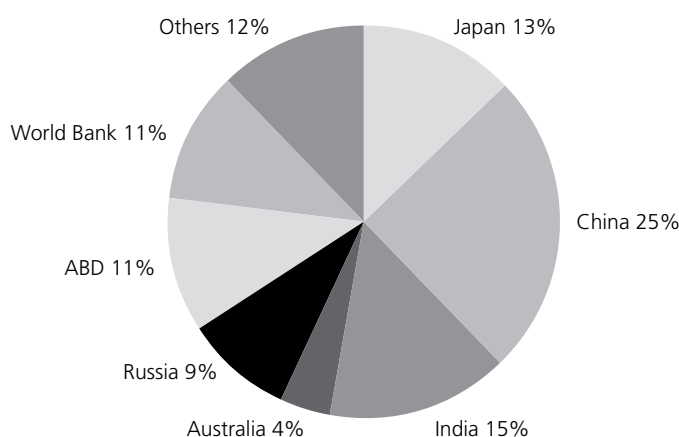
<sup>81</sup> Ministry of Defense, Democratic Socialist Republic of Sri Lanka, *Humanitarian operation factual analysis July 2006–May 2009*, p 122.



Government provided in humanitarian aid.<sup>82</sup> China also sent medical teams to assist with the recovery and announced that it would cancel Sri Lanka's debts. In May 2009, China announced it would provide US\$1.0 million for those displaced by the conflict<sup>83</sup> and US\$1.5 million of humanitarian aid was sent from China in response to floods in January 2011.<sup>84</sup>

China's engagement in Sri Lanka today is nonetheless overwhelmingly defined by its role in financing economic development: it was the country's largest lender in 2009 and 2010, giving US\$1.2 billion and US\$821 million respectively. In 2009 it accounted for 54 percent of total foreign finance and 25 percent in 2010.<sup>85</sup> While some have seen this only as a recent post-war development, China was in fact Sri Lanka's largest financier in 2005, several years before its role received serious attention.<sup>86</sup>

#### Foreign finance commitments by major donors in 2010<sup>87</sup>



Source: op cit Ministry of Finance and Planning Sri Lanka (2010), p 254

In 2011, China was set to be the largest financier again, already committing by July US\$760 million in loans, ahead of Japan's US\$413 million and US\$105 million from the World Bank.<sup>88</sup> The China Development Bank announced in June that it would finance infrastructure projects amounting to US\$1.5 billion over three years.<sup>89</sup> Indeed, following in the footsteps of past Asian donors, such as Japan and Korea, the vast proportion of Chinese finance goes on infrastructure development, mainly in the centre and South of the country. While it is extremely difficult to find detailed and comprehensive information, some of the major Chinese projects are outlined opposite.

Using GoSL statistics it is possible to paint a picture that shows an increase in Chinese aid from 2003, when it was minor, to smaller amounts between 2004–06 and then rapidly increasing from 2007 onwards.<sup>90</sup> Most of the increase in aid has been concessional loans; grant aid has remained at the same relatively small levels. But it is not aid that has made China the country's largest foreign financier. As the list of projects shows, much of what is often characterised as Chinese aid is in fact commercially priced loans and export credits from state-owned policy banks, especially China Exim Bank.<sup>91</sup> While providing funding for GoSL infrastructure projects, concessional and

<sup>82</sup> Kelegama S, 'China-Sri Lanka economic relations: An overview', presentation made to the Sri Lanka – China Business Forum, 25 September 2009, Institute of Policy Studies of Sri Lanka.

<sup>83</sup> 'China will give US\$ 1 million in humanitarian aid to Sri Lanka', *Asia Tribune*, 9 May 2011.

<sup>84</sup> 'China to offer emergency aid to flood-hit Sri Lanka', *China Daily*, 18 January 2011.

<sup>85</sup> 'Factbox: China-Sri Lanka economic ties', *Reuters*, 9 August 2011b.

<sup>86</sup> Op cit Samaranyake, p 128.

<sup>87</sup> Op cit Ministry of Finance and Planning Sri Lanka (2010), p 254.

<sup>88</sup> 'China tops Sri Lanka loan commitments', *Lanka Business Online*, 7 July 2011.

<sup>89</sup> 'Sri Lanka to get US1.5bn from China bank', *Lanka Business Online*, 23 June 2011.

<sup>90</sup> Drawn from annual information published on the website of the Department of External Resources of the Sri Lankan Government, [www.erd.gov.lk/](http://www.erd.gov.lk/), accessed 28 October 2011.

<sup>91</sup> The majority of finance offered by China cannot be defined as overseas aid. While some of China's assistance is at concessional rates (2.0–3.0 percent) with long-term maturity periods, most are non-concessional loans and export credits at considerably higher rates of 6.0–7.0 percent and thus cannot be counted as aid. These rates are higher than those offered by multilateral lending agencies such as the World Bank and the ADB (which typically charge around 0.25, 2.0 or 3.0 percent) and have shorter maturity periods. Some observers of Chinese assistance to Sri Lanka, believe that contractor companies themselves play a significant role in identifying possible projects in the first place, after which they turn to Exim Bank as a source of funding. Saferworld interview, Colombo, June 2011.

**Major projects in Sri Lanka, funded by China**

<b>Project</b>	<b>Estimated value (US\$, million)</b>	<b>Believed source and type of finance</b>
Construction of a coal power station in Puttalam	Phase I: \$455 Phase II: \$891	China Export Import (Exim) Bank, non-concessional loan
Construction of a port in Hambantota	Phase I: \$307 Phase II: \$810	Exim Bank, non-concessional loan
Nationwide road development	\$760	China Development Bank, non-concessional loan
Colombo Port Terminal Expansion	\$350	China Development Bank, non-concessional loan
Construction of Colombo – Katunayaka expressway	\$310	Exim Bank, concessional loan
Construction of international airport in Hambantota	\$190	Exim Bank, concessional loan
13 new diesel engines for Sri Lanka's railways	\$103	Exim Bank, concessional loan
Bunkering facility at Hambantota port	\$77	Exim Bank, non-concessional loan
Removal of a rock in Hambantota port	\$40	Unconfirmed project
Procurement for power sector development in the North	\$32	Exim Bank, non-concessional loan
Construction of Performing Arts Centre in Colombo	\$28	Government of China (GoC), grant aid
Presidential development fund	\$9	GoC, grant aid
Health and education support	\$8	GoC, grant aid
Panadura Fisheries harbour breakwater construction	\$2.7	GoC, grant aid
Construction of Southern Expressway	Unknown	Exim Bank part-financing (alongside ADB and Government of Japan)

Sources: Drawn from Saferworld interviews (Colombo, June 2011 and Beijing, July 2011), various media and GoSL reports. See for example: GoSL Ministry of Finance and Planning Sri Lanka (2010), GoSL Department of External Resources website; 'China tops Sri Lanka loan commitments' *Lanka Business Online* 7th July 2011; Reuters (2011a); Jansz, F 'Chinese Economic Hitmen and the Rajapaksas', *The Sunday Leader*, July 17th 2011; 'China Provides Rs300 mn for construction' *Daily News* 13th June 2011; 'China Development Bank to lend \$350m for CHMI-Spence Port Project' *Daily FT* 11th August 2011, Kelegama (2009).

non-concessional loans also serve to subsidise the entry of Chinese business into the Sri Lankan market: as dictated by financing terms, Chinese firms are usually lead contractors on all of the Chinese-funded infrastructure projects and normally at least 50 percent of procurement must come from China. According to one Chinese academic, this form of assistance to Sri Lanka illustrates a unique form of assistance: "We do not seek to simply transfer aid to host countries like Sri Lanka, but we hope to help them improve their economic opportunities and ours too. It is not a donor-recipient relationship, but win-win economic co-operation".<sup>92</sup>

**Economic relations**

Economic co-operation is growing outside of infrastructure development too. State-owned China Merchants Group announced in August 2011 that it would invest US\$500 million in a container terminal facility in Colombo Port, making it the company's largest investment outside of China.<sup>93</sup> One of the biggest investments announced in post-war Sri Lanka came from Chinese defence company CATIC, which promised more than US\$500 million in return for the acquisition of Government-owned land

<sup>92</sup> Saferworld interview, Shanghai, May 2011.

<sup>93</sup> 'China merchants to invest \$500m in Sri Lankan port', *China Business News*, 16 August 2011.

for hotel development. However, due to controversy surrounding the deal and political opposition from the UNP, the deal was later suspended.<sup>94</sup> The GoSL has also been actively courting investment, for example granting China an exclusive economic zone in 2009 and proactively highlighting investment opportunities through political delegations to China. However, Chinese FDI in Sri Lanka lags behind that of India, Malaysia, the UK and the United Arab Emirates. Yet while investment remains low, firms from China are playing a growing role in the Sri Lankan market, winning both commercial and Government tenders.<sup>95</sup> In 2006 China, along with India, was promised concessions for oil exploration off the coast of Sri Lanka.

China's trade with Sri Lanka has grown rapidly. In 1990, two-way trade totalled US\$125.6 million, growing to US\$256 million by 2000. By 2008, however, it had shot up to US\$1.1 billion.<sup>96</sup> China was Sri Lanka's third largest trade partner in 2010 (after the EU and India).<sup>97</sup> In the first six months of 2011, total trade between the two rose to US\$1.2 billion, a nearly 40 percent increase on the same period in 2010.<sup>98</sup> While Sri Lanka's exports to China are growing, trade between the two remains heavily lopsided in favour of Chinese imports to Sri Lanka.<sup>99</sup> For example, while China was the second largest source of imports in 2010, it ranked only 11th in terms of export destinations.<sup>100</sup> For now, China is yet to retake its 1975 position as Sri Lanka's most important overseas market.

### People-to-people relations

A retired ambassador to Beijing comments that promoting tourism, a shared Buddhist heritage and other forms of people-to-people relations are important for policy makers in both Colombo and Beijing. He points to direct flights between the two countries, the growing number of Chinese tourists and Tsunami aid from the Chinese people as evidence of healthy relations – and China's growing soft power.<sup>101</sup> It is difficult to tell how most Sri Lankans really perceive China. A poll carried out by Gallup found that in 2008, 39 percent of Sri Lankans approved of China, four percent disapproved and 57 percent did not know or refused to answer. In 2011 31 percent approved, 10 percent disapproved and 60 percent did not know or refused to answer.<sup>102</sup> It might be questioned whether China has really made an impression at all. While pointing out that many people's perceptions of China are based on its perceived generosity (for example building theatres and conference centres with grant aid), some in Sri Lanka civil society asked why China was so opaque in its dealings and what it was trying to hide. Others have expressed worries about the large amount of debt being amounted by the GoSL.<sup>103</sup>

### China's interests in Sri Lanka

As illustrated by its support for China's seat at the UN, Sri Lanka has been a useful ally on the world stage. It played an active role in ensuring China gained observer status on the South Asian Association for Regional Cooperation (SAARC) and in 2000 actively supported its entry into the World Trade Organisation (WTO). Never having given

<sup>94</sup> The proposed project resulted in significant controversy over whether the sale of military land in central Colombo, brokered by the President's brother, Economic Development Minister Basil Rajapaksa, was transparent enough and legal. The sale was later turned into a 99-year lease, but after CATIC refused the deal it was promised other land. See: 'Sri Lanka cancels \$500mn Chinese hotel deal', *Reuters*, 25 October 2011c.

<sup>95</sup> For example, China's ZTE Corporation won a 5.0 billion Sri Lanka rupee tender in July 2011, to develop Sri Lanka Telecom PLC's telecommunications infrastructure. Chinese telecoms firm Huawei also plays a large role in the sector and is developing plans to extend telecoms infrastructure into the post-war North and East of the country. Winning a Government tender, the Metallurgical Corporation of China, a Chinese state-run building and engineering firm, is to design and build a section of a highway around the capital Colombo. See: Sirimanna B, 'Chinese firm clinches SLT and Mobitel expansion deals', *Sri Lankan Sunday Times*, 17 July 2011; 'Sri Lanka highway contract goes to China firm', *Lanka Business Online*, 4 August 2011.

<sup>96</sup> *Op cit* Samaranyake, p 124.

<sup>97</sup> *Op cit* European Commission DG Trade.

<sup>98</sup> *Op cit* Reuters (2011b).

<sup>99</sup> 'Sri Lankan Prime Minister hails cooperation with China', *Xinhua News*, 8 September 2011.

<sup>100</sup> *Op cit* European Commission DG Trade.

<sup>101</sup> Saferworld interview, Colombo, June 2011.

<sup>102</sup> Western countries have seen similar small falls in approval. For the US, the results in 2008 were 36% approve, 12% disapprove and 52% don't know / refuse. 2011 results were 24%, 26% and 51% respectively. For the UK, the results for 2008: 29%, 7.0%, 64% and 2011: 21%, 18%, 62%. Cynkar P, *Sri Lankans back their leadership amid Western criticism*, (Gallup Polling, 2011).

<sup>103</sup> Saferworld interview, Colombo, June 2011.

recognition to Taiwan, Sri Lanka has in various official statements reiterated its public support for the 'One China' policy.<sup>104</sup> China has sought to publicise links between Chinese and Sri Lankan Buddhists, countering accusations of religious persecution, while at the same time Sri Lanka has consistently denied the Dalai Lama visas to visit the country.<sup>105</sup> In 2010, Sri Lanka was one of the few countries to boycott the Nobel Peace Prize ceremony for a Chinese dissident.

While stressing that China has for a long time had relations with Sri Lanka, one senior figure at a Chinese think tank admits that "China did not have strategic interests in Sri Lanka until recently when its geographic position became more important to China's trade and energy routes".<sup>106</sup> About 62 percent of China's global trade and 90 percent of its imported energy passes through the Indian Ocean sea lanes surrounding Sri Lanka.<sup>107</sup> As the reach of Somali piracy extends further into the Indian Ocean, Chinese policy makers are concerned that in the event of a crisis, for example over Taiwan, vital supply routes will be vulnerable. Building and sustaining healthy relations with Colombo is one way in which Beijing can try and hedge against these risks.<sup>108</sup>

Some suggest it aims to go further. Reminiscent of reactions to the 1963 Maritime Agreement with 'Red China', suspicions about the motives of 'Rising China' are equally prominent today. For some, China's engagement in Sri Lanka and elsewhere in South Asia is tit-for-tat strategic retaliation for India's engagement in China's own South East Asian backyard.<sup>109</sup> Others argue that "there should no longer be any doubt over China's determination to deploy its navy heavily in the Indian Ocean".<sup>110</sup> Relations with Sri Lanka have been characterised as part of China's 'String of Pearls' strategy. This term – conceived in the US – contends that China seeks to eventually deploy its navy into the Indian Ocean and so requires a collection of strategically placed naval bases in Myanmar, Pakistan, Bangladesh and Sri Lanka, where the Chinese funded and constructed Hambantota Port has come under special scrutiny.<sup>111</sup> Western media has claimed that the port has a military purpose. For example, one British newspaper stated that China plans to use it "as a refuelling and docking station for its navy, as it patrols the Indian Ocean".<sup>112</sup>

However, there is little existing evidence that Hambantota currently serves a military function for China. Visiting naval ships can, as they have done in the past, dock in Colombo. Furthermore, when examined in greater detail, some analysts question whether an eventual naval base would have any military utility anyway.<sup>113</sup> Additionally, it should be noted that China's overwhelming naval focus today remains on the Taiwan straits and Eastern and South China Seas.<sup>114</sup> Lastly, it should not be forgotten that Sri Lanka first approached the Indian government for funding for the Hambantota Port but was turned down on the basis of economic sustainability. As such, Sri Lanka turned to China.<sup>115</sup> Chinese officials argue that, "misplaced suspicion has turned a

<sup>104</sup> For example: "The Sri Lankan side reiterated that there is but one China, that the Government of the People's Republic of China is the sole legal government representing the whole of China and that Taiwan is an inalienable part of the Chinese territory. Sri Lanka reiterated that it opposes 'Taiwan independence' in whatever form, and will not have any official contacts with Taiwan", *Joint Press Communiqué of the Foreign Ministers of China and Sri Lanka* (2006). On the matter of Tibet, Sri Lanka made a speech at the UN as early as 1959, stressing that it was an inalienable part of China and effectively the internal affairs of the country.

<sup>105</sup> One example is that in 2006 the Dalai Lama was denied a visa to attend the 2550 Buddha Jayanthi celebrations and also pay homage to the tooth relic of Buddha. *Op cit* Suryanarayan and Bonofer.

<sup>106</sup> Saferworld interview, Shanghai, May 2011.

<sup>107</sup> *Op cit* Samaranyake, p 121.

<sup>108</sup> Saferworld interview, Colombo, June 2011.

<sup>109</sup> For example: India has held joint naval exercises with Japan, Vietnam, the Philippines, Malaysia, Singapore, and Indonesia. However this is not new: it has held such exercises since the 1990s. See: Roy B, 'South China Sea, India And China's assertiveness – analysis', *Eurasia Review News and Analysis*, 7 September 2011.

<sup>110</sup> For example see: *ibid*.

<sup>111</sup> The 'string of pearls' theory was coined as early as 2004, in a report contracted by the US Department of Defense. It states that China is developing "a set of strategic relationships" in the Indian Ocean in "ways that suggest defense and offensive positioning to protect China's energy interests but also to serve it broader security objectives". Cited in: *op cit* Samaranyake, p 120.

<sup>112</sup> 'Chinese billions in Sri Lanka fund battle against Tamil Tigers', *The Times*, 2 May 2009.

<sup>113</sup> Holslag J, *China and India: Prospects for peace*, (Columbia University Press, 2010) p 137.

<sup>114</sup> *Ibid*, p 137.

<sup>115</sup> Saferworld interview, Colombo, May 2011.

perfectly viable commercial port into a military port, which is seen as a threat”.<sup>116</sup> Of course, this might not always be the case. As noted by one observer, “China is building up a bank of goodwill and political capital in Sri Lanka. If, in the future, geopolitical or military objectives arise, the GoSL would have to consider them very seriously”.<sup>117</sup>

Some are tempted to see China’s engagement with Sri Lanka as an offensive geostrategic manoeuvre to encircle India and dominate South Asia, which is planned, orchestrated and co-ordinated directly by the leadership in Beijing. However, while actively seeking to deepen economic ties, the idea that Beijing co-ordinates and directs all of its commercial actors to engage in Sri Lanka is far-fetched. If anything, Chinese commercial actors have led Beijing to Sri Lanka, not vice versa. China’s growing trade with the island state is the natural by-product of the fact that its trade with the whole of Asia has increased from US\$171 billion in 2002, to US\$732 billion in 2010.<sup>118</sup> As with geostrategic objectives, the importance of commercial relations with Sri Lanka should not be overestimated either: Sri Lanka does not even make it into the list of China’s top 50 trade partners. While China has increased development finance to Sri Lanka, it has done so across the developing world. The growth of Chinese FDI to Sri Lanka is smaller than that to its South Asian neighbours; the same is true for contracted projects (with the exception of Bangladesh).<sup>119</sup> In short, notwithstanding that it is strategically situated and a useful international ally, the idea that Beijing is directing special attention at Sri Lanka must be taken with some caution.

This is not to suggest that stability in Sri Lanka is irrelevant to China. Besides the obvious humanitarian case, Chinese officials stress that the end of the conflict in Sri Lanka has been a positive development for Chinese firms, which will no doubt expand their engagement.<sup>120</sup> Commercial actors, both private and state-owned, have the ability to shape Chinese priorities and policies towards Sri Lanka: as their interests in its economy deepen over time, so too will their stake in future stability. In the event of violence, Beijing will not only need to protect costly commercial investments, but also the safety of Chinese citizens. Furthermore, as one Chinese academic puts it, “stable neighbours create a stable environment for China’s economic growth”.<sup>121</sup>

To a degree, the stability of Sri Lanka’s leadership is dependent on the stability of the country. As such, and while it is unlikely that Chinese officials will admit it, instability could undermine the political investments that have been developed with Sri Lanka’s current leaders. As history shows, the SLFP’s main political opponents have not always seen China favourably. Situated near important sea lines and just off the coast from a potential foe, losing political allies in Sri Lanka is clearly not in Beijing’s interests. Nor is a situation that would potentially invite external intervention in the country, especially from India. For all these reasons, China’s clear interest in Sri Lanka’s stability will only continue to grow.

<sup>116</sup> A senior analyst in a Chinese think tank also refutes the string of pearls theory: “China has a good image in Sri Lanka. However the port has been a problem for us, as it has given rise to a lot of suspicion. Frankly, the Chinese Government has not done enough to dispel these fears. But we should remember these suspicions are all about China’s rise, not Sri Lanka-China relations *per se*. Does China have an interest in the Indian Ocean? Of course. But we don’t want – or have the capacity – to enforce ourselves militarily”. However, as a more outspoken Chinese academic points out, “of course the port is for commercial purposes. But it’s a port: it can be used for whatever purpose it is needed for. So can it also be used for military purposes? Yes”. The same academic argues that just as is the case with other countries, China has a legitimate case for overseas naval ports. Saferworld interviews, Shanghai, May 2011.

<sup>117</sup> Saferworld, Colombo, June 2011.

<sup>118</sup> Ministry of Commerce of the People’s Republic of China, *Report on the Foreign Trade Situation of China* (2011), <http://english.mofcom.gov.cn/>, accessed on 12th October 2011

<sup>119</sup> *Op cit* Samaranyake, p 129.

<sup>120</sup> Saferworld interview, Beijing, July 2011.

<sup>121</sup> Saferworld interview, Shanghai, May 2011.

### 3.4 China's impact on conflict and security in Sri Lanka

#### Military co-operation

The low levels of transparency surrounding China – Sri Lanka military co-operation make it difficult to assess its impact on peace and conflict dynamics. Given the indiscriminate harm mines do to civilians, assistance for demining clearly plays a positive role. Aside from this, it is unclear whether military co-operation and training simply increases the Sri Lankan state's capacity to use force or whether it supports broader stability, which requires a responsible security sector that protects civilians and strictly follows basic norms and practices related to international humanitarian and human rights law. The UN's report on the conflict suggests that SLAF has fallen far short of some of these criteria and it is questionable whether co-operation with China will specifically seek to address this.

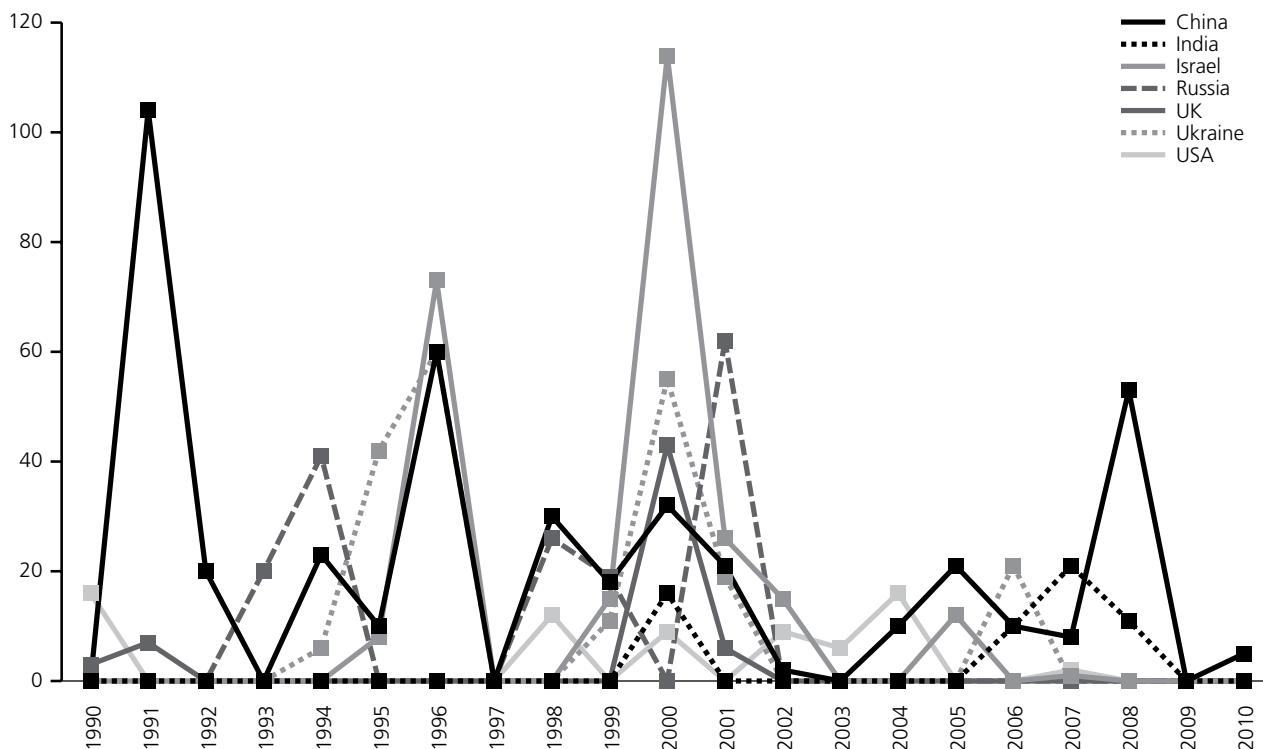
Chinese officials argue that military co-operation with Sri Lanka "is used to maintain stability and safeguard its sovereignty. As such, it is perfectly legitimate".<sup>122</sup> Some Western officials might disagree, having for example suspended training for the SLAF on the basis of human rights concerns.<sup>123</sup> Clearly, there is a disconnect between Chinese and Western attitudes on how stability is best built and how legitimacy is defined.

#### Arms transfers to the GoSL

Even small quantities of relatively inexpensive weapons exported to Sri Lanka had a big impact on conflict. According to one report, although accounting for only 0.3 per cent of the global market in 2008–2009, arms transfers to the country facilitated the world's highest number of direct battle deaths in the same period.<sup>124</sup> As with military co-operation, the authorisation or denial of an arms transfer to another country speaks volumes about the perceived legitimacy of their use.

#### Arms transfers to Sri Lanka from largest international suppliers, 1990–2010

Figures are SIPRI Trend Indicator Values (TIVs) expressed in US\$m at constant (1990) prices.



Source: Stockholm International Peace Research Institute (SIPRI), Arms Transfers Database, accessed 23 September 2011.

<sup>122</sup> Saferworld interview, Shanghai, May 2011.

<sup>123</sup> See for example: 'No US military training for Sri Lanka', *Sunday Times*, 28 March 2011.

<sup>124</sup> *Op cit* Linberg, p 7.

The above graph illustrates flows of arms to Sri Lanka from its seven most significant suppliers. As noted, China's largest transfer occurred in the early 1990s.<sup>125</sup> The 1999–2002 period saw the most substantial flows of arms to Sri Lanka, with Israel, Russia, Ukraine and the UK taking the lead. In 2008, the US and European countries ceased supplies, due to the collapse of the peace process and human rights concerns; India refused to send lethal arms. Since then, China has remained Sri Lanka's largest supplier. It should be noted that many of the Chinese arms delivered in 2008 were actually ordered in 2007, suggesting that the GoSL was already aware of the restrictions it faced from other suppliers.<sup>126</sup>

It is undeniable that Chinese weapons played a significant role in the final stages of the civil war. China's officials clearly continued to believe that transfers to Sri Lanka would be used for legitimate self-defence, a core principle of China's export control regulations. According to several Chinese researchers, China's arms in fact directly contributed to stability.<sup>127</sup> For example, it is argued that:

*“We have to understand that the Sri Lankan conflict lasted for three decades and that thousands died. The LTTE were terrorists, as even the UN agreed. The Sri Lankan Government was a legitimate sovereign state actor to procure arms. The end of the war was good news and we need to be frank that it was not mediation that achieved it.”<sup>128</sup>*

Fundamentally, this view illustrates a belief in the sovereign right of states to procure arms and an acceptance that a military solution to the conflict was justifiable. However, others argue that arms supplies fuelled and prolonged the conflict as the “influx of arms to one side in the conflict spurred the other side to re-arm, leading to an arms race. For decades, the arms flows were sufficient to prevent either side from militarily defeating the other”,<sup>129</sup> Secondly, while many accept the case for a military solution to the conflict, concerns were directed at how it was conducted, with high civilian casualties and alleged violations of international law making many reluctant to arm the Sri Lankan military.

Several observers play down the role of China, arguing that once the GoSL had chosen its path, it would have acquired weapons from other sources if not from China. They also point to the fact that it was not only Chinese weapons that were used: for example aircraft from Israel featured highly, as did Pakistani small arms and ammunition. Furthermore, it is entirely plausible that arms delivered in the 1999–2007 period from various sources, including Europe and the US, were used in the conflict's final phase. It should also be noted that both sides used the ceasefire periods to re-arm, a process the above graph shows Western states to be complicit in. One Sri Lankan analyst believes that Western criticism of China is unfounded: “I think the problem is that China is now doing what the West has always done”.<sup>130</sup>

### The LTTE's acquisition of arms

As has been noted, the LTTE used weapons of Chinese origin. It is not clear where these weapons were sourced. Captured SLAF weapons likely account for a large proportion of them. Using fake end-user certificates, some of these Chinese weapons may have been sourced from third countries such as Eritrea, a long time recipient of Chinese arms. Other sources may have been closer to home. Following the end of Indian support in 1987, the LTTE developed a sophisticated network of illicit sources and transit points that allegedly included North Korea, Thailand, Cambodia, Burma/

<sup>125</sup> This table is drawn from SIPRI statistics, which do not include small arms and ammunition, meaning that some critical arms supplies are not included (for example from Pakistan). Secondly, given the opaqueness of the arms trade, it is unlikely that SIPRI has captured all transfers (for example tanks from Pakistan do not appear in its records). Lastly, the table by no means includes all transfers recorded by SIPRI but instead flows from the top nine countries.

<sup>126</sup> *Op cit* SIPRI Arms Transfers Database.

<sup>127</sup> Saferworld interviews, Shanghai, May 2011 and Beijing, July 2011.

<sup>128</sup> Saferworld interview, Shanghai, May 2011.

<sup>129</sup> *Op cit* Linberg, p 36.

<sup>130</sup> Saferworld interview, Colombo, June 2011.

Myanmar, Indonesia, Pakistan, Afghanistan, India – and China.<sup>131</sup> Alarming, there appears to be some evidence that weapons were directly acquired from Chinese defence companies with forged or illegally acquired end-user certificates. For example, one media report states that:

*“According to former and current Sri Lankan intelligence officials, NORINCO sold the Tigers two consignments of assault rifles, light artillery, rockets and ammunition, each large enough to fill a 230-foot cargo ship. The purchases were arranged through a middle-man as part of a larger order certified with North Korean documents, presumably obtained through bribery, the officials said ... Senior Chinese officials were first warned of the purchases in July 2006, said a former Sri Lankan official who helped prepare a dossier laying out evidence for them. But a third order remained on track for delivery in spring 2007 until Sri Lankan President Mahinda Rajapaksa personally appealed to Chinese leaders in Beijing in February, the official said. Two officials said the Chinese, who were described as extremely apologetic, have launched an investigation into the sales.”<sup>132</sup>*

While it is difficult to substantiate how true this story is, one retired diplomat also suggested that the LTTE acquired arms from Chinese defence companies through using false end-user certificates illegally acquired in third countries.<sup>133</sup> It should be stressed that there is no evidence that Chinese officials ever intentionally authorised arms to the LTTE.

Whatever the sources, that the LTTE had access to arms is crucial to understanding how the conflict lasted so long. It facilitated and fuelled an arms race, decreased the likelihood of a political solution and made the eventual military confrontation a fierce contest. While the LTTE has gone, some analysts argue that should Sri Lanka slide into conflict again, it would rapidly escalate because the means through which it acquired arms can still be used today. In this way, continued proliferation presents a serious threat to future peace.<sup>134</sup>

Three main implications stand out. Firstly, Chinese export control norms appear to have been poorly applied in practice: fake end-user certificates may have successfully duped its officials, exports to third states may have been illegally re-transferred, evidence of wrong-doing possibly went unheeded and, ultimately, Chinese weapons ended up in the hands of the LTTE. Secondly, the LTTE thrived off illicit regional networks and markets. When compared to efforts in Africa and Latin America, Asia has extremely weak, if not non-existent, regional mechanisms for tackling the illicit arms trade. Lastly, it should be remembered that the LTTE held weapons from a number of countries, not just China. While illegally acquired, all of these weapons originated from somewhere in the legal global arms market.

## Diplomatic support

### Bilateral diplomacy

Various Chinese statements have reiterated that the conflict fell into the domain of domestic affairs. In contrast to Western states, there is no evidence that Beijing has actively engaged politically with the GoSL on issues related to conflict and stability in the country, or sought to make its support conditional on changes in policy. Instead, China has publicly supported whichever position the GoSL has chosen to take, regardless of its nature.

China voiced support for the GoSL's position during the peace process period. For example, after Premier Wen Jiabao's visit in 2005, a Joint Communiqué stated that,

<sup>131</sup> Chalk P, 'Liberation Tigers of Tamil Eelam's international organization and operations – A preliminary analysis', *CSIS Commentary No 77*, 1999: *op cit* Clarke, p 174.

<sup>132</sup> Rosenberg M, 'Tamil Tiger rebels run a global fundraising and weapons-smuggling network', *Associated Press*, 11 November 2007. Also see: *op cit* Chalk (1999); 'LTTE got most of its arms from Ukraine – Karuna', *Indian Express*, 6 November 2009; 'Lanka concerned over Chinese-built LTTE arms', *Sunday Observer*, 24 June 2007.

<sup>133</sup> Saferworld interview, Colombo, June 2011.

<sup>134</sup> *Op cit* Clarke.



“China expressed confidence in the Government’s ongoing efforts to reach a peaceful negotiated settlement of all issues involved”.<sup>135</sup> While supporting the GoSL’s campaign against terrorism, a 2007 communiqué stated that China “welcomes the positive steps taken by the Government of Sri Lanka to reach a peaceful resolution of ethnic issues through negotiations”.<sup>136</sup>

After the formal break down of the peace process Beijing remained largely silent, except to voice its support for the GoSL’s campaign against terrorism and its efforts to maintain territorial integrity. In the final stages of the conflict, as it quickly became clear that a humanitarian crisis was unfolding, it commented only that: “it is our sincere hope that Sri Lanka could realise national reconciliation, social stability and economic development at an early date through its own effort”.<sup>137</sup> In June 2009, a Chinese PLA general publicly “expressed his satisfaction with the Sri Lankan Government’s military defeat of the LTTE”.<sup>138</sup>

After the end of the conflict, Vice Premier Zhang Dejiang “congratulated Sri Lanka for the end of the civil war, as well as the steady progress in rebuilding and social-economic development”.<sup>139</sup> In 2011, President Hu “pointed out that China is glad to see Sri Lanka’s political stability, rapid economic growth and positive progress made in the country’s post-war resettlement of civilians in recent years. China is delighted with Sri Lanka’s achievements and will continue to offer help within its ability for Sri Lanka’s economic and social development”.<sup>140</sup>

While public statements cannot present a full picture, the evidence suggests that China has rhetorically supported all the GoSL’s choices, including its participation in the peace process, its military solution to the conflict and its choice of policies after the war. In short, China has followed its non-interference policy. A Sri Lankan civil society activist puts this differently: “China does not play a political role at all: it very clearly keeps its distance. China is not a conflict-manager, nor does it want to be”.<sup>141</sup> In this regard, it could be argued that simply because it has not engaged on the issue, China’s bilateral relations with Sri Lanka have had very little direct impact on peace and conflict dynamics. While there is some truth to this argument, some critical points can be raised.

Firstly, as those in the Chinese policy community recognise, non-interference is not a passive policy but instead constitutes active support for the overriding precedence of the state. In Sri Lanka this effectively represents active support for one actor participating in the conflict. This was perhaps especially pronounced, as the GoSL was seen to be confronting what China describes as the most serious threats to a state’s integrity, characterised as the three evils: separatism, extremism and terrorism. However, it can be argued that the very nature of Sri Lanka’s state was one of the key drivers behind these threats in the first place. Effectively addressing them requires a political rather than a military solution. Furthermore, by not criticising the Government’s role in the conflict, China lent further legitimacy to its conduct. Again, non-interference is not a passive policy; silence can amount to support. In the eyes of those who oppose Sri Lanka’s leaders, either politically or through violence, China is far from impartial.

From some Chinese perspectives, the stability of a country is equated with a state’s capacity to control it and so implicit support for such efforts is seen to contribute to peace. Non-interference serves another purpose, which is to make sure relations between Beijing and other governments are stable and friendly. Although the West is

<sup>135</sup> ‘China, Sri Lanka issues Joint Communiqué to specific cooperation in all areas’, *People’s Daily*, 10 April 2005.

<sup>136</sup> *Joint Press Communiqué of the People’s Republic of China and the Democratic Socialist Republic of Sri Lanka*, (2007).

<sup>137</sup> Ministry of Foreign Affairs of the People’s Republic of China, *Foreign Ministry Spokesperson Ma Zhaoxu’s Regular Press Conference*, 19 May 2009.

<sup>138</sup> Ministry of Foreign Affairs of the Democratic Socialist Republic of Sri Lanka, ‘China pleased with end of terrorism in Sri Lanka’, *Press Release*, 7 June 2009.

<sup>139</sup> Embassy of the People’s Republic of China in the Democratic Socialist Republic of Sri Lanka, ‘Sri Lanka, China vow to enhance cooperation’, *Press Release*, 12 June 2010.

<sup>140</sup> Ministry of Foreign Affairs of the People’s Republic of China, ‘Hu Jintao meets with Sri Lankan President Rajapakse’, *Press Release*, 17 June 2011.

<sup>141</sup> Saferworld interview, Colombo, June 2011.

of course no stranger to prioritising healthy relations and stable regimes, in the context of Sri Lanka China's engagement clearly differed from that of Western states. However, and as Western states have been forced to confront on countless occasions, it is questionable whether such an approach promotes stability or protects national interests over the long term. While some might still contend that China's non-interference meant that it did not directly *worsen conflict*, it cannot be denied that China still could have done more to *support peace* through, for example, openly urging the GoSL to return to talks rather than silently watching as the country slid back into violent hostilities in 2008. Clearly, Beijing did not want to become so deeply involved or risk damaging relations. In this way Sri Lanka illustrates its reluctance to become a conflict-manager.

China has also appeared reluctant to communicate or closely engage with other countries' representatives in Sri Lanka. Several diplomats and donor officials interviewed stated that they had extremely little or no contact with Chinese officials in the country. As one notes: "It's like we operate in parallel universes: they do what they do, we do what we do".<sup>142</sup> Some suggested that efforts had been made, especially over the past three years, to invite officials from the Chinese Embassy to donor co-ordination forums. However, as one donor official concludes, "Did we try to involve China more? Yes we did. But it didn't work".<sup>143</sup>

In 2006 the Chinese Embassy sent an economic counsellor to some of the Development Partner Coordination Forum meetings, where the World Bank, UN and ADB rotated as heads. However, the economic counsellor soon stopped attending. The Chinese counsellor reportedly complained that discussion only focused on human rights and conflict instead of economic development, which was both frustrating and irrelevant to Chinese engagement in Sri Lanka.<sup>144</sup> Chinese academics argue that these fundamental issues prevent co-operation: "The West says a lot but does little. China does a lot but says little".<sup>145</sup> Perhaps more importantly, it is open to question whether Chinese officials are prepared to engage in-country with other government representatives on such sensitive issues without explicit consent or direction from Beijing. Furthermore, Chinese officials argue that co-operation should only proceed if the host country requests it. At the end of the day, it is unlikely that Chinese policy makers or the GoSL see any value to be added in co-operation. China does not want to associate itself with interfering Western states, nor does it want to become constrained by them, preferring to conduct relations on a bilateral basis. For the GoSL, the very attractiveness of China is its difference and independence from traditional donors.

The commitment of Western states to open avenues of co-operation with China should not be exaggerated. While several diplomats and donors suggested they had tried, these appear in many cases to have been *ad hoc* attempts that were not expected to successfully materialise anyway. Others simply did not try, with one especially significant Western country stating that there had been no efforts at engagement with Chinese representatives in Colombo because the embassy had not been directed to do so and they did not believe that it fell into their mandate.<sup>146</sup>

### International diplomacy

Along with 51 other countries, China was a signatory to the 2003 Tokyo Conference. Aside from this, it does not appear that China participated in any other multilateral initiatives outside of the UN. Discussion on the final and bloody stages of the Sri Lanka

<sup>142</sup> Saferworld interview, Colombo, June 2011.

<sup>143</sup> Saferworld interview, Colombo, June 2011.

<sup>144</sup> Another reason put forth for China's reluctance to engage with other donors or donor groupings is that while it provides finance, its aid is not that significant. It has also been suggested that language plays a role, as some of the relevant Chinese embassy staff did not speak good English. Finally, personalities no doubt play a role, with suggestions that a new Chinese Ambassador in 2009 was less open to engagement with Western government representatives. Saferworld interviews, Colombo, June 2011.

<sup>145</sup> Saferworld interview, Beijing, July 2011.

<sup>146</sup> Saferworld interview, Colombo, June 2011.

conflict at the UNSC was initially limited to informal dialogues. Although Russia was most vocal, China also objected to its inclusion on the Council's formal agenda, arguing that it presented no threat to international peace and security.<sup>147</sup> Objection was even raised to receiving a formal Council briefing on the situation by the UN Under-Secretary-General for Humanitarian Affairs. In March 2009, China reportedly blocked a discussion on Sri Lanka (to be addressed under 'Other Matters' as it was not on the formal agenda).<sup>148</sup> In May 2009, nearly a year and a half after the abrogation of the ceasefire and after four months of especially fierce fighting, the UNSC finally voiced "grave concern over the worsening humanitarian crisis". It condemned the actions of the LTTE and called on the Government to stop shelling civilian areas and allow for humanitarian access.<sup>149</sup> Along with Russia and Vietnam, China reportedly rejected the stronger language initially drafted by the UK, France and Austria.<sup>150</sup>

In June 2010, China added its voice to opposition to the UN Secretary-General's appointment of an expert panel to investigate possible war crimes, arguing that GoSL had already set up its own investigation. Furthermore, Chinese officials argued that the international community should turn the page and not frustrate the Government's own efforts towards reconciliation.<sup>151</sup> When the panel's findings were made public in April 2011, Chinese officials stated that any further international action would complicate matters and that instead Sri Lanka should be helped to "stabilize the country's internal situation and accelerate economic growth".<sup>152</sup> While the UN experts' report calls for an independent international mechanism to fully investigate alleged violations of international law, it is unlikely that the Secretary-General will be able to push for such a probe without the GoSL's consent or a decision by the UNSC, the General Assembly or the UN Human Rights Commission (UNHRC). Likewise, any referral to the International Criminal Court (ICC) would require UNSC consent. China's critical support for any of these routes appears to be highly unlikely.

This is illustrated by China's position at the UNHRC on matters related to Sri Lanka. In May 2009, European efforts to launch a war crimes probe in Sri Lanka were thwarted at the 47-member Council. Instead, China joined 29 others in passing a Sri Lankan-authored resolution that commended the Government's actions, congratulated it for liberating the North and reaffirmed "the principle of non-interference in matters which are essentially within the domestic jurisdiction of states".<sup>153</sup> China has not changed its position. For example, at the 17th regular session of the UNHRC in June 2011, the Chinese delegation objected to the formation of an international monitoring mechanism, stating that China had "total confidence in the capability of the Government and people of Sri Lanka to resolve their own issues".<sup>154</sup> In September 2011, ahead of a UNHRC meeting, China's chief legislator, Wu Bangguo, said, "that China will continue to support Sri Lanka's efforts to safeguard its national independence, sovereignty and territorial integrity".<sup>155</sup>

As its position at the UN demonstrates, state sovereignty and non-interference have been used by China to justify its opposition to international involvement in conflict management or post-war accountability in Sri Lanka. While Beijing argued that the UNSC had no legitimacy to act on Sri Lanka, as it did not constitute a threat to international peace, China has also signed up to the Responsibility to Protect (R2P) principles. Given the extent of civilian casualties in the final stages of the war it is difficult to argue that there was no legitimate mandate for international pressure, let alone a discussion at the UNSC. On matters related to accountability for violations of

147 'UN Council to discuss civilians in Sri Lanka war', *Reuters*, 26 March 2009.

148 'On Sri Lanka in UN Council, China blocks March 26 meeting, vote may be called', *Inner City Press*, 19 March 2009.

149 United Nations Department of Public Information, 'Security Council Press Statement on Sri Lanka', SC/9659, 13 May 2011, [www.un.org/News/Press/docs/2009/sc9659.doc.htm](http://www.un.org/News/Press/docs/2009/sc9659.doc.htm), accessed November 12th 2011

150 Saferworld interview, London, July 2011.

151 Saferworld interview, Beijing, June 2011.

152 'China urges international community not to complicate Sri Lanka issue', *Xinhua*, 30 April 2011.

153 United Nations, S-11/1 *Assistance to Sri Lanka in the promotion and protection of human rights*, 28 May 2009.

154 'China, Russia back Lanka at UNHRC', *Sunday Observer*, 5 June 2011.

155 'China reiterates its support to Sri Lanka', *Official Government News Portal of Sri Lanka*, 8 September 2011.

international human rights and humanitarian law, the UN experts' panel has made it clear that the GoSL has fallen well short of resolving its own issues, making it difficult to accept the stated reasons behind China's opposition to international action through the UNHRC or other paths.

Sri Lanka is yet another case where differences between Western states and China on the legitimacy of external intervention have been made clear. To a degree, China has followed what has largely been a consistent position on internal conflicts and sovereignty; it is difficult to argue that China has taken a special position on Sri Lanka in order to further its own interests.<sup>156</sup> However, in a visit to Beijing in May 2011, the Sri Lankan Foreign Minister thanked China for helping in "safeguarding Sri Lanka's national independence, sovereignty and territorial integrity".<sup>157</sup> China's support has undoubtedly strengthened its relations with Sri Lanka's leaders and possibly contributed to the regime's own stability, as any investigation into war crimes would strike directly at its heart. As is the case with its bilateral relations, China has prioritised non-interference, stable relations and regime stability.

It would be wrong to assume that China's position at the UN was one it took in isolation. In the case of the UNSC, Russia, Vietnam and others voiced opposition to action on Sri Lanka. In the case of the UNHRC, 26 states voted in favour of Sri Lanka's 2009 resolution, including all the non-aligned movement states, Russia, Brazil, South Africa and India. In this regard, China is by no means exceptional: its positions are widely shared.

## Economic co-operation and development assistance

### Humanitarian aid

China has provided humanitarian aid to Sri Lanka on several occasions, both for natural disasters such as the Tsunami and for civilians affected by conflict. Inherent to the principles of humanitarian assistance is that it is neutral. However in the conflict-context of Sri Lanka, this principle has been seriously challenged. Both sides of the conflict allegedly manipulated their control over aid to meet political and military, rather than humanitarian, aims. For example the GoSL allegedly used the excuse of security threats to direct where aid was allocated, while the LTTE used it more directly as a means to cynically control the Tamil population.<sup>158</sup>

Little is known of how Chinese humanitarian aid has been delivered in Sri Lanka, although at least some of the aid for Tsunami victims was distributed through the WFP. It can be assumed that aid for internally displaced persons (IDPs) in the conflict was delivered directly to the Government. Given the controversy that surrounded the military detainment of Tamil IDPs, questions might arise as to how this Chinese aid was allocated. While any extra humanitarian assistance from China should in principle always be welcomed, it is by no means immune from the common problems faced by others in complex emergencies.

### Development assistance

Chinese officials and academics maintain that simply through providing financial assistance, especially in the area of infrastructure development, China is promoting development and so helping to tackle the root causes of conflict in Sri Lanka.<sup>159</sup>

Economic factors certainly played a role in the conflict, with economic marginalisation fuelling grievances in the Northern and Eastern parts of the country. The war only

<sup>156</sup> China has consistently opposed international action in cases such as Burma/Myanmar, Zimbabwe and Sudan. However in the case of Sudan, China showed flexibility by pressuring Khartoum to accept the international community's will, and in 2011 China voted for and abstained on resolutions related to the protection of civilians in Libya.

<sup>157</sup> 'Chinese, Sri Lankan FMs meet on bilateral ties', *People's Daily*, 25 May 2011.

<sup>158</sup> Keen D, 'Compromise or capitulation? Report on WFP and the humanitarian crisis in Sri Lanka', *Humanitarian Assistance in Conflict and Complex Emergencies*, (2009) United Nations World Food Programme Conference Report.

<sup>159</sup> Saferworld interview, Beijing, July 2011.

further compounded this: development projects were blocked by insecurity, human and financial capital fled and basic infrastructure was destroyed.

Even though it saw some growth, Sri Lanka's Central Bank estimates the country as a whole lost two to three percent of gross domestic product (GDP) growth annually due to the uncertainty caused by the war.<sup>160</sup> President Rajapaksa's vision for national economic development, *Mahinda Chintana*, places great emphasis on infrastructure. This is reflected in the GoSL's plan for the North (*Uthuru Wasanthaya*), which is based on the belief that a return to growth in the North, spurred by large-scale infrastructure projects, will ultimately bring reconciliation and peace. While most of its projects are elsewhere in the country, China has supported this vision through contributing to power generation and road construction in the North. As such, it could be argued that through its assistance, China has supported both post-war reconstruction and peace in the North and longer-term stability for the country as a whole. The President has stated as much himself: "We appreciate very much the understanding shown by China on the pressures of the post-conflict period, and the support extended to heal the wounds of war".<sup>161</sup>

Nonetheless, several assumptions related to this approach need to be examined critically. Firstly, debate exists over whether infrastructure-focused development strategies are sufficient alone. Several Sri Lankan analysts and Western donors state that Sri Lanka desperately needs updated infrastructure and that it "is a purposeful and legitimate development goal for Sri Lanka and its people".<sup>162</sup> However, some NGOs argue that infrastructure must be accompanied by a parallel focus on ensuring that the development it brings is equitable.<sup>163</sup> Others have criticised not the content, but the delivery of Chinese infrastructure projects, pointing to the fact that it is often more expensive than multilateral sources, it benefits Chinese firms, corruption is rife and deals are not transparent enough.<sup>164</sup> At the same time, one donor official admits that the Chinese are simply "following what the West used to do: we funded infrastructure, we tied aid to our own commercial interests, and yes, there was corruption involved".<sup>165</sup>

Secondly, the extent to which economic development is a solution to Sri Lanka's instability is equally open to debate. Without denying its importance, relative underdevelopment was only one conflict driver among many. As one Sri Lankan analyst notes, "the conflict is driven by emotions of humiliation and anger that fuel the politics of nationalism. This has not yet been addressed. Tamil nationalism explicitly seeks a political solution – trying to tackle economic marginalisation cannot be seen as a substitute to addressing this".<sup>166</sup> This is in fact recognised by some Chinese analysts, with one for example arguing that:

*"We hope that the Tamils and other Sri Lankans can unite and that ethnic reconciliation is found rather than continued calls for Tamil independence. In Sri Lanka, the political institutions – democracy, elections, etc. – are there. But they do not have economic equality, there exists inequalities between ethnic groups, and without economic equality and development for all, there will be no peace. China can help the Government in the economic field to meet these aims. But reconciliation – which is political – is the responsibility of the Sri Lankan Government, and China cannot help there as it is internal affairs."*<sup>167</sup>

Even though they regularly highlight the importance of economic factors, Chinese policy makers of course recognise that politics has a role to play too. However, there is little open recognition of how engagement in the economic landscape affects political –

<sup>160</sup> *Op cit* Linberg, p 32.

<sup>161</sup> Cited in: *op cit* Xinhua (2011).

<sup>162</sup> Saferworld interview, Colombo, June 2011.

<sup>163</sup> Saferworld interview, Colombo, June 2011.

<sup>164</sup> Saferworld interview, Colombo, June 2011.

<sup>165</sup> Saferworld interview, Colombo, June 2011.

<sup>166</sup> Saferworld interview, Colombo, June 2011.

<sup>167</sup> Saferworld interview, Shanghai, May 2011.

and conflict – dynamics. For example, while military victory was the basis of President Rajapaksa's first term, his second aims to be measured by its economic success.<sup>168</sup> As one observer notes, "China's assistance lends legitimacy to [the GoSL]: large scale and visible infrastructure projects demonstrate that it can deliver development".<sup>169</sup> Furthermore, most Chinese projects are currently outside of the North and the East, questioning the extent to which they actually address regional inequality and raising the possibility that uneven development might even be unintentionally exacerbated. In short, China is not immune from the complex reality other donors face: the way in which development assistance is delivered and how fairly its benefits are distributed has implications for conflict dynamics in Sri Lanka.

However, non-interference means that Chinese assistance comes with no such conditions attached. Added to its willingness to finance and deliver large-scale infrastructure projects, China is the ideal donor for the ideal recipient, unquestionably supporting the GoSL's vision of development. As Western donors admit, China presents opportunities for real national ownership of development assistance, as dictated by international agreements on good donor practice.<sup>170</sup> Some civil society activists are more critical, arguing that ownership belongs to the political elite, not the Sri Lankan people.<sup>171</sup> Recent political reforms that further centralise power, alongside the continued use of heavy-handed security policies, may mean that such fears are not unfounded. They also argue that corruption, controlling access to employment opportunities, business contracts and the benefits of large-scale infrastructure projects have been used in Sri Lanka to cement political power for decades.<sup>172</sup> When donors directly finance the Government's development projects they may be inadvertently exacerbating the very patronage politics that have fuelled grievances and weakened the state's ability to effectively manage conflict. Alongside efforts to cajole the GoSL into holding negotiations and protecting democracy and human rights, it is for this reason that Western governments have been reluctant to provide it with unconditional amounts of aid. In this way, China's impact on stability may be more complex than presented by its officials.

As noted, local level grievances are some of the most immediate conflict drivers in Sri Lanka today and, as with the national level, China's development assistance may have an impact on them too. For example, an infrastructure project that displaces communities from their land without adequate consultation or compensation may only aggravate pre-existing grievances. Little is known about what impact Chinese infrastructure projects have on the ground. Several observers said there was no consultation with local communities in Chinese-funded and constructed development projects – although neither does GoSL conduct such assessments. According to several observers in Colombo, there have also been some concerns over the use of Chinese labour in infrastructure projects, especially in areas where providing jobs for local men could significantly reduce the chances that they use skills developed from decades of fighting to join armed criminal or rebel groups in the future.<sup>173</sup> However, the actual number of Chinese workers in Sri Lanka is unknown, with estimates wildly ranging between 8,000 and 30,000.<sup>174</sup> Without detailed field assessments of Chinese projects and access to considerably more information, it is difficult to assess what impact Chinese development projects have on local conflict drivers.

China offers significant opportunities for economic growth in Sri Lanka. This should be welcomed. The knock-on effects of such assistance may prove to significantly dampen conflict drivers through addressing marginalisation, widening prospects for countless individuals and communities and increasing the costs of a return to conflict.

<sup>168</sup> Saferworld interview, Colombo, June 2011.

<sup>169</sup> Saferworld interview, Colombo, June 2011.

<sup>170</sup> Saferworld interview, Colombo, June 2011.

<sup>171</sup> Saferworld interview, Colombo, June 2011.

<sup>172</sup> Saferworld interviews, Colombo, June 2011.

<sup>173</sup> Saferworld interviews, Colombo, June 2011.

<sup>174</sup> Pathirana S, 'Sri Lanka gains from Indo-Chinese supremacy battle', *BBC News*, 21 November 2010.

For these reasons, China is by no means alone in seeing the benefits of an economic peace dividend. Nor is it alone in believing that the GoSL should take primary responsibility for choosing how and where resources are best allocated. However, it should be more openly acknowledged that economic development is not a substitute for political reconciliation, which is where Sri Lanka's future peace and stability lies. Secondly, development assistance cannot be divorced from conflict dynamics, whether at national or local levels. To a degree, how development assistance is delivered and whether it is perceived as equitable is more important for stability than whether it is delivered at all.

## Indirect impacts

### Declining Western influence

China has and continues to play a limited but direct role in peace and conflict dynamics in Sri Lanka. However, much of the Western focus on China's role has been on a more indirect form of impact. For example, one British newspaper article states:

*"[The end of the war] was achieved in the teeth of opposition from the US and its allies, and at appalling human and moral cost. How had it been allowed to happen? The answer, in one word, is 'China'".*<sup>175</sup>

While agreeing that this is a rather simplified argument, some Western donors in Colombo tend to agree with its overall point: Sri Lanka has 'new friends' who have allowed it to ignore the demands of its 'old friends'. In the words of one diplomat, China's enormous development assistance "significantly undercuts the conflict sensitivity approach of other donors ... Western leverage is at its lowest level ever. We will do what we can, but we do not have many cards in our hand".<sup>176</sup> A leaked US Embassy cable from 2007 illustrates that such concerns were held before the final phase of the war. It notes that "As Sri Lanka taps into new sources of assistance, [Western donors] are at risk of losing leverage with the Rajapaksa Government, making it harder for us and others to prod the Government toward a peaceful solution to Sri Lanka's ethnic conflict, and address such concerns as human rights and corruption ... The new donors' no-string generosity may be convincing President Rajapaksa that he can have both his war and his infrastructure, instead of having to choose between the two".<sup>177</sup> Sri Lankan officials also appear to share these views, with the Foreign Secretary for example stating that, "Sri Lanka's traditional donors, namely the US, Canada and European countries, have receded into a very distant corner". He argued that donors like China were far more attractive, as they were rich and they conduct themselves differently: "They don't go around teaching each other how to behave".<sup>178</sup>

Clearly, the rise of China has fundamentally altered the donor context in Sri Lanka. A simplified narrative is that without China, events would have taken a dramatically different turn in a direction more acceptable to the West. However, several underlying assumptions in this narrative need to be critically questioned. The first is to ask how committed Western states really were towards a peaceful resolution of Sri Lanka's conflict. Reaction to increasing violence was sporadic rather than sustained. As one report notes, "[m]uch of the international community turned a blind eye to the violations when they were happening ... they encouraged the Government's tough response while failing to press for political reforms to address Tamil grievances or for any improvement in human rights".<sup>179</sup> Similarly, others claim that several Western states unofficially supported the military solution, balking only when violence reached

<sup>175</sup> Popham P, 'How Beijing won Sri Lanka's civil war', *The Independent*, 23 May 2010. Also see: 'The Colombo consensus', *The Economist*, 8 July 2010; Foster P, 'China's malign influence in Sri Lanka', *The Daily Telegraph*, 9 February 2010. This view actually predated the conflict. For example see: 'Take aid from China and take a pass on human rights', *New York Times*, 9 March 2008.

<sup>176</sup> Saferworld interview, Colombo, June 2011.

<sup>177</sup> *Sri Lanka: Growing clout and appeal of non-Western donors*, Wikileaks cable 07COLOMBO250 (2007, released 2011).

<sup>178</sup> Cited in: *op cit New York Times* (2008).

<sup>179</sup> *Op cit ICG* (2010), p ii.

the intensity that it did.<sup>180</sup> While many would disagree with this assessment, pointing to public statements and various initiatives by Western countries, two points stand out. The first is that there exist different interpretations as to what a vigorous commitment to peace should really look like. The second is that for many of those who supported military action, the way in which it was conducted was unacceptable; and much of the criticism of the GoSL should be seen in this light.

Putting this aside, a second question is how important the West was to begin with. Changes in domestic politics rather than a relative reduction in Western influence were the key factor in the violent outcome of the conflict. Between 2002 and 2005 there was a degree of convergence between Western donors and the UNP government on the utility of negotiations. However the SLFP came to power on an explicitly nationalist ticket. The President's manifesto made explicit reference to the need to stop "foreign countries unnecessarily intervening in our internal affairs".<sup>181</sup> The President saw through on his commitment by making it significantly harder for donors and other international actors, such as NGOs, to work directly on matters related to the conflict.<sup>182</sup> Additionally, the SLFP's nationalistic rhetoric reflected a belief that the LTTE had to be militarily defeated. As several Sri Lankan analysts interviewed noted, there was simply never the possibility of a peaceful negotiated settlement to the conflict once the Government chose this path.<sup>183</sup> Importantly for a democratically elected government, this militarised patriotism was popular – and remains so today.<sup>184</sup>

According to some researchers, the peace process itself was inherently flawed in its design from the start, mismanaged and too dependent on the UNP being in power, which was implementing unpopular economic reforms at the same time.<sup>185</sup> Sri Lankan nationalists felt that the peace deal would undermine Sri Lanka's integrity as a unitary state.<sup>186</sup> In the years leading up to 2009, the LTTE had also disengaged from the peace process, a development external actors had only limited control over. In the words of one Sri Lankan academic, "Western aid conditionalities are not relevant in Sri Lanka, they don't work and never really have: you cannot bribe a nationalistic agenda – on both sides – to abandon its central *raison d'être*".<sup>187</sup> In this regard, the collapse of the peace deal may have been somewhat inevitable, regardless of the West or China. Linked to this are questions about the effectiveness of the delivery of conditionalities in the first place. In contradiction to the terms of the Tokyo Conference, major multi-lateral donors continued to provide significant assistance to the GoSL despite the evident unravelling of peace. Furthermore, the influx of huge amounts of humanitarian aid in response to the Tsunami financially dwarfed conditional aid, rendering it largely meaningless.

A further limitation on the West's leverage was that Sri Lanka has become a low middle-income country (MIC) and so it did not qualify for bilateral aid from some Western countries. For example, the UK closed its development aid programme in 2006.<sup>188</sup> Because of its MIC status, the GoSL has begun to rely on new forms of non-concessional finance, of which China is an obvious source.<sup>189</sup> It is not entirely accurate to argue that Chinese aid has simply displaced Western aid. In fact, the Sri Lanka case might raise more questions about how relevant aid will be in the future for supporting peace in some conflict-affected countries.

<sup>180</sup> Saferworld interview, London, July 2011.

<sup>181</sup> Rajapakse M, *Mahinda Chintana I: Towards a new Sri Lanka* (2005), p 34.

<sup>182</sup> Saferworld interview, Colombo, June 2011.

<sup>183</sup> Saferworld interview, Colombo, June 2011.

<sup>184</sup> By November 2007, nearly 49 percent of Sinhalese supported the military option with only about 26 percent supporting a resumption of peace talks. Lewis D, 'The failure of liberal peace: Sri Lanka's counter-insurgency in global perspective', *Conflict, Security & Development* (2010), vol 5 no10, p 655.

<sup>185</sup> *Op cit* Goodhand and Walton (2009).

<sup>186</sup> *Op cit* Lewis, p 654.

<sup>187</sup> Saferworld interview, Colombo, June 2011.

<sup>188</sup> In fact, when explaining reduced leverage, several officials from Western bilateral donors in Sri Lanka stated that this was one of the most important factors in explaining their waning influence. Saferworld interview, Colombo, June 2011.

<sup>189</sup> *Op cit* Ministry of Finance and Planning Sri Lanka (2010), p 244.



One other factor undermined Western influence and that is the very cohesiveness of the West itself. In the words of one donor official, “The idea of China versus the traditional donor community is simply not true. There is not really a coherent and co-ordinated traditional donor community, but instead a wide spectrum of values and approaches”.<sup>190</sup> Some of Sri Lanka’s major traditional donors, like Japan, are not Western at all and had their own approaches to the conflict. Furthermore, a huge difference exists between multilateral lending institutions, which do not have a remit to work directly on political issues, and national bilateral donors, which have explicitly sought to support political reform. However, even within this latter group, perspectives, priorities and policies differed greatly, meaning that a common agenda did not always exist. Summarising these divisions, a 2009 Organization for Economic Cooperation and Development – Development Assistance Committee (OECD-DAC) evaluation of peacebuilding notes that donors became increasingly unco-ordinated in their approaches, potentially undermining what would otherwise be a powerful grouping of states.<sup>191</sup>

One further caveat worth considering is that Indian acquiescence was crucial.<sup>192</sup> As Defence Secretary Rajapaksa admitted in May 2011, Sri Lanka had learned from India’s intervention in 1987 that having India onside in its fight against the LTTE was paramount to success. He noted that, “while other countries could mount pressure on us through diplomatic channels or economic means, only India could influence the military campaign”.<sup>193</sup> In this regard, it is perhaps not China but its neighbour who presents a serious challenge to Western influence.

China clearly changed the donor context and so generated more room for the GoSL, openly hostile to Western interventions, to manoeuvre *vis-à-vis* external actors. This may have been the case with how the war was conducted, with the GoSL feeling confident enough to be able to shrug off calls for a ceasefire. But the belief that the conflict would have been dramatically different without China’s engagement in the country must not be exaggerated, as this has the potential to misguide policy responses, which in turn may undermine effective support for future stability.

Firstly, Western decision makers may use China as an excuse for their own policy failings, which instead need to be assessed and improved in their own right. This is especially the case with regards to co-ordination failures with one another. Secondly, it might be assumed that as Western states have no leverage, engagement on difficult issues with the GoSL is pointless. However, while Western development assistance has declined in relative terms, it is not entirely insignificant to the GoSL. Additionally, both the EU countries and the US are Sri Lanka’s biggest export destinations, accounting for 37 percent and 21 percent respectively.<sup>194</sup> Furthermore, many in Sri Lanka’s middle class and policy community are uncomfortable with the ‘look East policy’. Many of them hold visas or have family members who carry Western passports. A Sri Lankan analyst stresses: “don’t forget the basic reality, which is that people crave for freedom, and this makes America and the West look so attractive to Sri Lankans. This soft power is important”.<sup>195</sup> Another suggests that, “While they needed short-term support from China, at the end of the day [the leadership] is not convinced that look East is the way to go ... they want to be part of the international community, not estranged by it”.<sup>196</sup> Sri Lanka has through its history played a balancing act between external actors; central to this act is not putting all the eggs in one basket. Western states will in the long-term retain some influence and it is in their interest to continue to use it in a principled way that supports stability.

190 Saferworld interview, Colombo, June 2011.

191 *Op cit* Chapman *et al*, p 14.

192 *Op cit* ICG (2011a), p 1.

193 *Op cit* Radhakrishnan.

194 *Op cit* European Commission DG Trade.

195 Saferworld interview, Colombo, June 2011.

196 Saferworld interview, Colombo, June 2011.

However, concerned about their diminishing influence *vis-à-vis* China, some states may have started to question their own commitment to pressuring the GoSL on issues related to accountability, human rights and political reforms. For example, one senior donor official admits that China changed their calculations: “we knew that if we stopped funding then China would be there and do it anyway. So what is the point of threatening to stop funding?”<sup>197</sup> Noting the role of China in Sri Lanka, a US Senate report argues that, “The US cannot afford to ‘lose’ Sri Lanka. While humanitarian concerns remain important, US policy towards Sri Lanka cannot be dominated by a single agenda. It is not effective at delivering real reform, and it short changes US geo-strategic interests in the region.”<sup>198</sup> Maintaining good relations with Sri Lanka’s leaders may end up trumping more unpopular measures that promote long-term stability. In fact, it is this very reaction to Chinese engagement by Western states that is perhaps the most critical way in which China has, and will continue to have, an indirect effect on Sri Lanka’s peace and conflict dynamics.

### Liberal peace vs. Beijing consensus?

Aside from a decline in influence, it might also be argued that Sri Lanka illustrates the weakening of Western norms, that is, “shared expectations about appropriate behaviour held by a community of actors”.<sup>199</sup> The Western model of peacebuilding developed in the post-Cold War period, referred to as a ‘liberal peace’, includes emphasis on political solutions; human security; the rights of minorities to self-determination; the universal importance of human rights; freedom of speech and free and fair elections; market liberalisation; and a redefining of state sovereignty, with humanitarian intervention by external actors being an extreme but legitimate act.

Clearly, liberal peace did not guide the GoSL in its search for a solution to the conflict. In fact its approach may have been informed more by the so-called ‘Beijing consensus’, shorthand for a set of Chinese norms. This potentially includes a strong belief in the importance of territorial integrity; anti-secessionism, including opposition to special minority political representation; prioritisation of state security; emphasis on the role of the state in economic development, especially as a means to build stability; and the overriding prioritisation of sovereignty over external intervention. There are some official statements that might suggest Sri Lanka and China have much in common, for example jointly condemning the three evils while celebrating territorial integrity and sovereignty.<sup>200</sup> Before a visit to Beijing, President Rajapaksa remarked that, “I expect to learn more of the progress and the management style that have contributed to the progress of China, and also see how we could learn from the experiences of China”<sup>201</sup>

Simply through showing that alternatives exist, it is likely that China dilutes liberal norms and probes their foundation as universally accepted. However, notwithstanding some clear similarities, the idea that Sri Lanka represents a case where Chinese norms have replaced Western ones is unfounded. Firstly, Sri Lanka’s political system and traditions are still rooted much closer to the West than China. Secondly, as Chinese commentators are at great pains to stress, there is no Beijing consensus, a term coined in the West. Instead, Chinese officials argue that China’s model is still developing and that the only lesson to be learned is that every developing country should find and follow its own path. For now, there is no evidence of any intent by Chinese policy makers to export ideas overseas in the same way that Western nations explicitly seek to. The policy of non-interference means that China accepts as legitimate whatever

<sup>197</sup> Saferworld interview, Colombo, June 2011.

<sup>198</sup> United States Senate Committee on Foreign Relations, *Sri Lanka: Recharting U.S. strategy after the war*, (2009) Washington: US Government Printing Service.

<sup>199</sup> *Op cit* Lewis, p 658.

<sup>200</sup> For example, a 2006 China-Sri Lanka Joint Press Communique appears to reflect shared understandings of insecurity, stating that, “The Chinese side reaffirmed that it would continue to support Sri Lanka in its efforts to defeat terrorism, and to safeguard the sovereignty, national unity and territorial integrity of the country. The two sides reaffirmed their opposition to the three evil forces of terrorism, separatism and extremism”. *Joint Press Communiqué of the Foreign Ministers of China and Sri Lanka* (2006).

<sup>201</sup> Cited in: *op cit* Xinhua (2011).

model governments choose, whether authoritarian or democratic. Statements supporting both the peace process and the military approach that the GoSL followed demonstrate this ideological blindness.

Furthermore, many of the beliefs listed above are by no means uniquely Chinese. For example, President Rajapaksa has pointed to the economic success of Korea and Singapore as guiding models. As noted in the discussion at the UNHRC, Sri Lanka shares norms on state sovereignty not only with China, but also with India, Russia, Brazil, South Africa and many others. Lastly, and without overstating the case, if there was an alternative set of norms that displaced the liberal peace, they also originated from the West, illustrated by the Government's repeated reference to the war on terror and discourse of counter-terrorism.<sup>202</sup> Not unfairly, Sri Lankan officials point to the conduct of some Western states when they are conflict actors themselves as evidence of hypocrisy. Indeed, the perceived contradiction between what is preached and what is practiced may have done substantial damage to the legitimacy of liberal peace norms. The war on terror discourse also dispels the idea that there was anything near universal condemnation of the GoSL's military strategy and conduct. For example, a May 2009 article in the Wall Street Journal discussing the military victory stated that:

*"The event vindicates one of the major lessons of September 11: Most of the time, terrorists have to be defeated militarily before political accommodation is possible ... Mr Rajapaksa wisely ignored international calls for a ceasefire as he got closer to victory".<sup>203</sup>*

### Tensions with India

According to one Sri Lankan observer, while China "put the GoSL in a very strong negotiating position *vis-à-vis* the West, what was more important was that it also forced India to be less confrontational and interventionist. It can't meddle as much now".<sup>204</sup> To an extent, the Government has been able to mute Indian criticism of the military solution to the conflict and soften pressures for post-war political reforms through playing its China card.<sup>205</sup> A retired diplomat in Colombo claims that Sri Lanka has always had to balance the competing pressures from regional and international powers, including China and India. He argues that the Government today has largely succeeded in this regard, for example through allowing a Chinese-built port in the South and an Indian one in the north, allowing them both to develop infrastructure, providing two equally-sized zones for oil exploration and through constantly rotating its diplomats between Beijing and New Delhi.<sup>206</sup>

For now, the perception is that Colombo can play India and China off one another while reaping the benefits. However, should Sino-Indian relations deteriorate to confrontational depths – a development largely out of the GoSL's control – it may be Sri Lanka that pays the price. According to one Chinese commentator, the region "is becoming increasingly strategic in the face of China – India competition. It's a fact that great powers are seeking influence through aid and assistance. We also recognise that this external competition will have great effect on internal factors".<sup>207</sup> Several Sri Lankan analysts point to different ways this might happen. Some are concerned that if India perceives that the GoSL is too close to Beijing, it will intervene as it has done before to undermine the regime, lacking a political stake in stability. Secondly, India might compensate for declining political leverage through utilising military leverage, disrupting internal security. Thirdly, if conflict was to break out again in Sri Lanka at

<sup>202</sup> *Op cit* Lewis, p 662.

<sup>203</sup> 'A terrorist defeat', *The Wall Street Journal*, 20 May 2011.

<sup>204</sup> Saferworld interview, Colombo, June 2011.

<sup>205</sup> At the same time, some of the caveats that about shifting Western influence relative to China also apply to India: questions can be asked over its commitment to the peaceful solution anyway; its room for manoeuvre is restricted by the Tamil Nadu factor and economic interests; and based on past experiences, it remains somewhat reluctant to engage too heavily today. See: *op cit* ICG (2011a).

<sup>206</sup> Saferworld interview, Colombo, June 2011.

<sup>207</sup> Saferworld interview, Shanghai, May 2011.

the same time as intensifying Sino-Indian rivalry, the two powers might choose to support competing sides, thus fuelling the intensity and duration of conflict.

Tensions between India and China have risen. In 2006, India's National Security Advisor fumed that Colombo had turned to China for arms: "We are the big power in this region, let us make that very clear".<sup>208</sup> Some Indian officials and analysts point to Chinese aid and arms transfers to Sri Lanka as proof of intent to "create another Pakistan that China can also use as an ally against India".<sup>209</sup> Most suspicion is focused on the idea that China is using its relations with Sri Lanka as a means to facilitate its naval entry into the Indian Ocean – a move explicitly aimed to displace India's current dominance in the surrounding sea lines.<sup>210</sup> Some Chinese academics argue that India's growing power is generating regional instability, meaning China must take a geopolitical posture to protect its own interests.<sup>211</sup> For example, one states that:

*"India wants to dominate in its region, which the Chinese Government does not want to allow. However China does not have the capacity to dominate the region, and the region in turn does not want Chinese dominance. So our interest is not to dominate in South Asia, but to prevent others from dominating. In other words, if we can't dominate, then we won't let others. This is the larger strategy vis-à-vis India".*<sup>212</sup>

Clearly, China – India relations are tainted by mutual suspicion.<sup>213</sup> Perceptions – rather than actual intentions – may become self-fulfilling prophecies. However, a scenario of full confrontation between China and India in Sri Lanka is still far off. Firstly, even though Sri Lankan leaders are likely to continue a policy of carefully balancing between the two, "India is more important than China, and the Government knows this. They know that without its support life gets difficult".<sup>214</sup> It remains highly unlikely that Sri Lanka's leaders would seriously jeopardise relations with India in favour of those with China. On a visit to India, the Sri Lankan External Affairs Minister told reporters, "We will not allow one country to use Sri Lanka as a launching pad for hostile action against any other country ... there is no hostility or competition. Both are our friends. There is no reason for fears or suspicions".<sup>215</sup>

Secondly, and perhaps as is recognised in Colombo, China currently values maintaining stable relations with India more than its relations with Sri Lanka. For example, trade with India was about US\$51.8 billion in 2008, compared to US\$1.1 billion with Sri Lanka.<sup>216</sup> The willingness to rock the boat is some way off: both rising powers have seen economic returns from the region grow exponentially and both desire a stable region that facilitates continued growth. Additionally, both potentially face being directly affected by non-traditional security threats in the region. To a degree, South Asia, and Sri Lanka within it, presents a growing source of security interdependence for China and India.<sup>217</sup> It could be argued that more co-operative approaches would serve both their interests, while at the same time simultaneously reducing tensions.

One prominent Chinese academic argues that China should fully support co-operative regional responses to security issues.<sup>218</sup> That China is an observer to SAARC suggests that a step in the direction of co-operation might be possible. Chinese and Indian leaders have also made announcements on regional co-operation for combating terrorism and the drugs trade. However, in reality, these announcements are largely symbolic.<sup>219</sup>

<sup>208</sup> *Op cit* ICG (2011a), p 15.

<sup>209</sup> Saferworld interview, Colombo, June 2011. Also see: *op cit* Suryanarayan.

<sup>210</sup> As early as 1948, Jawaharlal Nehru remarked that "whatever power controls the Indian Ocean has, in the first instance, India's sea-borne trade at her mercy and, second, India's very independence itself." Today, more than 95 percent of India's trade exports and 81 percent of its imported oil passes through these surrounding waters. Cited in: *op cit* Holslag, p 133.

<sup>211</sup> *Op cit* Zhao (2010).

<sup>212</sup> Saferworld interview, Shanghai, May 2011.

<sup>213</sup> In the words of one Sri Lankan analyst: "The port *could* have a military use, and the airport *could* handle large military planes: This – rightly or wrongly – concerns the Indians." Saferworld interview, Colombo, June 2011.

<sup>214</sup> Saferworld interview, Colombo, June 2011.

<sup>215</sup> 'Won't allow anti-India activity by China: Sri Lanka', *The Hindu*, 17 May 2011.

<sup>216</sup> *Op cit* Samaranyake, p 125.

<sup>217</sup> *Op cit* Holslag, p 147.

<sup>218</sup> *Op cit* Zhao (2010).

<sup>219</sup> *Op cit* Holslag, p 153.

According to a Chinese analyst: “China and India share interests in South Asia but lack any mutual trust. [Co-operation] is at the moment not likely, nor in the near future”.<sup>220</sup> Instead, it appears that fear of losing out to one another drives a policy of unilateral engagement. As Beijing and New Delhi vie for influence in Colombo, policies of engagement that might promote stability in the country are abandoned in favour of policies that prioritise good relations with the ruling regime. While not yet destabilising, this current reality is not conducive to supporting longer-term peace.

### 3.5 Conclusions and implications for policy

It should not be overlooked that China has been just as important to Sri Lanka in the past as it is today, whether as its largest export destination in 1975, or its largest supplier of arms in 1991. Nor should it be forgotten that this relationship has been the source of controversy before, leading to restrictions of foreign aid and becoming an electoral issue within Sri Lanka itself. Lastly, Colombo has long seen its external relations oscillate with changes of government and re-tilt through a careful policy of balancing. In short, history tells us that contemporary China – Sri Lanka relations are by no means unprecedented or guaranteed to stay the same.

Nonetheless, the relationship today symbolises China’s arrival as a global power. It is a growing trade partner for Sri Lanka, its largest financier, its most important source of arms and a vocal partner in international forums. The impact that China has had, on both the final phase of the war with the LTTE and subsequent efforts to stabilise the country, are summarised in this section. It is important to acknowledge that it is the GoSL’s responses and policies that will greatly determine to what ends China’s engagement is utilised in the future. However, this remains outside the scope of this section, which instead largely limits its focus to the policy implications for Chinese and Western policy makers. Furthermore, several key trends that might be applicable to China’s wider pattern of engagement with conflict-affected countries are identified.

Most likely weary of upsetting Sri Lanka’s northern neighbour, China’s military-to-military relations with Sri Lanka appear to have remained modest, despite deepening relations in other spheres. Depending on the temperature of Sino-Indian relations, this may change. It appears unlikely that the questions surrounding violations of international law and civilian protection will temper the PLA’s engagement with their Sri Lankan counterparts. However, Chinese officials have vocally argued that the international community must uphold R2P principles not through military intervention, but through supporting states’ capacity to protect civilians. Alongside operating in a more transparent manner and promoting universally agreed-upon international humanitarian law, the content of future co-operation would ideally reflect this.

China’s continued arms transfers to Sri Lanka speak volumes about its perceived legitimacy of their use. In this regard, arms transfers highlight that many Chinese policy makers may see arms as one way in which China can support a state facing civil war to enforce stability within its territory. Such an approach is, of course, not unique to China. What might separate China from the West, at least theoretically, is its apparent indifference to how weapons are used once they have been transferred, with fulfilment of state sovereignty being a sufficient condition to legitimise transfers. In this regard, China will continue to provide an alternative source of weapons for some countries that Western states may be hesitant to arm. In reality, the Sri Lanka case raises hard questions for a wide range of states – including supposedly more enlightened Western countries – about what role their weapons come to play in conflicts across the globe. The nature of the global arms trade means a wide range of states have supplied Sri Lanka with weapons but, as illustrated by changes in 2008, there exist very different interpretations as to what constitutes a responsible arms transfer. Fortunately, current

negotiations at the UN on an Arms Trade Treaty (ATT), which would establish a legally binding instrument to regulate the international transfer of arms, present an opportunity to build greater international consensus on this critical issue. All of Sri Lanka's suppliers – past and present – will need to take it seriously.

The acquisition of Chinese weapons by the LTTE worryingly suggests that in the past the enforcement of China's export control norms fell short. For policy makers in Beijing this will not only risk creating future embarrassment, but potentially undercut China's efforts to support stability in countries where it has political and economic interests. Aside from addressing the problem internally, China could also make greater efforts to promote regional co-operation to combat the illicit network of arms that encompasses a number of Asian countries. This should not distract from the fact that illicit weapons have a legal origin and that the LTTE's networks spread well beyond Asia. This only strengthens the case for an ATT that, among other measures, requires states to assess carefully the risks that their arms exports might be diverted into the illicit market.

China's non-interference policy has meant that it has officially supported whatever position the GoSL has taken. As noted, this is not a passive position. It denotes implicit support for state imposed solutions, regime stability, sovereignty and territorial integrity. It has also served to maintain healthy relations with Sri Lanka's leadership to the perceived benefits of Chinese interests. In these ways the Sri Lanka case demonstrates Beijing's reluctance to act as a conflict manager in internal conflicts overseas. However, as its interests in countries like Sri Lanka deepen and the cost of instability rises, the relative benefits of minimal engagement will slowly shrink: it is a matter of *when* China takes a more proactive role, not *if*. Given this reality, Western policy communities should already be sharing their views with China in order to help shape the *how*.

China's position at the UNSC restrained international action that might otherwise have forced the GoSL to permit greater levels of humanitarian access and consider a temporary ceasefire, possibly saving civilian lives. China's position at the UN has also served to obstruct international efforts to promote accountability for possible war crimes, action that would directly strike at Sri Lanka's top leaders. In the former case, Beijing's position contributed to an international environment where the GoSL could largely conduct its military operations as it saw fit; in the latter case it has helped sustain a culture of impunity and the regime's continued legitimacy. In other conflicts and crises Beijing has shown greater flexibility in its international diplomacy, but the experience of Sri Lanka seems to confirm that those cases may be exceptions rather than reflections of a fundamental change in policy direction.

It needs to be accepted that China is by no means Sri Lanka's only supporter at the international level: many other states have seen the GoSL's actions as legitimate and/or outside the mandate of international action. While most states have come to at least rhetorically support the R2P principles and accept the legitimacy of international humanitarian and human rights law, Sri Lanka has shown that the principle of sovereignty remains paramount for many – including for supposedly more liberal rising powers like India, Brazil and South Africa.

How China's humanitarian assistance to Sri Lanka interacts with conflict dynamics presents an area of potentially fruitful research by Chinese academics. China is a growing source of humanitarian aid to complex environments and there is space for closer collaboration and learning between Beijing and UN bodies, traditional donors and INGOs. While there is much China could learn about humanitarian aid in conflict environments, it also has much to offer on the basis of its own domestic experiences in rapid response to natural disasters.

China's prominent role as a source of finance for the GoSL offers opportunities for post-war reconstruction and development of the economy, possibly helping to address some of the structural causes of conflict in Sri Lanka. China is able and willing to fund

infrastructure development, filling a gap left by some traditional bilateral donors. It unquestionably supports government development plans rather than attempting to shape them. The fact that assistance comes without political conditions only makes it more alluring to governments. In these ways, Sri Lanka presents a useful case of a role that China will surely come to play in other countries emerging from conflict. Sri Lanka also raises critical issues that should be recognised and addressed by Chinese policy makers. The first is on the implementation process of projects, with problems associated with their transparency, possible corruption and the employment of local labour. The second is that economic assistance, no matter how effective, cannot be seen as a panacea for conflict or a substitute for more complex, but equally important, political factors. Thirdly, it should be acknowledged that development assistance has an impact on conflict dynamics: this can be at national level through, for example, inadvertently fuelling patronage or ethnic inequalities, and at local level through, for example, displacing local populations from land. How and to whom development assistance is delivered is more important for peacebuilding than whether it is delivered at all.

Such recognition does not infer that China must adopt Western style conditionalities in Sri Lanka or start using its aid to directly address conflict issues. Rather, it simply requires a more honest and responsible risk assessment of what impact its assistance might have on conflict. Non-interference need not be a major obstacle. The World Bank and the ADB have both shown how, despite an apolitical mandate, their aid delivery in Sri Lanka has been guided by conflict-sensitive practice. Given that China is a member of both institutions, it should seek to learn more from their experiences in Sri Lanka by for example seconding staff from China Exim Bank to their offices in Colombo. Indeed the concept of conflict sensitivity, which is still being adopted and developed by traditional donors, presents an excellent entry point to wider dialogue, co-operation and mutual learning with China. For China's policy community and researchers, Sri Lanka presents a potentially useful case on which a more nuanced debate about development assistance can be based.

China's role as a financier of the GoSL has changed the donor context in Sri Lanka, a trend likely to be seen elsewhere. More than two decades after the end of the Cold War, Western states no longer have the near monopoly on development assistance. Their legitimacy to represent the so-called 'international community' has ebbed. This is, on the whole, a potentially positive development: it gives recipient states more political autonomy, through allowing for choice between donors, and it gives them greater ownership of how and where to allocate aid. However, in the case of Sri Lanka, autonomy helped allow the GoSL to ignore Western criticism of its conduct of the war. It has also diluted subsequent outside pressures pushing the GoSL to address political issues. Sri Lanka's leadership has opted instead to focus on state-directed economic development as a path to stability. From this perspective, autonomy and ownership in countries at risk from conflict is not necessarily synonymous with international law or long-term stability.

China's impact in this regard should not be exaggerated. There is a danger that the rise of China is used as an excuse to adopt approaches that prioritise influence at the cost of core values, dressed in the rhetoric of being practical rather than principled. However the historical record demonstrates that time and time again, promoting only stable relations with stable regimes is short sighted and often ends in failure. While proactive engagement with the GoSL is a necessity, an unconditional *rapprochement* before key governance and human rights issues have been addressed will undermine longer-term stability and interests. It would also play directly into the GoSL's strategy to play external actors off one another and send the wrong message about Western commitment to values that many Sri Lankans aspire to. Sri Lanka must not become a case where the wrong lessons are learnt.

Instead, a long-sighted commitment to stability is required for Sri Lanka. This is dependent on three related policy goals. First and foremost, Western states should redouble their efforts to promote healthy state – society relations, representative and accountable political institutions, human rights and equal access to economic opportunities. Aside from the fact that this will leave Sri Lanka more stable, it will also help facilitate the creation of a much closer partner for the West. A shared set of norms and interests with Sri Lanka's leaders will make the need for leverage and influence less pressing. Furthering this agenda requires the use of a wider set of tools than official aid and a rethinking of the conventional wisdom of how best to engage on what are admittedly complex issues often well beyond the control of external actors. Secondly, strengthening co-operation between like-minded states should be identified as a top priority, leading to co-ordinated positions in multilateral forums, as well as at the bilateral level. As recent history has shown in Sri Lanka, without the benefits that accrue from a co-ordinated approach, the ability of Western donors to advocate effectively on the first objective may be weakened.

Thirdly, this grouping of states should seek to build a culture of co-operation with India and China. With regards to China, efforts to this end have been made, but they need to be given greater political backing and priority with dedicated in-country strategies and resources. Efforts should focus on finding joint development projects which Western donors and China can support bilaterally. This agenda needs to be developed on a step-by-step basis, progressing through dialogue, basic information sharing, better co-ordination and, finally, ending with co-operation on joint projects. To win Chinese support, co-operation will require consent and participation from the GoSL. As such, projects should be practical and non-contentious. Secondly, Western diplomats in Beijing must create and use a sustained process of dialogue (at both official and policy community levels) to generate Beijing's political backing for co-operation. Sri Lanka should be presented as a country where the eventual goal of co-operation will offer significant dividends for all parties involved. However, given its difficult political environment, failure to achieve concrete results in Sri Lanka should not be taken by Western states as evidence that such efforts are likely to fail elsewhere.

It also needs to be noted that for Chinese policy makers, engagement and co-operation with Western states in Sri Lanka does not appear to be a priority. State-to-state bilateral relations with the GoSL remain the parameters of China's engagement; ad-hoc efforts by Western states to work more closely with China appear to have come to little. At the same time, Chinese officials and academics complain that the West unfairly perceives China's engagement with Sri Lanka as inherently hostile and driven by a hidden agenda. While eschewing association with Western states may have some benefits for China *vis-à-vis* its relations with the current Sri Lankan leadership, it also undoubtedly fuels and sustains these negative perceptions of China. Its policy makers should make a longer-term assessment of the costs of a strategy that will potentially leave China isolated, especially if the political context in Sri Lanka evolves. Rectifying this does not require that China becomes 'more Western' or interferes in political issues, but that it shares more information, is more open to discussion and is willing to support joint initiatives in which it has an interest.

Some Western states also need to make more honest appraisals of long-term trends. For example, in comparison to China and India, many of them will only become less relevant to Sri Lanka's peace and security dynamics. At the same time, the future may see a continuation of great power contest between China and India, which could be dangerous for Sri Lanka. Lacking relative leverage, once-traditional Western donors might be forced to observe from the side-lines. While this might not happen soon, and Sri Lanka's leadership will continue to balance relations between the two giants for some time, Western policymakers should prepare for such a scenario and focus their co-operation strategy with New Delhi and Beijing with this in mind.



Meanwhile, policy communities in China and India need to also put more political effort into finding opportunities for co-operation in Sri Lanka. Even small-scale projects can serve as entry points to more meaningful actions that reduce mutual suspicion and diffuse tensions appearing on the horizon. However, if it is to meet the shared interest of continued stability in Sri Lanka, co-operation will need to focus on the root causes of the conflict rather than simply being a means through which they can jointly prop up the status quo.

The GoSL holds the key to all co-operation. Viewed in the short-term, it has no interest in facilitating what will undermine its own leverage. But aside from the fact that it will be in its own long-term interest, it should also be remembered that, nearly 50 years ago, Sri Lanka offered to mediate between China and India during their border dispute, summoning the Colombo Conference of non-aligned states. Today, the small island country is presented with yet another opportunity to help manage and improve relations between the two giants.

## Acronyms: Sri Lanka

<b>ADB</b>	Asian Development Bank	<b>MIC</b>	Middle-income country
<b>ATT</b>	Arms Trade Treaty	<b>OCHA</b>	UN Office for Coordination of Humanitarian Affairs
<b>CATIC</b>	China National Aero Technology Import and Export Corporation	<b>OECD</b>	Organization for Economic Cooperation and Development
<b>CFA</b>	Ceasefire agreement	<b>PLA</b>	People's Liberation Army
<b>DAC</b>	Development Assistance Committee	<b>R2P</b>	Responsibility to Protect
<b>DG Trade</b>	Directorate General for Trade	<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>EU</b>	European Union	<b>SIPRI</b>	Stockholm International Peace Research Institute
<b>Exim Bank</b>	China Export Import Bank	<b>SLAF</b>	Sri Lankan Armed Forces
<b>FDI</b>	Foreign direct investment	<b>SLFP</b>	Sri Lanka Freedom Party
<b>GDP</b>	Gross Domestic Product	<b>UK</b>	United Kingdom
<b>GoC</b>	Government of China	<b>UN</b>	United Nations
<b>GoSL</b>	Government of Sri Lanka	<b>UNDP</b>	UN Development Programme
<b>ICC</b>	International Criminal Court	<b>UNHCR</b>	UN High Commissioner for Refugees
<b>IDP</b>	Internally displaced person	<b>UNHRC</b>	UN Human Rights Commission
<b>ILO</b>	International Labour Organization	<b>UNICEF</b>	UN Children's Fund
<b>IMF</b>	International Monetary Fund	<b>UNP</b>	United National Party
<b>INGO</b>	International non-governmental organisation	<b>UNSC</b>	United Nations Security Council
<b>IOM</b>	International Office for Migration	<b>US</b>	United States
<b>JVP</b>	Janatha Vimukthi Peramuna	<b>WFP</b>	World Food Programme
<b>LLRC</b>	Lessons Learned and Reconciliation Commission	<b>WTO</b>	World Trade Organization
<b>LTTE</b>	Liberation Tigers of Tamil Eelam		

# Nepal



This map is intended for illustrative purposes only. Saferworld takes no position on whether this representation is legally or politically valid.

# 4

## Nepal case study

### 4.1 Introduction

For an explanation of acronyms used in this chapter, see p 87.

**THIS CASE STUDY EXAMINES** China's involvement in Nepal. Nepal suffered from a decade-long war that ended in 2006. Since the end of the war China has significantly increased its engagement in the country through a variety of means. At the same time there has been considerable international investment in post-conflict peacebuilding and development. However, Nepal continues to experience political instability and low-level insecurity, so building peace and stability remains a priority.

The aim of the research was to test the hypothesis that China's increasing engagement will have a significant effect on peace and stability in Nepal, and to consider what the implications are for policy actors in China, as well as in the West. It explores how China's engagement in Nepal may affect identified conflict drivers and dynamics, both directly and indirectly. This is considered in the context of wider regional and international relations, with particular reference to the role of India.

The case study presents the findings of research and analysis conducted by Saferworld between April and October 2011. The in-country research took the form of interviews with a range of stakeholders in Kathmandu in May 2011. Interviewees included Nepali politicians, current and former diplomats, military officials, business people, journalists and non-governmental organisations (NGOs). Interviews were also conducted in Nepal with foreign embassy officials, representatives of multilateral agencies, international NGOs (INGOs) and think tanks. Interviews were complemented by desk-based information-gathering and literature review.

The case study is structured in seven sections. The Background provides a brief overview of the current context, including an assessment of conflict drivers and regional dynamics. This is followed by an examination of the extent and nature of China's involvement in Nepal, looking at a broad spectrum of engagement including economic, military and diplomatic. There is then an analysis of the mix of foreign policy principles and context-specific interests that motivate China's engagement. The role of other major international players in Nepal, notably India, is also considered. Based on this, the study explores the impact that China's increasing engagement is likely to have upon conflict issues in Nepal; both directly and as it may affect the engagement of other actors. The case study concludes with options for policy makers to respond proactively to China's growing role in Nepal.

## 4.2 Background

### Post-war Nepal

Nepal is a small country wedged between the rising powers of China and India. It was ruled as an absolute monarchy until 1990, when it became a parliamentary democracy with the monarch as head of state. In 1996 the United Communist Party of Nepal-Maoist (UCPN-M, hereafter referred to as 'the Maoists') launched a 'People's War', fuelled by a widespread feeling of marginalisation among the rural population, which sought to replace the monarch with a communist regime. The decade of violent conflict that followed claimed the lives of between 13,000 and 17,000 Nepalis and displaced over 70,000.

The war ended in 2006 with the signing of the Comprehensive Peace Agreement (CPA) between the Maoists and the main political parties. The 2008 elections resulted in an overwhelming victory for the Maoists, who won a majority of parliamentary seats. The leader of the Maoist insurgency, Prachanda, was appointed Prime Minister and in the same year Nepal declared itself a Republic and started drafting a new Constitution.

Despite the signing of a peace agreement between the main political actors, sustainable peace has yet to be established in Nepal and insecurity and political instability persist. Prachanda was in power for less than a year, followed by a lengthy period of institutional paralysis under an unwieldy 22-party coalition. There were then seven months of political deadlock when no party was able to attain majority support and there were 16 unsuccessful votes to elect a Prime Minister. This stalemate was finally broken in February 2011 when a compromise between the Maoists and the Communist Party of Nepal-Unified Marxist Leninist (CPN-UML) paved the way for a coalition government. But this government in turn collapsed in August 2011 when the CPN-UML Prime Minister resigned, leading to the formation of a new government under a Maoist Prime Minister, Baburam Bhattarai.

When one considers the scale of change aspired to in Nepal, such political instability is not surprising. During the past five years, the country has been undergoing a profound shift as it seeks to transform itself from a Hindu monarchy to a secular, multi-party republic. There have been a number of stumbling blocks in this process and occasional outbreaks of violence, but there have also been significant achievements. These include bringing the leaders of the Maoist insurgency into Nepal's political system and holding elections that have been conducted relatively freely and peacefully.

The integration of Maoist combatants into the national army – one of the key commitments in the CPA – has been more problematic. The role and composition of the Nepalese Army is a highly contentious issue and there has been intense and protracted debate over how many Maoists would be integrated into the Nepalese Army. Some Maoists originally wanted all of the estimated 19,000 former combatants integrated, while other parties felt this was far too many. In November 2011 there was an apparent breakthrough with a cross-party agreement that about one-third of the combatants would be integrated into the security forces, with the remainder receiving a pay-off and returning to civilian life. The other key CPA commitment is to draft a new constitution. This too has proved a contentious and protracted process, especially because of the implications of the proposed federal structure.

As Nepal's political parties wrestle for control of the government, progress on these two key provisions of the CPA has largely stalled. As a consequence, it has not yet been possible to lay solid foundations for sustainable peace and development in Nepal. The country has effectively been in a transition process since 2006, and there is a fear that it may be stuck in an "endless transition period", during which it will remain vulnerable to the return of widespread violent conflict.<sup>1</sup>

<sup>1</sup> Saferworld interview, Kathmandu, May 2011.

## Conflict issues

In addition to the legacy of the ten-year war and chronic political instability, there are a number of other factors that fuel insecurity and compound the sense of Nepal's fragility. Poverty is the most pervasive factor since Nepal is one of the poorest countries in the world. Over half of its 30 million people live on less than US\$1.25 a day, and much of the adult population is unemployed.<sup>2</sup> Nepal also ranks very low relative to other countries in terms of human development indicators, such as life expectancy and literacy.<sup>3</sup> The recent history of violence and instability has undermined the economy, with Western businesses apprehensive about ongoing political instability and reluctant to invest.<sup>4</sup> High levels of corruption are a further disincentive, with Nepal ranked 146 out of 178 countries in the 2010 Corruption Perception Index.<sup>5</sup>

Nepali society is characterised by multiple identities. It is an extremely diverse country in terms of ethnicity, culture and language, with over 100 different ethnic groups.<sup>6</sup> Added to this is the entrenched hierarchy of the caste system. High rates of inequality co-exist with the high level of poverty, and are linked to geographic region, gender, caste and ethnicity. These inequalities were one of the root causes of the formation and success of the Maoist insurgency and they continue to provoke low-level conflict across Nepal. As noted in a previous Saferworld conflict analysis, since the end of the war there has been an increasing focus on the reasons behind political and economic exclusion in Nepal.<sup>7</sup> Some suggest that conflict drivers are now identity-based rather than ideological as diverse groups claim equal representation and access to resources from the state; although others question whether conflict in Nepal was ever really driven by ideology.<sup>8</sup>

The most evident regional cleavage in Nepal is between the Madhes people of the Terai – the lowlands that span the southern border with India – and the 'hill people' of Kathmandu and the middle swathe of the country. The Terai region is home to almost half of the country's population, with the Madhesi predominant.<sup>9</sup> They seek autonomy for their region in reaction to perceived marginalisation from state institutions and domination by the 'hill people'. This gives added significance to the new constitution and the question of how a federal structure will address Madhesi grievances and aspirations. Inter-communal tensions in the Terai have increased in recent years, and regularly spill over into violence. A number of armed groups have emerged to promote the Madhesi cause – although the line between political and criminal violence is often blurred.<sup>10</sup> The Madhesi communities are culturally and ethnically close to peoples of northern India, leading to suspicions that Hindu radicals may be fomenting violence in the Terai.<sup>11</sup>

In terms of international profile and attention, the identity issue most associated with Nepal is that of the Tibetan people. After the Chinese annexation of Tibet in 1951, Nepal became a haven for Tibetans who refused to accept Chinese occupation. In recent decades a stream of Tibetan asylum-seekers has crossed the Himalayan mountain range to escape perceived persecution and has sought refuge in Nepal. There are currently between 20,000 and 25,000 Tibetans living in the country. They have a cultural and religious affinity with the people of Nepal and are generally well assimilated into the local population. Nepal also plays a key role as a transit point for asylum-seekers on their way to Dharamsala in India and beyond.

2 Vaughn B, *Nepal: Political developments and bilateral relations with the United States*, (Congressional Research Service, April 2011).

3 United Nations Development Program (UNDP), *Human development report 2010: Nepal country fact sheet* (2010).

4 'Nepal ranks 134th on FDI inflow index', *Kathmandu Post*, 28 July 2011, [www.istockanalyst.com/business/news/5325051/nepal-ranks-134th-on-fdi-inflow-index](http://www.istockanalyst.com/business/news/5325051/nepal-ranks-134th-on-fdi-inflow-index), accessed 26 October 2011.

5 Transparency International, 'Corruption perceptions index 2010 Results', [www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results), accessed 26 October 2011.

6 *Op cit* UNDP.

7 Scawen C, *Conflict analysis of Nepal*, (Saferworld, 2008), unpublished.

8 Saferworld interviews, Kathmandu, May 2011.

9 Preliminary report of Nepal's national population census 2011, cited in: 'Nepal's population is 26,620,809', *Republica*, 27 September 2011, [myrepublica.com/portal/index.php?action=news\\_details&news\\_id=36575](http://myrepublica.com/portal/index.php?action=news_details&news_id=36575), accessed 26 October 2011.

10 Interdisciplinary Analysts, Nepal Madhes Foundation, Small Arms Survey and Saferworld, *Armed violence in the Terai* (August 2011).

11 Saferworld interview, Kathmandu, May 2011.

## Regional dynamics

Nepal's role as a bridge between China and India for Tibetan refugees highlights the country's strategic location between its two giant neighbours. The political and security situation within Nepal cannot be understood without reference to the relationship between India and China. There is an oft-quoted metaphor attributed to an 18th Century Nepali king that describes Nepal as "a delicate yam between two boulders".<sup>12</sup> This aptly describes the country's potentially vulnerable position between the two great regional, and increasingly global, powers of India and China.

Given Nepal's size and land-locked location, the fact that its powerful neighbours have a major interest in its affairs – potentially squeezing it between them – is no great surprise. However, the country also has geostrategic significance as a buffer between the two main power-brokers in the region. For India, the Himalayan mountains represent the principal land barrier between China and the resource-rich Ganges plain.<sup>13</sup> After the Chinese occupation of Tibet, Nepal became the main Himalayan buffer-state for India. Thus New Delhi has long regarded Nepal as an integral part of India's sphere of influence, and developments in Nepal are seen as closely linked to India's own security.

Indian policy towards Nepal has focused on forging strong links in the security, political and economic arenas. This 'special relationship' was enshrined in the 1950 'Treaty of Peace and Friendship' between the two countries. This granted Nepal a range of preferential economic agreements with India in return for New Delhi achieving its security objectives, including control over Nepali arms acquisitions.<sup>14</sup> The Treaty also granted nationals of both countries reciprocal rights with regard to residence, property and trade. Today people and goods are able to flow relatively freely across the India-Nepal border, and generations of the Nepali elite have been educated in India.<sup>15</sup> These connections have sustained the close historical links between the people of India and Nepal, based on a shared religion, as well as ethnic, linguistic and cultural affinity.

Despite the predominant role played by India, China too has a long history of engagement with Nepal. It has been providing some degree of economic aid to Nepal since the 1950s, and in 1960 Beijing and Kathmandu signed their own 'Treaty of Peace and Friendship'. For the most part Beijing appears to have accepted that Nepal is within India's sphere of influence and has respected New Delhi's primacy. However, when tensions between the two regional powers came to the fore in the Sino-Indian war of 1962, Nepal was caught in the middle. China presented itself as a benevolent power in contrast to the superior attitude of India towards its smaller neighbours. Beijing subsequently supported Kathmandu in disputes with New Delhi on trade issues, using propaganda in Nepal to fuel nationalist feeling and anti-India sentiments.<sup>16</sup>

The limitations of China's ability to support Nepal were exposed in 1988 when the Nepali king signed an agreement for the supply of anti-aircraft guns from Beijing. This provoked a fierce response from New Delhi, which imposed an economic blockade on Nepal from 1989 to 1990 and closed down most of the transit points on the border, with devastating consequences for Nepal's economy. This highlighted the link between India's security interests and its economic relations with Nepal, as well as demonstrating that China was not then in a position to supplant India from its dominant role *vis-à-vis* Nepal.

The above episode also illustrates Kathmandu's limited room for manoeuvre in designing its foreign policy. It realised it could not afford to antagonise New Delhi by too close a friendship with Beijing, but equally to go too far the other way could jeopardise its relations with China. Hence Nepal's foreign policy has been characterised by the attempt to balance its association with both sides. As long as India and China are

<sup>12</sup> Jeevan J, 'Tribute to Prithvi Narayan Shah', *Gorkhalionline*, 7 January 2011, [www.gorkhalionline.com/literature.php?cid=260](http://www.gorkhalionline.com/literature.php?cid=260), accessed 26 October 2011.

<sup>13</sup> Dabhade M and Pant H, 'Coping with challenges to sovereignty: Sino-Indian rivalry and Nepal's foreign policy', *Contemporary South Asia* (June 2004), vol 13 no 2.

<sup>14</sup> *Ibid.*

<sup>15</sup> Kraemer K, 'Democratization and political parties in Nepal', paper presented at the South Asia Seminar, Harvard University, Cambridge, MA, 19 March 1999, [www.nepalresearch.com/publications/harvard\\_9903.htm](http://www.nepalresearch.com/publications/harvard_9903.htm), accessed 26 October 2011.

<sup>16</sup> *Ibid.*

locked in competition to extend their power and influence in South Asia, Kathmandu will have to tread carefully. Thus the geopolitical competition between India and China and its implications for regional security loom over Nepal.

From this summary of the post-conflict context, current conflict issues and the wider regional dynamics, it is clear that peace in Nepal cannot yet be considered as secure and sustainable. Since the end of the war in 2006, there has been considerable progress in certain areas of political development, but some key issues remain unresolved. As a consequence, the conditions for a return to violent conflict remain. It is against this backdrop that we next consider the nature and extent of China's engagement in Nepal.

### 4.3 China's engagement in Nepal

China has significantly increased its engagement in Nepal since the signing of the CPA in 2006, with a particularly marked increase in 2011. China's engagement in Nepal takes a variety of forms: economic investment, trade, aid, infrastructural development, military assistance, diplomatic exchanges, as well as cultural and educational initiatives.

#### Economic

As one would expect given its history, India is the most significant external economic actor in Nepal; however, China is rapidly increasing the level of its engagement. Historically India has been the top investor in Nepal, followed by the United States (US) and China. In 2009 India contributed about 38 percent of total foreign investment in Nepal, while China's share was around 11 percent.<sup>17</sup> However, there are a growing number of Chinese companies seeking to do business in Nepal, evidenced by the fact that in the past two years the number of Chinese investors registering to set up new joint ventures has outstripped the number of new Indian investors.<sup>18</sup>

In terms of trade, India is Nepal's main trading partner and accounted for just over half of all of Nepal's trade in 2010.<sup>19</sup> However, in April 2009 a Memorandum of Understanding was signed between the governments of China and Nepal in order to promote bilateral trade and investment in areas of mutual interest. Trade relations between the two countries have grown fast since then, with China's share increasing from 11 percent of all trade with Nepal in 2009<sup>20</sup> to 19.4 percent in 2010.<sup>21</sup> Chinese products are now ubiquitous throughout Nepal, and are generally regarded by Nepalis as being cheap, but of good quality, in contrast to their Indian equivalents.<sup>22</sup>

China has also dramatically increased its aid to Nepal in recent years. It is difficult to obtain comprehensive and verifiable figures, but based on official Government of Nepal (GoN) statistics, it is possible to trace a steady increase in Chinese aid to Nepal from 10 million Nepal Rupees (NR) (US\$128,200) in fiscal year 2005/6 to NR 2.55 billion (US\$32.5 million) in 2010/11.<sup>23</sup> The increase in 2011 is particularly notable: China had reportedly pledged loans and grants worth more than NR 10 billion (US\$127.4 million) by August 2011.<sup>24</sup> This included a sizeable concessional loan for the Trishuli hydro-

17 Sahoo P, 'China's growing clout in South Asia', *The Hindu*, 16 November 2010, [www.thehindubusinessline.com/todays-paper/tp-opinion/article1009332.ece](http://www.thehindubusinessline.com/todays-paper/tp-opinion/article1009332.ece), accessed 26 October 2011.

18 Shrestha P M, 'China eyes Nepal as next investment destination', *Ekantipur*, 17 September 2010, [www.ekantipur.com/2010/09/17/top-story/china-eyes-nepal-as-next-investment-destination/322345/](http://www.ekantipur.com/2010/09/17/top-story/china-eyes-nepal-as-next-investment-destination/322345/), accessed 26 October 2011.

19 European Commission DG Trade, 'Nepal: EU bilateral trade and trade with the world', 8 June 2011, [trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113424.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113424.pdf), accessed 26 October 2011.

20 World Trade Organisation, 'Nepal trade profile', October 2011, [www.stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=NP](http://www.stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=NP), accessed 26 October 2011.

21 *Op cit* European Commission DG Trade.

22 Saferworld interviews, Kathmandu, May 2011.

23 Government of Nepal Ministry of Finance (MOF), 'Donor summary', *Source book for projects financed with foreign assistance FY 2005-06*, Report no 78, (MOF, 14 July 2005); GoN MOF, 'Donor summary', *Source book for projects financed with foreign assistance FY 2010-11*, Report no 78, (MOF, 19 November 2010). Conversions from NR to US\$ calculated by xe.com exchange rates on 14 October 2011.

24 Humagain M, 'Aid quantum: China the rising sun on Nepal economic horizon', *Kathmandu Post*, 17 August 2011, [www.ekantipur.com/the-kathmandu-post/2011/08/17/top-story/aid-quantum-china-the-rising-sun-on-nepal-economic-horizon/225275.html](http://www.ekantipur.com/the-kathmandu-post/2011/08/17/top-story/aid-quantum-china-the-rising-sun-on-nepal-economic-horizon/225275.html), accessed 26 October 2011. Conversions from NR to US\$ calculated by xe.com exchange rates on 14 October 2011.



power construction and US\$19 million for assistance to the Nepal Army. When a high-ranking Chinese delegation visited Kathmandu in August, they signed an additional US\$50 million economic and technical co-operation agreement, including a loan for a hydropower transmission line and US\$2.5 million to strengthen the capacities of the Nepal Police.

With this huge surge in Chinese finance in 2011, China now reportedly figures in the list of Nepal's top five development partners.<sup>25</sup> This dramatic increase should be qualified however by recognition that approximately three-quarters of China's 'aid' to Nepal comes in the form of loans rather than as direct grants.<sup>26</sup> Furthermore, all Chinese aid projects are awarded to Chinese contractors. Although Chinese companies can and often do then sub-contract to local Nepali companies, most of the skilled labourers employed are Chinese, as are the materials used. As a consequence, new employment and procurement opportunities for Nepalis are limited. It is important to note however that some Western donors only recently stopped the same practice of 'tied aid', while others continue to do so.

## Infrastructure

The history of Chinese road-building in Nepal goes back 40 years and has been instrumental in fostering a favourable perception of China among the Nepali people. China has the technological capability to develop high-altitude transport infrastructure, both road and rail links, in the Himalayan region, and this has made many remote and mountainous areas of Nepal more accessible. In 2008 China and Nepal announced plans to connect the Tibet Autonomous Region with Nepal through a 770 km rail-link between Lhasa and the Nepali border town of Khasa. This is an immensely costly (US\$1.9 billion) and long-term project, which is not expected to be completed before 2013. Nevertheless, the extension of the railway line from Lhasa to the Nepali border, and potentially beyond, is regarded as a real 'game-changer' in terms of trade relations and geo-politics in the region.<sup>27</sup>

Historically the Himalayan wall has proved a major obstacle to trade and connectivity between China and South Asia. Nepal is land-locked and highly dependent upon Kolkata port in India for both export and import.<sup>28</sup> At present Nepal faces several bottlenecks in its trade and energy supply chains due to poor infrastructure in Nepal and the poor efficiency of Indian ports, which add to the costs of trade.<sup>29</sup> However, when completed, the Lhasa-Khasa rail-link will increase Nepal's options. It will reduce Nepal's dependence on India for its regional and international trade, while helping to boost trade with China. Nepal could also potentially become a land gateway for Chinese trade and commerce with South Asian markets. The southern expansion of China's rail networks may cause concern in Indian security circles however, given the suspicion that Chinese infrastructure projects will serve military as well as civilian purposes.<sup>30</sup> It is suggested that the new rail-link would enable the rapid deployment (within 24 hours) of Chinese forces to India's borders.<sup>31</sup>

Besides the construction of the railway connecting Lhasa to the Nepali border, China is involved in several other major transport projects in Nepal, such as the expansion of the Kathmandu ring road and the development of a dry port at Tatopani near the border with Tibet. China has also stated that it will support the construction of new Nepali border posts along this border. In addition, the sizeable loans in 2011 for the development of Nepal's hydropower signal China's intent to tap into this resource.

<sup>25</sup> *Op cit* Humagain.

<sup>26</sup> *Op cit* GoN MOF 2010.

<sup>27</sup> Saferworld interview, Kathmandu, May 2011.

<sup>28</sup> Pandey N, 'Developing infrastructure connectivity between India and China through Nepal', *nepalnews.com*, [www.nepalnews.com/archive/2011/others/guestcolumn/jan/guest\\_columns\\_01.php](http://www.nepalnews.com/archive/2011/others/guestcolumn/jan/guest_columns_01.php), accessed 26 October 2011.

<sup>29</sup> Sakhuja V, 'China's strategic advantage in Nepal', *China Brief* (June 2011), vol 11 no 11.

<sup>30</sup> Kumar A, 'The danger from China's border infrastructure', Observer Research Foundation, March 2011, *Analysis*, 4, [www.observerindia.com/cms/export/online/modules/analysis/attachments/The\\_danger\\_from\\_China\\_border\\_infrastructure\\_1267876993069.pdf](http://www.observerindia.com/cms/export/online/modules/analysis/attachments/The_danger_from_China_border_infrastructure_1267876993069.pdf), accessed 26 October 2011.

<sup>31</sup> Saferworld interview, Kathmandu, May 2011.

The potential power generation from hydroelectricity in Nepal is estimated at 83,000 megawatts, although previous initiatives to develop this resource have foundered.<sup>32</sup> Alongside official assistance for infrastructure development, Chinese companies have also made significant inroads into Nepal, especially in the area of telecommunications, where the companies ZTE and Huawei have secured major contracts from the state-controlled Nepal Telecom.

## Military

Since 2006 many of Nepal's traditional institutions have either collapsed or been superseded. The Nepalese Army remains and is regarded by many as the most stable and reliable national institution in the country.<sup>33</sup> Historically the Indian and Nepalese armies have had a very close relationship, such that Indian officers are honorary officers in the Nepalese Army and vice-versa. India is also the biggest provider of military assistance to Nepal. However, it stopped supplying arms to the Nepalese Army after King Gyanendra seized power in 2005, which led to a cooling of relations between the two militaries. This opened some space for China to develop relations with the Nepalese Army. In recent years the Chinese People's Liberation Army (PLA) and the Nepalese Army have established a military assistance programme, including the supply of non-lethal equipment, training, infrastructure development and the exchange of high-level delegations.

The growing relationship between the armies of China and Nepal was symbolised by the visit in March 2011 of General Chen Bingde, Chief of General Staff of the PLA – the highest-level military visit from China to Nepal for over a decade. General Chen met with the Nepali Prime Minister and President, as well as with the Chief of Army Staff of the Nepalese Army (CoAS). He announced a military assistance package worth US\$17 million from the PLA to the Nepalese Army, with assurances of more support to come. This was followed by a reciprocal visit by the CoAS to Beijing in November 2011, when an initial agreement worth US\$7.7 million was signed between the two army chiefs.<sup>34</sup> The aid will mostly be used to modernise the Birendra Military Hospital. The total assistance pledged represents a substantial increase in China's military aid to Nepal, although India remains by some distance the largest provider of military assistance, pledging US\$55 million in 2009 alone.<sup>35</sup>

It is notable that the military assistance deals between China and Nepal were not signed between the governments, but between the respective military chiefs. According to an analyst in Kathmandu, "Beijing would rather deal direct with the Nepalese Army than with the government", and this reflects the perceived status and stability of Nepal's army relative to the government.<sup>36</sup> It is claimed that Beijing also wanted to establish a relationship whereby Chinese and Nepali officers have reciprocal rank, akin to that between India and Nepal, but this was purportedly blocked by New Delhi.<sup>37</sup> Meanwhile, there are persistent rumours about the Chinese military also having developed links with Nepal's Maoist army.<sup>38</sup> Although these are not substantiated, seeking to build relations and confidence with both of the major armed forces in Nepal would reflect a typically pragmatic approach.

## Diplomatic

The increase in Chinese economic and military engagement in Nepal has its corollary in the upgrading of diplomatic relations between the two countries. The appointment

<sup>32</sup> World Politics Review, 'Global insider: China-Nepal relations', *World Politics Review*, 13 September 2011, [www.worldpoliticsreview.com/trend-lines/9989/global-insider-china-nepal-relations](http://www.worldpoliticsreview.com/trend-lines/9989/global-insider-china-nepal-relations), accessed 26 October 2011.

<sup>33</sup> Saferworld interview, Kathmandu, May 2011.

<sup>34</sup> 'China to provide \$7.7million military aid to Nepal', *Daily News and Analysis*, 6 November 2011, [www.dnaindia.com/world/report\\_china-to-provide-7-7-million-military-aid-to-nepal\\_1608503](http://www.dnaindia.com/world/report_china-to-provide-7-7-million-military-aid-to-nepal_1608503), accessed 26 November 2011.

<sup>35</sup> International Crisis Group (ICG), 'Nepal's fitful peace process', *Asia Briefing* no 120, 7 April 2011.

<sup>36</sup> Saferworld interview, Kathmandu, May 2011.

<sup>37</sup> *Ibid.*

<sup>38</sup> *Ibid.*

in June 2011 of Yang Houlan as Ambassador to Nepal, a high-profile regional security expert and former Ambassador to Afghanistan, was widely viewed as a sign of Nepal's growing strategic importance for China.<sup>39</sup> Further evidence can be seen in the proliferation of diplomatic exchanges between the two countries. In 2011, a series of delegations of senior Nepali officials from the Ministries of Home Affairs and of Defence, from the Nepal Police and the Army all visited China for consultations and training. In August 2011 it was reported that there were three different delegations in China from the Home Ministry alone, amounting to a total of 50 officials on a so-called "China junket".<sup>40</sup>

As well as government officials, Beijing has invited delegations from all of Nepal's major political parties to visit China. In June 2011, a delegation of leaders of the Maoist and the CPN-UML parties visited Beijing at the invitation of the Communist Party of China (CPC). The leadership of the Nepali Congress party was also invited to Beijing but declined the offer, claiming that it was not appropriate to leave the country at the time.<sup>41</sup> More recently, Beijing has been trying to extend its reach to the political parties representing the Madhesi communities of the Terai.

In return, there have been an increasing number of visits by senior Chinese officials to Kathmandu. In August 2011 Zhou Yongkang travelled to Nepal at the head of a 60-strong delegation from Beijing. Zhou is a high-ranking member of the powerful Politburo Standing Committee of the CPC and is the most senior Chinese official to visit Nepal since 2006. Zhou put forward a five-point proposal to enhance ties between the two countries, which included: more high-level exchange visits; Chinese investment in a variety of sectors, including business, infrastructure, tourism and water resources; Chinese support for security in Nepal; people-to-people contacts and cultural exchanges; co-operation between political parties; and joint efforts to tackle food insecurity, climate change and the global economic recession.<sup>42</sup>

## Soft power

As mentioned in Zhou Yongkang's five-point proposal, there are also less tangible aspects of China's engagement in Nepal, such as cultural and educational exchanges. These aspects of China's engagement are often referred to as 'soft power' in contrast to the economic assistance, infrastructure and hardware that Beijing also provides. The significance of this aspect of China's engagement was explicitly recognised in Zhou Yongkang's proposal to boost people-to-people exchanges between the two countries in order to reinforce the foundation for bilateral friendship.<sup>43</sup> Beijing is well-aware of the deep-rooted Indian cultural influence in Nepal and it is widely perceived to be deploying soft power in an attempt to counter-balance and dilute India's influence.

There are various vehicles for this sort of people-to-people exchange. A number of China Study Centres (CSCs) have been established in Nepal in order to promote cultural and language exchange with the Nepali people. Reportedly, "thirty-three CSCs have been established in southern Nepal adjoining the Indian border".<sup>44</sup> In 2007 a Confucius Institute was established at Kathmandu University, where nearly 1,000 Nepali students now learn Chinese. Meanwhile, Beijing also provides scholarships to Nepalis to study in China, where there are a growing number of Nepali students.

<sup>39</sup> Pandey L, 'Security expert China's Nepal envoy', *Himalayan Times*, 28 May 2011, [www.thehimalayantimes.com/fullToday.php?headline=Security+expert+China%26acute%3B+Nepal+envoy+&NewsID=289591](http://www.thehimalayantimes.com/fullToday.php?headline=Security+expert+China%26acute%3B+Nepal+envoy+&NewsID=289591), accessed 26 October 2011.

<sup>40</sup> 'Nepal home ministry sans officials: China junket in full swing', *Telegraph Nepal*, 31 August 2011, [www.telegraphnepal.com/headline/2011-08-31/nepal-home-ministry-sans-officials:-china-junket-in-full-swing](http://www.telegraphnepal.com/headline/2011-08-31/nepal-home-ministry-sans-officials:-china-junket-in-full-swing), accessed 26 October 2011.

<sup>41</sup> 'A dozen Nepal communists heading to China: all roads now lead to Beijing', *Telegraph Nepal*, 19 June 2011, [www.telegraphnepal.com/headline/2011-06-19/a-dozen-nepal-communists-heading-to-china-all-roads-now-lead-to-beijing](http://www.telegraphnepal.com/headline/2011-06-19/a-dozen-nepal-communists-heading-to-china-all-roads-now-lead-to-beijing), accessed 26 October 2011.

<sup>42</sup> 'China warns against foreign play in Nepal, forwards five point proposal', *Telegraph Nepal*, 18 August 2011, [www.telegraphnepal.com/headline/2011-08-18/china-warns-against-foreign-play-in-nepal-forwards-five-point-proposal](http://www.telegraphnepal.com/headline/2011-08-18/china-warns-against-foreign-play-in-nepal-forwards-five-point-proposal), accessed 26 October 2011.

<sup>43</sup> 'Senior Chinese official outlines proposal to boost China-Nepal ties', *Xinhua*, 18 August 2011, [www.gov.cn/english/2011-08/18/content\\_1927679.htm](http://www.gov.cn/english/2011-08/18/content_1927679.htm), accessed 28 October 2011.

<sup>44</sup> Bhattacharya A, 'China's inroads into Nepal: India's concerns', *Institute for Defence Studies and Analyses (IDSA) Comment*, 18 May 2009, [www.idsa.in/idsastrategiccomments/ChinasInroadsintoNepal\\_ABhattacharya\\_180509](http://www.idsa.in/idsastrategiccomments/ChinasInroadsintoNepal_ABhattacharya_180509), accessed 28 October 2011.

Another facet of China's soft power is radio broadcasting, with a branch of China Radio International set up in Kathmandu in 2010, including a Nepali service to teach the Chinese language.<sup>45</sup>

A further dimension of soft power is tourism. China and Nepal's tourism ministries have been working together to increase tourist numbers to Nepal; for instance by Beijing designating Nepal an authorised tourist destination (the ninth country to be thus recognised), and by Kathmandu waiving visa fees for Chinese visitors. This has contributed to a rapid growth in the number of Chinese tourists, so that by 2010 there were almost as many tourists coming from China as from the US or United Kingdom (UK) (who have the second and third highest number of tourists); though it is still a long way behind the number of visitors from India.<sup>46</sup> With increasing Chinese investment in infrastructure and construction, there is also potential for Chinese investors to make inroads into Nepal's tourism market, which is yet to be fully tapped by the Nepali government.<sup>47</sup>

There are limits to the efficacy of soft power however, and the controversy over the Lumbini development project may serve as a cautionary tale for Beijing. This was a vast project worth US\$3.0 billion aimed at transforming the town of Lumbini, the Buddha's birth-place, into a key pilgrimage destination for Buddhists from around the world. It was proposed to build an airport, a highway, hotels, a convention centre, temples and a Buddhist university. However, the initiative also appeared to be strategically aimed at reducing the influence of the Dalai Lama and his followers by creating a focal point for Buddhism that was free from Tibetan influence.

The Lumbini project involved a diverse cast of characters, including Prachanda and the former Crown Prince of Nepal, and it was supposedly a partnership between the Hong Kong-based Asia Pacific Exchange and Cooperation Foundation (APECF) and the United Nations Industrial Development Organization (UNIDO). It collapsed however after UNIDO and others reported to be backing the project made clear that they had no involvement. The official word from Beijing was that the Chinese Government had no hand in the initiative.<sup>48</sup> However, APECF is based in China and regarded as a quasi-official NGO, which suggests that the Lumbini project was at least endorsed by Beijing. As *The Economist* concludes, "If this was an exercise in Chinese 'soft power' it was a disaster".<sup>49</sup> Nevertheless, while this particular initiative foundered, it may signal the shape of things to come. Prachanda was due to meet with UN Secretary-General, Ban Ki-Moon, in New York regarding the development of Lumbini, and plans to develop the site as the "Buddhist equivalent to the Vatican" continue.<sup>50</sup>

## 4.4 Why China engages in Nepal

### Foreign policy principles

China does not have a development agenda *per se* that is comparable to that of Western donors, but its engagement in Nepal and other developing countries is based on a number of core principles. These principles reflect China's own development experience and history of engagement with other states. A central principle that guides much of China's foreign policy is that of respecting the sovereignty of all states. China's position is that it will not intervene or seek to influence the domestic affairs of any country since these are the exclusive concern of the national government. This is generally referred to as China's policy of 'non-interference'. Thus, when the current Chinese Ambassador

<sup>45</sup> 'China Radio International launches Confucius class in Nepali capital', *China Daily*, 30 June 2010, [www.chinadaily.com.cn/china/2010-06/30/content\\_10042253.htm](http://www.chinadaily.com.cn/china/2010-06/30/content_10042253.htm), accessed 28 October 2011.

<sup>46</sup> 'China eyes Nepal as next investment destination', *Ekantipur*, 17 September 2010, [www.ekantipur.com/2010/09/17/top-story/china-eyes-nepal-as-next-investment-destination/322345/](http://www.ekantipur.com/2010/09/17/top-story/china-eyes-nepal-as-next-investment-destination/322345/), accessed 28 October 2011.

<sup>47</sup> Saferworld interview, Kathmandu, May 2011.

<sup>48</sup> Saferworld interviews, Beijing, July 2011.

<sup>49</sup> 'At Buddha's birthplace: A Chinese development proposal causes disbelief', *The Economist*, 20 August 2011, [www.economist.com/node/21526389](http://www.economist.com/node/21526389), accessed 28 October 2011.

<sup>50</sup> 'Dahal-led Lumbini dev committee to visit NY', *Republica*, 26 October 2011, [www.myrepublica.com/portal/index.php?action=news\\_details&news\\_id=37584](http://www.myrepublica.com/portal/index.php?action=news_details&news_id=37584), accessed 5 November 2011; see also: 'Lumbini development committee holds first meet', *The Himalayan*, 21 October 2011, [www.thehimalayantimes.com/node/306512](http://www.thehimalayantimes.com/node/306512), accessed 5 November 2011.

in Kathmandu took up his post, he reassured Nepal that “China will never deviate from its policy of non-interference in the internal matters of Nepal”.<sup>51</sup> Following from this, China’s position is that the support it gives to developing countries is not conditional on political or economic reforms, improvements in governance or the protection of human rights – a position which clearly differs from that of many Western donors.

In addition to the importance it ascribes to sovereignty and non-interference, another key principle of China’s engagement in developing countries is that of mutual benefit. China is not squeamish about advancing its economic self-interest at the same time as contributing to the development of other countries. It is open about the economic rationale for its engagement in the developing world. An important driver is the so-called ‘Going Out’ policy, which aims to sustain high levels of economic growth within China through global engagement, especially in new developing country markets such as Nepal.

In addition to these general principles that underpin China’s relations with developing countries, its engagement in Nepal is informed by a variety of context-specific interests and motives. In this section of the paper we explore three main areas of China’s interest in Nepal: stability, economic development and geopolitics.

## Stability

China’s engagement with Nepal is strongly shaped by the ‘One China’ policy. This refers to China’s own sovereignty and territorial claims, which are primarily concerned with denying official recognition to Taiwan and to claiming Tibet – officially the Tibetan Autonomous Region (TAR) – as an integral part of China. Beijing considers Tibet part of its territory, and the region is also a key source of mineral and water resources for China’s development. Tibet is one of China’s so-called ‘core interests’, which essentially means that it is not open to negotiation and China will use all means necessary to protect it. Therefore any challenge to China’s sovereignty over Tibet or claims for Tibetan independence are regarded by Beijing as serious threats to China’s security and territorial integrity.

China’s occupation of Tibet in the 1950s increased the strategic importance of Nepal since it is the main country bordering Tibet. As described above, since the occupation, Nepal has been a haven for Tibetans who wished to escape Beijing’s rule and it is also a transit point for Tibetan refugees seeking asylum in India and the West. China is determined that Nepal should not become a breeding ground for activists campaigning for an independent Tibet. It fears that Tibetan refugees, who enjoy considerable sympathy and support in India and the West, will use Nepal as a base to protest against the Chinese occupation and to carry out ‘anti-China activities’. Recent events in Xinjiang, Inner Mongolia and within the TAR add to Beijing’s concerns that disturbances on its periphery could fuel unrest nearer to home.

In response to the perceived threat to China’s security and territorial integrity, Beijing pursues a policy of repression against Tibetan activists.<sup>52</sup> In order to implement this policy in Nepal it requires a relatively stable regime and an ‘effective’ security apparatus. It also requires a compliant government that will co-operate in the control of Tibetan activists. Therefore Beijing’s primary objective in Nepal has been to ensure Kathmandu’s recognition of the One China policy and to secure its co-operation to suppress Tibetan activists.<sup>53</sup> There is a perception in Kathmandu that Beijing uses its diplomatic and economic leverage over the GoN to ensure that the authorities co-operate in achieving this objective.<sup>54</sup>

<sup>51</sup> Singh B, ‘China’s Nepal focus’, Institute of Peace and Conflict Studies, 14 July 2011, [www.ipcs.org/article/india/chinas-nepal-focus-3431.html](http://www.ipcs.org/article/india/chinas-nepal-focus-3431.html), accessed 28 October 2011.

<sup>52</sup> ‘Tibet’, *GlobalSecurity.org*, [www.globalsecurity.org/military/world/war/tibet.htm](http://www.globalsecurity.org/military/world/war/tibet.htm), accessed 28 October 2011.

<sup>53</sup> *Op cit* Dabhade and Pant.

<sup>54</sup> Saferworld interviews, Kathmandu, May 2011.

This was most evident in the run-up to the 2008 Beijing Olympics when for four months there were protests by Tibetans in Nepal under the slogan of 'Free Tibet' or 'Save Tibet'. The Chinese Ambassador demanded that, "the Nepali establishment take severe penal actions against those involved in anti-China activities in Nepal".<sup>55</sup> There followed a crackdown by the Nepali security forces against Tibetan refugees, which resulted in over 8,000 arrests between March and July 2008. The Nepali police were accused of violations of human rights, including excessive use of force, arbitrary detention and unlawful threats to deport Tibetans to China.<sup>56</sup>

The Nepali Government's policy of clamping down on Tibetan activists appears to have strengthened in recent years, as economic and other forms of support from China have increased. According to Tibetan sources, Nepal's police now help the Chinese authorities prevent Tibetans from fleeing across the border, reducing the flow of refugees into Nepal from more than 2,000 per year before 2008 to 770 last year.<sup>57</sup> Nepal has also forcibly returned refugees to China, and Chinese police have reportedly entered Nepal to search for fleeing Tibetans.<sup>58</sup> Meanwhile, human rights monitors have criticised Nepal for arresting Tibetans who publicly celebrated the Dalai Lama's birthday and for preventing Tibetans from voting in the 2010 elections for the leader of Tibetans in exile.<sup>59</sup>

These actions by the Nepali authorities have their corollary in the regular declarations by Chinese and Nepali officials denouncing 'anti-China activities'. Successive Nepali governments have consistently stated that such activities will not be allowed on Nepali soil and have vowed to prevent Tibetan demonstrations; a message echoed by other political party leaders. One of the first public statements by the new Chinese Ambassador in June 2011 was to express his concern about growing anti-China activities in Nepal. In response the Nepali Prime Minister reaffirmed his Government's commitment to the One China policy.<sup>60</sup> Likewise, Zhou Yongkang in August 2011 expressed the hope that "Nepal would continue to prevent Tibetan separatists from using Nepali soil to act against China".<sup>61</sup> This prompted Jhala Nath Khanal, the outgoing Prime Minister, to pledge "that the Government will not allow any anti-China activities".<sup>62</sup>

The words and actions of the Nepali authorities suggest that China has successfully managed to bring pressure to bear on the GoN to ensure the suppression of Tibetan activism within Nepal. Furthermore, there appears to be increasing co-operation between Kathmandu and Beijing with regard to Tibet and increased pressure on Tibetan refugees in, or aspiring to reach, Nepal. Lobsang Sangay, the political leader of Tibetans in exile, claimed that "Nepal has become almost a satellite state of China".<sup>63</sup>

Western governments and human rights groups support the protection of Tibetans and their right to political freedom in Nepal, and they have condemned human rights abuses by Nepali government forces against Tibetan refugees. However, most Western governments are apparently reluctant to raise the issue directly with the GoN.<sup>64</sup> Certainly Beijing's insistence on a hard-line response seems to carry more weight with the GoN than Western concerns for human rights.

There is general recognition within Nepal that Kathmandu's co-operation with Beijing on the Tibet issue represents the *quid pro quo* for development assistance and other

<sup>55</sup> Human Rights Watch, *Appeasing China* (July 2008).

<sup>56</sup> *Ibid.*

<sup>57</sup> Tibetan Centre for Human Rights and Democracy, 'Human rights situation in Tibet: Annual report 2010' (2011), [www.tchrd.org/publications/annual\\_reports/2010/ar\\_2010.pdf](http://www.tchrd.org/publications/annual_reports/2010/ar_2010.pdf), accessed 26 November 2011.

<sup>58</sup> US Department of State, '2010 human rights report: Nepal', 8 April 2011, [www.state.gov/g/drl/rls/hrrpt/2010/sca/154484.htm](http://www.state.gov/g/drl/rls/hrrpt/2010/sca/154484.htm), accessed 28 October 2011.

<sup>59</sup> Amnesty International, 'Nepal', *Annual Report 2011*, [www.amnesty.org/en/region/nepal/report-2011](http://www.amnesty.org/en/region/nepal/report-2011), accessed 28 October 2011.

<sup>60</sup> 'Anti-China activities in Nepal worry Chinese envoy', *OnlineKhabar*, 21 June 2011, [www.onlinekhabar.com/2011/06/21/67042.html](http://www.onlinekhabar.com/2011/06/21/67042.html), accessed 28 October 2011.

<sup>61</sup> Rupert J, 'Tibetan exile leader says Nepal curbs refugees at China's behest', *Bloomberg*, 18 August 2011, [www.bloomberg.com/news/2011-08-18/tibetan-exile-leader-says-nepal-curbs-refugees-at-china-s-behest.html](http://www.bloomberg.com/news/2011-08-18/tibetan-exile-leader-says-nepal-curbs-refugees-at-china-s-behest.html), accessed 28 October 2011.

<sup>62</sup> 'Nepal reassures China on anti-Beijing activities', *Sino Daily*, 17 August 2011, [www.sinodaily.com/reports/Nepal\\_reassures\\_China\\_on\\_anti-Beijing\\_activities\\_999.html](http://www.sinodaily.com/reports/Nepal_reassures_China_on_anti-Beijing_activities_999.html), accessed 28 October 2011.

<sup>63</sup> *Op cit* Rupert.

<sup>64</sup> Saferworld interview, Kathmandu, May 2011.

forms of support from China.<sup>65</sup> In August 2011 it was reported that, “Nepal renewed its commitment... not to allow anti-Chinese activities on its soil, as a top-level Chinese delegation announced a US\$50 million aid package”.<sup>66</sup> This juxtaposition of developments is unlikely to be coincidental. It suggests that despite China’s stated policy of non-interference, it does effectively make aid to Nepal conditional on the GoN’s compliance with Beijing’s policy of suppressing Tibetan activism.

For Beijing then, stability in Nepal is first and foremost about containing the threat of Tibetan secession. However, Beijing’s expressions of concern for stability go beyond the Tibet issue.<sup>67</sup> It has been increasingly vocal in recent years in support of political stability in Nepal and has stressed the importance of completing key provisions of the peace agreement, such as the new constitution. When Zhou Yongkang visited Kathmandu in the immediate aftermath of the resignation of Prime Minister Khanal, he conveyed Beijing’s “sincere wish that Nepali political leaders can bring peace and stability back to their country as soon as possible”.<sup>68</sup> Likewise, there have been repeated exhortations to Nepal’s politicians to resolve their differences through dialogue and to complete the peace and constitutional process.<sup>69</sup>

Contrary to the suspicions of some Western analysts when the Maoists came to power, China appears to have no interest in promoting an ideological agenda in Nepal. During the war, Beijing made clear that it had no connection with the Maoist insurgents despite their name; indeed in some Chinese quarters it was felt that Nepal’s Maoists tarnished the reputation of Mao Zedong.<sup>70</sup> In 2005 Beijing affirmed its support for King Gyanendra’s attempt to stabilise Nepal through a hard-line approach towards the Maoists.<sup>71</sup> This underlines that China’s concern was, and is, to have an effective and reliable interlocutor in Kathmandu. Hence, in a previous era, it was perfectly content to do business with the Nepali monarchy, despite it being the ideological antithesis of the Chinese model. It is also linked to the non-interference principle of Chinese foreign policy, which holds that the policies of the host government should always be respected, no matter who it is or what it does.

In the post-CPA era China has been assiduous in trying to reach out to a range of Nepali political parties, as well as to different Nepali institutions. This is reflected in the official invitations to visit Beijing extended to the Nepali Congress and to the Madhes parties, as well as to the Maoists and the CPN-UML. In the uncertain environment of Nepali politics, China is regarded as “hedging its bets” by cultivating relations with a range of different parties and institutions.<sup>72</sup> This highlights Beijing’s pragmatic approach towards the politics of Nepal. It prioritises stability above ideology or political system, and is willing to do business with whoever is in power.

## Economic interests

As described above, Nepal and China have substantially boosted economic ties in recent years. This is evident from the increase of the trade volume by 80 percent in a single year from 2009–10 (US\$744 million).<sup>73</sup> This reflects China’s ‘Going Out’ policy, which aims to sustain high levels of domestic economic growth through external economic engagement. Since the CPC’s domestic legitimacy is based heavily on continuing the country’s high rates of growth, economic motives play a central role in Beijing’s foreign policy, including its increased engagement in Nepal. Economic

<sup>65</sup> *Ibid.*

<sup>66</sup> *Op cit* ‘Nepal reassures China on anti-Beijing activities’.

<sup>67</sup> ‘A stable Nepal is in China’s interests’, *AsiaOne*, 20 September 2011, news.asiaone.com/News/Latest%2BNews/Asia/Story/A1Story20110920-300420.html, accessed 28 October 2011.

<sup>68</sup> *Op cit* ‘Senior Chinese official outlines proposal to boost China-Nepal ties’.

<sup>69</sup> ‘China reiterates support to Nepal’s peace and constitutional process’, *Global Times*, 17 August 2011, www.globaltimes.cn/NEWS/tabid/99/ID/671430/China-reiterates-support-to-Nepals-peace-and-constitutional-process.aspx, accessed 28 October 2011.

<sup>70</sup> ‘盗用毛主席名字 尼泊尔“毛派”影响我边境安全 [Nepali Maoists threatens China’s security]’, 13 August 2002, *Southcn.com*, www.southcn.com/news/international/gjkd/200208131041.htm, accessed 28 October 2011.

<sup>71</sup> *Ibid.*

<sup>72</sup> Saferworld interview, Kathmandu, May 2011.

<sup>73</sup> *Op cit* Singh B.

engagement in Nepal facilitates the entry of Chinese firms into new markets. Nepal represents one such market, but beyond lie the larger markets of South Asia. Improving its economic relations with Nepal – as well as the local infrastructure – could potentially enable China to use Nepal as a transit country for trade with the whole of South Asia.

China's growing engagement in Nepal can, therefore, be seen to be motivated in part by its strategy of economic expansion. This is further illustrated by the close link between Chinese aid and Chinese business interests. A large proportion of Chinese aid to Nepal is provided as 'aid in kind', often the construction of infrastructure by a Chinese contractor. China's White Paper on Foreign Aid explains how in such cases "the Chinese side is responsible for the whole or part of the process... After a project is completed, China hands it over to the recipient country".<sup>74</sup> According to the White Paper, such projects account for 40 percent of total Chinese aid.<sup>75</sup>

The rapidly increasing economic engagement between China and Nepal – in terms of aid, trade and investment – illustrates an important new dimension of China's interest in Nepal. While Nepal's importance for stability in Tibet has underpinned China's relations with the country since the 1950s – and this remains Beijing's predominant concern – it also offers substantial potential to fuel China's economic development. Nepal is a market for Chinese goods in its own right, but more importantly it could also be a gateway to the markets of South Asia. A senior Chinese official spoke of "developing Nepal as a transit hub between China and the larger sub-continent".<sup>76</sup> This demonstrates the synergy between China's security interests in Nepal *vis-à-vis* Tibet and China's economic interests. A stable Nepal is in China's interests as far as Tibet is concerned, while it also presents a more attractive opportunity for Chinese trade, investment and other forms of economic engagement.

## Geopolitics

China and India have the two largest populations and fastest growing economies in the world. Relations between these two rising powers have been characterised by a "persistent mutual trust deficit".<sup>77</sup> At present, China is the more powerful of the two in economic and diplomatic terms at the global level, while it also threatens India's predominance in South Asia. Since 2004, China has improved trade relations with a number of India's neighbours and the volume of trade with Pakistan, Bangladesh and Sri Lanka has grown rapidly.<sup>78</sup> Strengthened bilateral relations between China and India's neighbours are complemented by China's admission into the South Asian Association for Regional Cooperation (SAARC), which enables China to engage in South Asia through a multilateral mechanism.

These developments have prompted references to "China's growing dominance of the South Asian landscape... and the rapidity with which New Delhi is ceding strategic space to Beijing on the sub-continent".<sup>79</sup> While this may be overstating the case, there is certainly an asymmetric relation between China and India, despite both being economic powerhouses. And it follows that India may be concerned about further expansion of Chinese influence into what has historically been regarded as New Delhi's sphere of influence.

Nepal's position has become more strategically significant with the rise of China. Situated between the two regional powers, it can be seen as a prize to be captured and could become the locus of geopolitical competition between an expanding China and a defensive India. This possibility is increased by the fact that Nepal is weak and internally vulnerable, and thus less able to resist foreign interference. According to

<sup>74</sup> *Op cit* State Council of the People's Republic of China, p 7.

<sup>75</sup> *Ibid.*

<sup>76</sup> *Op cit* 'A stable Nepal is in China's interests'.

<sup>77</sup> Singh S, 'Paradigm shift in India-China relations: from bilateralism to multilateralism', *Journal of International Affairs*, Spring/Summer 2011, vol 64 no 2.

<sup>78</sup> *Op cit* Sahoo.

<sup>79</sup> Pant H V, 'How China changes SAARC', *Livemint*, 28 April 2010, [www.livemint.com/2010/04/28210010/How-China-changes-Saarc.html?d=1](http://www.livemint.com/2010/04/28210010/How-China-changes-Saarc.html?d=1), accessed 28 October 2011.



some, “the ongoing political paralysis in Nepal... [has] created the ideal conditions for Beijing to increase its leverage and influence over Nepal”.<sup>80</sup> Others foresee that “the weakness and collapse of Nepal would offer an opportunity for China to engage directly in South Asia”.<sup>81</sup>

There is a counter-argument based on the fact that China and India share a strong interest in their own economic development and do not wish to jeopardise current growth trajectories, nor undermine their lucrative bilateral trade. China was India’s largest trading partner in 2008, and trade between the two countries has risen dramatically from US\$1.0 billion in 1994 to US\$61 billion in 2010.<sup>82</sup> According to this view, the main driver of China – India relations is a mutual interest in economic growth and this will safeguard the region against a confrontation between the two powers. Nevertheless, the unprecedented economic growth of both powers does not yet seem to have had the effect of cementing stability in the political relationship.<sup>83</sup>

Nepal’s role is also related to wider geopolitical dynamics, both within the Asian region and globally. There are many and diverse perspectives on these dynamics. Some contend that the US seeks to strengthen its alliance with India in order to contain China, a goal which underlies its engagement in Pakistan and Afghanistan and also informs US policy towards Nepal.<sup>84</sup> Others hold that China is supporting Pakistan to keep India tied down in South Asia, leaving Beijing free to expand its access and influence more broadly across the Asian continent, including in Nepal.<sup>85</sup> However, the significance of Nepal for either China or India should not be over-stated. It is questionable to what extent Nepal is regarded as a foreign policy priority in New Delhi, while equally it does not feature much in foreign policy debates in China.<sup>86</sup> According to one analyst “both countries have bigger fish to fry”, and more dispassionate analysis suggests that both countries will prioritise their relationship with the other over their relationship with Kathmandu.<sup>87</sup>

In this regard, it is notable that both China and India are increasingly using multi-lateral structures to facilitate bilateral relations. Both have an interest in reforming the international diplomatic architecture, which they consider to be Western-led. Hence the emergence of new configurations of ‘rising powers’, including the China-India-Russia strategic triangle and the BRICS (Brazil, Russia, India, China and South Africa) grouping. China is also increasingly engaged in the South Asian regional structure SAARC, where India has the main voice, while India has observer status in the Shanghai Cooperation Organisation, which China dominates. These various multi-lateral frameworks may provide a framework for strengthening understanding and mutual trust, including in respect of Nepal.

What is clear is that Sino-Indian relations have a significant effect upon geopolitics in the South Asia region, and thus upon peace and stability in Nepal. Some degree of competition between the two rising powers seems inevitable; yet historical rivalries have been managed thus far, and the hope is that shared economic interests will outweigh geopolitical rivalry.

<sup>80</sup> *Op cit* Sakhuja.

<sup>81</sup> Cohen S P, *India: Emerging power*, (Brookings Institution Press, 2001).

<sup>82</sup> International Institute for Strategic Studies, ‘India and China eye each other warily’, *Strategic Comments*, December 2010, Vol 16, Comment 47, [www.iiss.org/members-login/?ReturnUrl=/publications/strategic-comments/past-issues/volume-16-2010/december/](http://www.iiss.org/members-login/?ReturnUrl=/publications/strategic-comments/past-issues/volume-16-2010/december/), accessed 28 October 2011.

<sup>83</sup> Holslag J, *China and India: Prospects for peace*, (Columbia University Press, 2010).

<sup>84</sup> Friedman T L, ‘Containment-lite’, *New York Times*, 9 November 2010, [www.nytimes.com/2010/11/10/opinion/10friedman.html](http://www.nytimes.com/2010/11/10/opinion/10friedman.html), accessed 28 October 2011.

<sup>85</sup> Subrahmanyam K, ‘The great China-Pak nuclear nexus’, *Times of India*, 21 June 2010, [articles.timesofindia.indiatimes.com/2010-06-21/india/28309082\\_1\\_nsg-exemption-china-pak-nuclear-reactors](http://articles.timesofindia.indiatimes.com/2010-06-21/india/28309082_1_nsg-exemption-china-pak-nuclear-reactors), accessed 28 October 2011.

<sup>86</sup> Saferworld interviews, Beijing/Shanghai, July 2011.

<sup>87</sup> Saferworld interview, Kathmandu, May 2011.

## 4.5 Other international actors

Clearly, the geopolitical drama between China and India is not played out in a vacuum, and a number of other international actors are also engaged in minor roles. Nepal receives relatively high levels of international attention and aid and it has been referred to as the “darling of Western donors”.<sup>88</sup> The major multilateral donors are the Asian Development Bank and the World Bank, while the largest bilateral donors are Japan (US\$105 million), the UK (US\$101 million) and the US (US\$76 million). In March 2011 the UK Department for International Development (DFID) announced that it would increase aid to Nepal from £57 million (US\$91 million) in 2010/11 to £103 million (US\$165 million) by 2014/15.<sup>89</sup> Meanwhile, USAID’s spending in Nepal has increased almost fourfold since 2002.<sup>90</sup> In comparison, the amount of grant-aid China gives to Nepal is relatively small, amounting to 150 million renminbi (RMB) (approximately US\$23 million).

The increase in Western spending in Nepal reflects in part an increasing appreciation among Western donors of the connection between security and development and of the need for higher levels of support to be provided in contexts that are fragile and conflict-affected, such as Nepal. A substantial part of Western aid to Nepal is allocated to consolidating the peace process and to helping Nepal transition out of the post-conflict phase towards becoming a more stable and democratic state. This includes support for constitutional development, integration, security sector reform, election processes and local governance. Other major areas of support from Western donors to Nepal include health, water and sanitation and climate change adaptation.

Western donors are considered to have used the leverage of their aid, and accompanying conditionalities, to good effect in helping to bring about a negotiated end to Nepal’s war in 2006.<sup>91</sup> However, there is now a perception that the GoN takes Western aid for granted and judges it unlikely that the tap will really be turned off.<sup>92</sup> Western donors have been criticised for “proposing vague conditionalities that will not be followed through”,<sup>93</sup> whereas Chinese or Indian threats to stop support are taken more seriously, informed *inter alia* by the experience of the Indian petrol blockade. Thus the implicit conditionality of support from Beijing and New Delhi appears to be more effective than the explicit conditionalities of Western donors.

These trends relate to criticisms in Nepal of Western donors’ methods of operating. Some Nepalis have expressed growing resentment in recent years about the approach taken by Western donors and their perceived proxies, INGOs. There is a perception among some in Kathmandu that much Western aid ends up in the pockets of Western NGOs and consultants, with little benefit or ownership by Nepali people.<sup>94</sup> This has led to concerns among Western NGOs in Nepal that such sentiments may culminate in the sort of antipathy towards Western NGOs and donors that is evident in Sri Lanka.<sup>95</sup> Meanwhile, according to some donor sources it is becoming harder to spend donor funds efficiently and effectively, while a lack of co-ordination between Western donors and the GoN regarding the deployment of funds has led to a souring of the relationship between the two.<sup>96</sup>

It is important to bear in mind that for all international actors, just as for China, aid represents part of the picture of their engagement in Nepal but not the totality. The particular security concerns and strategic interests of India have already been touched upon, but Western actors too have interests in addition to the provision of development assistance through aid. These interests include commercial ties, trade, tourism

<sup>88</sup> *Ibid.*

<sup>89</sup> UK Department for International Development (DFID), *Bilateral aid review: Technical report* (March 2011).

<sup>90</sup> USAID Nepal, ‘USAID/Nepal budget – twelve years’, 15 February 2009, [nepal.usaid.gov/about-us/overview/budget.html](http://nepal.usaid.gov/about-us/overview/budget.html), accessed 28 October 2011.

<sup>91</sup> Saferworld interview, Kathmandu, May 2011.

<sup>92</sup> *Op cit* ICG.

<sup>93</sup> *Ibid.*

<sup>94</sup> Saferworld interviews, Kathmandu, May 2011.

<sup>95</sup> *Ibid.*

<sup>96</sup> *Ibid.*

and military co-operation. The UK Government for instance has a special relationship with Nepal through the Gurkha soldiers, 3,500 of whom currently serve in the British Army and play a full part in its operational deployments, including in Afghanistan.<sup>97</sup> These sorts of interests have a significant bearing on Western engagement in Nepal and potentially also on conflict dynamics.

It is furthermore recognised that for Western governments, as for Beijing, there may be a certain dissonance between stated policies of engagement in Nepal and the actual practice. One could argue that China does in fact impose conditionalities on its support to Nepal as it is effectively contingent on the GoN's support for the One China policy and on co-operation in control of Tibetan activists. But one could equally argue that concerns about human rights abuses expressed by some Western governments are mainly rhetorical, and that policies are rather shaped by realpolitik.<sup>98</sup>

It is not within the scope of this study to examine the full range of international interests in Nepal and their implications for conflict and security. However, it does highlight the importance of understanding how the interventions of Western actors too may aggravate or mitigate conflict risks in Nepal. In this regard, it is worth mentioning a Saferworld/University of Bradford joint project that provides a framework for assessing the conflict prevention impact of external actors. In brief, the project has developed a framework and indicators for measuring the performance of a state in 'contributing to a benign global or regional context', which includes indicators relating to trade and aid policies. The aim of the project, which is currently being piloted, is to enhance knowledge and awareness of what states should do to improve conflict prevention performance and co-operation. Although the current project is oriented towards Western donors, the aspiration is to develop a framework that accommodates all states, including China and other rising powers.

## 4.6 Impact on peace and conflict

How does China's increasing engagement in Nepal relate to issues of peace and conflict? Clearly, different actors will view this differently, depending upon their underlying assumptions about what causes conflict and builds peace. From a Chinese perspective, the presumption is that economic development leads to peace. The general opinion is that the root cause of conflict is underdevelopment, and so by providing resources for infrastructure and economic development in Nepal, China's engagement will have a positive long-term impact on peacebuilding and conflict prevention.<sup>99</sup>

This contrasts with the dominant view among Western donors that, in simple terms, conflicts arise from a variety of sources, including underdevelopment but also encompassing issues to do with identity, inequality and governance. It is based on a model of peacebuilding developed in the post-Cold War period referred to as a 'liberal peace'. This model includes an emphasis on political solutions; human security; the rights of minorities to self-determination; the universal importance of human rights; freedom of speech and free and fair elections; and a definition of state sovereignty that, in extreme circumstances, legitimates humanitarian intervention by external actors. As recent events in Libya illustrate, the liberal peace model is far from being universally accepted.

In Western discourse around peace and conflict, there is also increasing recognition that any external engagement in a conflict-prone context, such as Nepal, will inevitably have an impact upon the peace and conflict environment – whether directly or indirectly – and China's engagement is no exception. The consensus from a range of interviews in Kathmandu was that China's primary concern in Nepal is stability so that it can contain the threat from Tibetan dissidents; and that this desire for stability is

<sup>97</sup> 'Brigade of Gurkhas', British Army website, [www.army.mod.uk/gurkhas/7544.aspx](http://www.army.mod.uk/gurkhas/7544.aspx), accessed 5 November 2011.

<sup>98</sup> Saferworld interview, Kathmandu, May 2011.

<sup>99</sup> Saferworld interview, Beijing, July 2011.

reinforced by China's economic interests and geopolitical strategy. Based on this view, there is little to suggest that China's increasing engagement will have a directly negative impact upon the conflict drivers and risks identified in the earlier part of the paper.

Interlocutors in Nepal did however identify a number of ways in which China's increasing role and influence could potentially affect, or indirectly impact upon, conflict issues and dynamics. In the next section we consider each of these issues in turn and assess to what extent they can be considered significant threats to peace and stability in Nepal.

## Stability and peace

From a Chinese perspective, the stability of a country is equated with the capacity of its government to control it. Where Nepal is concerned, the primary indicator of stability in Beijing's eyes is that the threat from Tibetan dissidents is extinguished, or at least contained. This entails the GoN affirming its commitment to the One China policy and Nepal's security forces co-operating in the repression of Tibetan dissidents. Beijing has successfully exerted its influence over the Government in Kathmandu to secure its co-operation in both respects, and Tibetan activism in Nepal has reduced as a consequence. In this sense then, China can be seen to have contributed to stability in Nepal.

However, this prompted the question among some interlocutors of what 'stability' means? China's understanding of the term may be at odds with that of Nepalis or Western actors. It would be misleading to suggest that there is a single agreed definition of stability shared by all Western actors, let alone by different branches of the same government. Clearly, stability may be understood differently if a Ministry's mandate is to protect national security rather than to reduce poverty overseas, and hence the term is the subject of much debate. The UK Government in its cross-departmental strategy for 'Building Stability Overseas' (BSOS) articulates a relatively inclusive definition of stability as follows:

*"The stability we are seeking to support can be characterised in terms of political systems which are representative and legitimate, capable of managing conflict and change peacefully, and societies in which human rights and rule of law are respected, basic needs are met, security established and opportunities for social and economic development are open to all".<sup>100</sup>*

China's policy towards Tibetans in Nepal, as put into effect by the Nepali Government and security forces, does not reflect the BSOS definition of stability. Freedom of political expression is clearly denied to Tibetans in Nepal and there are credible allegations of human rights violations against Tibetan activists. China's understanding of stability in Nepal is thus at odds with the UK Government's definition of the term. Likewise, China's policy towards Tibetan refugees is not compatible with the concept of 'liberal peace', which prevails in Europe and is understood to include the rights of minorities, freedom of speech and the protection of human and political rights.

Clearly terms like 'peace' and 'stability' will be understood differently depending upon the norms and assumptions of the state concerned, and they may be interpreted to suit particular interests. But does China's policy towards Tibetans in Nepal have a negative impact upon the conflict environment? In particular, does the denial of the human and political rights of Tibetans threaten to cause violent conflict in Nepal? It seems unlikely as the Tibet issue is largely unrelated to the fundamental drivers of conflict in Nepal, while concern and protest about the treatment of Tibetans tends to be stronger outside the country than within. Nevertheless, from a Western perspective, China's policy towards Tibetans weakens any claims it may make to be supporting an inclusive and sustainable peace in Nepal.

## Governance

Another way in which China's engagement may affect peace in Nepal relates to governance. A common criticism in the West of China's engagement in developing countries is that its policy of non-interference undermines good governance and democratisation.<sup>101</sup> This is especially the case in China's relations with regimes that are isolated by the West (such as Burma/Myanmar and Zimbabwe), but it also applies in countries going through a post-conflict transition, such as Nepal, where Western donors seek to promote 'progressive' reforms in governance and related areas. China's position on this issue is that "standards, rights and rules ... need to be worked out by [national stakeholders] and not imposed by outsiders".<sup>102</sup> In other words, it is not for China to determine what it regards as the political choices of sovereign states.

In the case of Nepal, Beijing wants stability and is pragmatic about the means used to achieve this. As argued above, it appears to have little concern about what the governance system that delivers stability looks like, but will back the perceived favourite. Hence Beijing's previous support for Nepal's monarchy, while currently it regards the Maoists as the best bet – or the least worst – for achieving stability. However, some foresee that China will lose patience with the current peace process, predicated on multi-party politics and a democratic model of governance, as it is taking so long to deliver stability.<sup>103</sup> A fear was expressed that in this case Beijing may support an alternative, more authoritarian system in Nepal, which would not reflect the governance values (e.g. representation and legitimacy) that are associated with Western concepts of peace and stability.<sup>104</sup>

This scenario may be possible but it seems unlikely. A return to monarchy, although it has its proponents, is highly improbable; while residual fears that Beijing would automatically favour a Maoist form of authoritarianism have little ground. Despite the apparent ideological kinship with Nepal's Maoists, Beijing has been careful not to be seen to favour one Nepali political party over another. As described above, it has reached out – not always successfully – to political actors on all sides and in 2011 invited all four of Nepal's major parties to visit Beijing. Thus China has sought to present itself as an impartial and apolitical presence in Nepal. Some consider that Beijing is simply 'hedging its bets' in light of Nepal's chronic political instability and volatility.<sup>105</sup> Nevertheless, its repeated exhortations to Nepal's politicians to resolve their differences through dialogue and to complete the peace and constitutional process seem to reflect a judgement in Beijing that fulfilling the existing peace process currently offers the best prospect for stability in Nepal.

## Changing balance of local power

It is hard to argue with the view from Beijing that the benefits of Chinese aid, such as economic and infrastructural development, will improve standards of living among Nepalis and thus reduce tensions that might otherwise give rise to conflict. At the same time, the benefits of Chinese aid may also increase inequalities and divisions, both between local Nepali communities and between Nepalis and Chinese in-comers. Given the scale of Chinese investments and development in Nepal, there is considerable risk that this sizeable injection of resources will upset the balance of local power and interests, which may lead to violence.

In September 2011, there was a bomb attack on a Chinese food factory in the Narsingh district of the Terai. This was reportedly carried out by the Janatantrik Tera-Madhesi Mukti Party, an armed militia battling for the independence of the Terai, which aims to expel Chinese and 'non-indigenous' populations from the region.<sup>106</sup> It is the first

<sup>101</sup> See for example: Naim M, 'Rogue aid', *Foreign Policy*, 1 March 2007, [www.foreignpolicy.com/articles/2007/02/14/rogue\\_aid](http://www.foreignpolicy.com/articles/2007/02/14/rogue_aid), accessed 28 October 2011.

<sup>102</sup> Brautigam D, 'China, Africa and the international aid architecture', African Development Bank, *Working Papers Series*, 2010, no 107, p 29.

<sup>103</sup> Saferworld interview, Kathmandu, May 2011.

<sup>104</sup> *Ibid.*

<sup>105</sup> *Ibid.*

<sup>106</sup> 'Nepal: China: Terai, the first attack on Chinese industry', *Spero News*, 6 September 2011, [www.speroforum.com/a/59803/Nepal--China--Terai-the-first-attack-on-Chinese-industry](http://www.speroforum.com/a/59803/Nepal--China--Terai-the-first-attack-on-Chinese-industry), accessed 28 October 2011.

attack against Chinese industry in the region, but it is feared there may be more to follow given the proliferation of Chinese entrepreneurs in the Terai, especially in the construction, textile and hotel industries. The risk of violence arising from the influx of Chinese companies into Nepal is likely to become a growing concern for peace and security from the perspective of Beijing, as well as from Kathmandu.

### Changing balance of influence with India

Another concern expressed was that China's growing role and influence may provoke India into a response that threatens Nepal's peace. This is based on the assumption that India considers Nepal as being within its sphere of influence and so will regard China's increasing engagement as a threat. According to such views, New Delhi is apprehensive that China's expansion into Nepal is part of a wider plan to contain and encircle India.<sup>107</sup> One Indian analyst reports "a substantial amount of concern among the Indian establishment. The Chinese are making inroads across South Asia."<sup>108</sup> According to this analysis, Chinese infrastructural developments in Nepal, combined with the build-up of its military capabilities in Tibet, will enable the PLA to deploy rapidly to India's borders.

Various recent events are attributed to Indian concern about China's growing role in Nepal. The petrol shortage in Nepal in early 2011 was seen by some as engineered by New Delhi in reaction to the then Government's proximity to Beijing. India also remains closely involved in Nepal's politics and reportedly it has stepped up its micro-management of Nepali politicians to counter Chinese influence.<sup>109</sup> There was a notorious controversy in late 2010 when a recording was leaked of a man with a Chinese accent offering US\$6.9 million to a Maoist party leader to bribe 50 Nepali members of parliament to support a Maoist government. This affair was portrayed in India as evidence of China's meddling in Nepali politics. However, the recording has not been verified, nor the identity of the Chinese speaker, and it is suspected in some quarters that the whole incident was an Indian propaganda exercise.<sup>110</sup> Whatever the reality, these incidents indicate increased tensions between the two powers over Nepal.

India's concerns about China's proximity to Kathmandu are compounded by its distrust of the Maoists – despite New Delhi's instrumental role in bringing them into the political process in 2005. The fact that the UCPN-M party still debates whether India should be considered as 'national enemy number one' illustrates that the distrust and antagonism between New Delhi and Nepal's Maoists is mutual. That said, different factions within the Maoist party are perceived to have different views about Nepal's neighbours. Thus Prachanda is regarded as being relatively pro-Beijing, while Baburam Bhattarai is considered to be more sympathetic to New Delhi. The appointment of Bhattarai as Nepal's Prime Minister in August 2011 was thus viewed in India as a reassuring development. Furthermore, the fact that Bhattarai made his first official visit to New Delhi rather than to Beijing, unlike his predecessor, may presage a swing back towards the traditional balance of power.<sup>111</sup>

Another cause for concern in New Delhi has been that the Maoist regime in Nepal could lend support to Maoist rebels in India, the Naxalites.<sup>112</sup> There have been rumours of Naxalites receiving military training from Nepal's Maoists, and in 2010 the Indian Ambassador lodged a protest with the GoN over "organised training" of Naxalites in Maoist camps in Nepal.<sup>113</sup> However, no evidence has been provided to substantiate

<sup>107</sup> Bhattacharya A, quoted in: 'India and China vie for influence in Nepal', *Defence Forum India*, 8 March 2009, [defenceforumindia.com/military-strategy/441-india-china-vie-influence-nepal.html](http://defenceforumindia.com/military-strategy/441-india-china-vie-influence-nepal.html), accessed 28 October 2011.

<sup>108</sup> *Ibid.*

<sup>109</sup> Saferworld interviews, Kathmandu, May 2011.

<sup>110</sup> Magnier M, 'Nepal caught between China and India', *Los Angeles Times*, 20 February 2011, [articles.latimes.com/2011/feb/20/world/la-fg-nepal-china-20110220/2](http://articles.latimes.com/2011/feb/20/world/la-fg-nepal-china-20110220/2), accessed 28 October 2011.

<sup>111</sup> 'Prime Minister Bhattarai's visit to India: Renewing ties in critical transition phase', *Eurasia Review*, 25 October 2011, [www.eurasiareview.com/25102011](http://www.eurasiareview.com/25102011), accessed November 5, 2011.

<sup>112</sup> *Op cit* Magnier.

<sup>113</sup> 'India protests Naxals' training on "Nepali soil"', *Ekantipur*, 5 November 2010, [aa.59.78ae.static.theplanet.com/2010/11/05/top-story/india-protests-naxals--training-on-nepali-soil/324646.html](http://aa.59.78ae.static.theplanet.com/2010/11/05/top-story/india-protests-naxals--training-on-nepali-soil/324646.html), accessed 28 October 2011.

this allegation, and most analysts consider a connection between Nepal's Maoists and India's Naxalites to be far-fetched.<sup>114</sup>

China and India are seen to have adopted different approaches to Nepal: Beijing playing a strategic 'long-game', whereas India's approach is regarded as more tactical and short-term.<sup>115</sup> India's tactics include alleged attempts to obstruct and undermine key aspects of the CPA, including the constitution and integration processes.<sup>116</sup> Certainly there are suggestions that Indian manoeuvring has undermined Western attempts to support the peace process.<sup>117</sup> The alleged obstructionism reflects Indian concern that the integration of Maoist combatants will weaken its special relationship with the Nepalese Army. There is a risk that such tactics – or at least the perception of them – will increase disillusionment with Nepal's peace process and may lead to its ultimate collapse. If China's growing role provokes India to intensify its involvement in Nepal's politics, this risks aggravating divisions among Nepali political leaders, destabilising the political situation and further delaying the implementation of the CPA.

Indian concerns about China's expansion into its sphere of influence, allied to its distrust of the Maoists, have the potential to provoke a response that could disrupt the peace process and destabilise Nepal. However, Beijing appears well aware of India's sensitivity given the historic privileged relationship between Delhi and Kathmandu. Thus far, it has been careful not to over-play its hand; indeed it has on occasion urged the Nepali Government to work at restoring its relationship with New Delhi. Furthermore, the preceding analysis suggests that China's increased engagement in Nepal, and the shift in the relative influence of the two powers, may lead to a net gain in terms of peace and stability. If India is seen to have a destabilising influence on Nepal's peace process while China has a broadly stabilising influence, then China's increasing engagement should have a positive effect in terms of peace and stability.

### Changing balance of influence with the West

China's growing role in Nepal does not just shift the balance of power and influence *vis-à-vis* India, it also affects the role and influence of Western powers, including their ability to influence the peace process. In Nepal, as in other developing countries, China's increased support for the government means that it becomes less dependent upon Western aid. This may diminish Western leverage to persuade the Nepali Government to address some of the more difficult aspects of the conflict, which Western analysts believe must be addressed for peace to be sustainable. Such aspects include the human rights abuses carried out by all sides during the war. These are due to be addressed by a Truth and Reconciliation Commission, but this commission has yet to be set up.<sup>118</sup> If human rights abuses are not dealt with, then impunity will become entrenched; and impunity is often an underlying driver of conflict.

Western policy makers need to be aware of this changing international context and of the implications for their own strategies for peace and development in Nepal. If the approach of Western donors is perceived to be overly prescriptive and/or conditional – as some contend with regard to issues like integration and security sector reform – this may push the Nepali Government to seek support from other sources.<sup>119</sup> The likelihood is that the Government will turn to states like China that generally provide what the Government requests – often hardware rather than 'software' – and provide it with no strings attached. This may affect the democratic quality of the systems that emerge, and it is a particular concern in areas like the security and justice sectors, where weak governance can lead to violence and insecurity.

<sup>114</sup> Saferworld interviews, Kathmandu, May 2011.

<sup>115</sup> *Ibid.*

<sup>116</sup> Adhikari M, 'Fault lines in Indo-Nepal relations', *Republica*, 6 July 2011, [www.myrepublica.com/portal/index.php?action=news\\_details&news\\_id=33140](http://www.myrepublica.com/portal/index.php?action=news_details&news_id=33140), accessed 28 October 2011.

<sup>117</sup> Saferworld interview, Kathmandu, May 2011.

<sup>118</sup> *Ibid.*

<sup>119</sup> Gautam K C, 'Inconvenient truths', *Nepali Times*, 22 April 2011, [www.nepalitimes.com.np/issue/2011/04/22/Review/18125/print](http://www.nepalitimes.com.np/issue/2011/04/22/Review/18125/print), accessed 28 October 2011.

The implication in this case is that China's growing role in Nepal is freeing the GoN from pressure to comply with Western standards of good governance and human rights. China's increased aid to the Nepali Government means that the 'donor marketplace' is expanding. By offering an alternative model of support to the traditional Western donors, China (and India) are introducing more competition into this marketplace. This weakens the bargaining position of Western donors since it means that the Nepali Government has more options regarding from whom it would like to receive development assistance and with what, if any, strings attached.<sup>120</sup>

It is hard to predict what will be the implications for peace and conflict of an expanded donor marketplace in Nepal. It would be naïve to suggest that the agendas of Western donors are wholly benign in contrast to those of China or India. All external actors that engage in Nepal, as in other developing countries, do so based on a calculus of different interests: economic, security, developmental and geostrategic. So it does not automatically follow that a decline in the influence of Western donors will increase the prospect of conflict in Nepal.

It is also important to keep in mind the fundamental role and agency of Nepalis themselves. The focus of this study is upon external actors, notably China, and how their engagement affects peace and conflict in Nepal. The role of foreign powers in Nepal is highly significant, as this report demonstrates, especially in light of shifting balances of power and influence *vis-à-vis* the government in Kathmandu. However, ultimately it is the Nepali people who will determine whether there is a return to widespread violent conflict or if sustainable peace can be secured.

What the research findings and analysis contained in this report do suggest is that policy makers in the West, in China and in Kathmandu need to engage proactively with the changing realities; and they need to consider what it means for their policies and practice in support of peace and stability. For Western actors, the expansion of the donor marketplace means that the tools of conditionality they have used in the past to support peacebuilding will become less effective. This suggests that not just new tools, but new multi-lateral approaches, will be required if Western donors are to support peace in Nepal and in other conflict-affected states. In the final section of the report we consider what such tools and approaches might include.

## 4.7 Policy implications

### Current situation

What are the implications for policy makers of China's increasing engagement in Nepal, especially those concerned with issues of peacebuilding and conflict prevention? While there is now broad acceptance and appreciation of the scale and significance of China's engagement in the developing world, analysts and policy makers in the West are still getting to grips with the implications of this shift in the context. In particular, little attention has been paid thus far to the implications for conflict-affected and fragile states, such as Nepal. How will China's rise affect conflict drivers and dynamics? And what opportunities may it offer to consolidate peace and stability?

These are questions that policy makers should ask as they consider how to respond to the threats and the opportunities resulting from China's rise. The final section of this report assesses the current state of play and offers some suggestions for harnessing this change positively in order to support peace and stability in Nepal. We focus primarily on the implications and options for Western governments. We pay special attention to the UK, as it is set to become the largest bilateral donor to Nepal; thus its response to China's rise will be particularly significant and may influence the approaches of other actors. The following implications are therefore relevant for all governments engaged in Nepal, insofar as they share similar interests and concerns to the UK Government.

<sup>120</sup> Harris D, 'Emerging donors: differentiation, ownership and harmonisation', *The Networker*, August–October 2011, [www.bond.org.uk/pages/emerging-donors-differentiation-ownership-and-harmonisation.html](http://www.bond.org.uk/pages/emerging-donors-differentiation-ownership-and-harmonisation.html), accessed 28 October 2011.



Donor representatives in Kathmandu suggested that Nepal illustrates a relatively good example of co-ordination and coherence among Western donors,<sup>121</sup> and this view is corroborated by the findings of a recent European Union assessment.<sup>122</sup> There are reportedly high levels of informal knowledge-sharing among donors, although formal structures and mechanisms for inter-donor co-ordination are limited. There are periodic Head of Mission-level meetings for aid co-ordination, while the United Nations convenes bi-weekly integration and rehabilitation meetings. However, there is no co-ordination structure specifically relating to conflict issues, akin to the Donor Peace Support Groups that have been established in some other countries.

It appears that Chinese officials do not generally engage in the various donor co-ordination forums in Kathmandu; one official from a major Western embassy said he had never seen Chinese representatives in any donor forum.<sup>123</sup> It was not possible within the limited scope of this research to clarify whether Chinese representatives are invited to such forums, although apparently Indian representatives are invited to some of them. There used to be a degree of engagement between Western and Chinese diplomats in meetings of representatives of the permanent five members of the UN Security Council regarding the UN Mission in Nepal (UNMIN), but this has ceased since the exit of UNMIN in January 2011.

In part, China's absence from the various donor co-ordination forums in Kathmandu reflects the very different norms and principles that underpin Chinese aid generally, and its engagement in Nepal in particular. Beijing does not regard itself as part of the Western donors' 'club' and prefers to deal directly with the Nepali Government rather than through multi-donor structures.

However, what was notable from interviews in Kathmandu is the apparent disconnect between most of the Western donor/diplomatic community in Kathmandu and Chinese officials. This disconnect reflects in part the view expressed that it is not worth engaging with Chinese officials in Kathmandu since strategy and policy decisions are made in Beijing.<sup>124</sup> However, this seemed to be compounded by the sense of a long-standing cultural divide between Western and Chinese officials, with reference made by Western diplomats to a 'Chinese Wall', which blocks substantive exchange regarding issues of aid, development, governance or security.

## Room for improvement

The UK Government's aid review published in March 2011 makes clear that Nepal is one of a reduced number of priority countries to qualify for UK development support. Indeed, the UK is set to become the largest bilateral donor to Nepal over the next few years. Furthermore, the UK is one of the lead donors supporting critical aspects of peace and stability in Nepal, such as the Rule of Law. In light of the foregoing analysis of China's increasingly significant role in Nepal's development, it seems essential that there be some minimum level of dialogue between UK Government representatives and their Chinese counterparts. And this dialogue should be based on a solid understanding of each country's interests in Nepal, as well as the range and nature of its engagements.

No doubt Western donors are well aware of the changes in the global landscape and of China's rise, but it is not apparent that the consequences of this for Nepal have been fully analysed and factored into the development of aid strategies. DFID's Operational Plan for Nepal 2011–15 notes that "Nepal is of strategic importance to the UK as a fragile state in its own right and as a building block for stability in the region, positioned between China and India".<sup>125</sup> However, this awareness of the regional

<sup>121</sup> Saferworld interviews, Kathmandu, May 2011.

<sup>122</sup> European External Action Service, 'Nepal country strategy paper 2007–2013: Mid-term review document', April 2010, [www.eeas.europa.eu/nepal/csp/11\\_13\\_mtr\\_en.pdf](http://www.eeas.europa.eu/nepal/csp/11_13_mtr_en.pdf), accessed 26 November 2011.

<sup>123</sup> Saferworld interviews, Kathmandu, May 2011.

<sup>124</sup> *Ibid.*

<sup>125</sup> DFID, 'Operational plan 2011–2015: DFID Nepal', April 2011, [www.dfid.gov.uk/Documents/publications1/op/nepal-2011.pdf](http://www.dfid.gov.uk/Documents/publications1/op/nepal-2011.pdf), accessed 28 October 2011.

interactions does not appear to have informed UK policy priorities. Given the major investment by Western donors in Nepal's peace process, and the country's continuing fragility, it is particularly important to understand how China's increased engagement impacts upon the peace and conflict environment in Nepal.

It is acknowledged that opportunities and entry points to influence Chinese officials in Kathmandu may be limited. Furthermore, the Chinese Embassy may indeed have limited independent agency to affect Beijing's policy towards Nepal. However, the impression gained from interviews in Kathmandu is that there is scope for Western donors and diplomats to engage more proactively and systematically with their Chinese counterparts, be that bilaterally or through multi-donor co-ordination forums. Nor is this restricted to officials in Kathmandu; it may be that there is scope for improving information exchange and co-ordination between Western embassies in Beijing and Kathmandu, as well as with their respective foreign ministries.

As China's engagement and influence in Nepal grows, this should become a priority for Western diplomats and policy makers. The risk is that unless steps are taken soon to overcome the perceived Chinese Wall, the UK and other Western actors will find themselves responding to China's rise as a threat rather than as an opportunity. This relates to the risk that if Western donors are perceived by the Nepali Government to be too prescriptive or conditional regarding their support, then this may reinforce Nepali resentment about Western interference and ultimately push them further into the arms of China.

## Potential entry points

In July 2011, the UK Government launched its new strategy for BSOS. In this strategy the Government affirms its intention to "incorporate [the stability] agenda into our developing relationships with the emerging powers". Obviously the UK Government does not have a monopoly on concern with stability. Other external actors have their own stability agendas, which are likely to diverge from the UK's. This may present some challenges, but could also be an opportunity for collaboration. As described above, China has its own clear and predominant stability agenda in Nepal, based on its security concerns *vis-à-vis* Tibet, its economic expansion and its geopolitical strategy.

In order to incorporate the UK's stability agenda into its developing relationship with China, the UK Government will need to deepen its understanding of China's interests in conflict-affected states like Nepal. In certain respects, notably Beijing's policy towards Tibetan activists in Nepal, China's stability agenda clearly diverges from the stability agenda of the UK and other Western governments. However, in other respects there is apparent common ground between the stability agendas of Western states and of China – for instance, the shared concern to see Nepal's peace process through to its conclusion.

Therefore as a first step it is suggested that further analysis be undertaken of points of convergence and divergence with regard to Western and Chinese stability agendas. This could serve as the basis for constructive dialogue between Western and Chinese policy makers on issues to do with peace and stability in Nepal. Where there is a shared interest in commonly agreed aspects of stability (whatever the differing norms or motivations behind it), this could be a basis for developing common policy objectives and even practical co-operation. Where there is a difference of perspective or principle – for instance regarding the Tibetan issue – this should be identified, and attempts made on both sides to appreciate the values and interests that underpin the different policy approaches.

Clearly such an approach would require a degree of receptiveness from the Chinese side. It would be a mistake to assume that the Chinese are oblivious to Western concerns about human rights or unaware of the different norms of foreign policy. A senior Chinese analyst at an influential think tank affiliated to the Ministry of Foreign Affairs

expressed the “hope that China and the West can work together much more closely on economic aid. But the obstacle is Western suspicion of China, and accusations that China’s non-interference policy means that China lacks any sense of morality in its foreign policy”.<sup>126</sup> However, he went on to note that there is increasing public debate within China about the policy of non-interference; and this may open space for dialogue between policy communities in China and the West about how to promote peace and stability in conflict-affected states.

The UK BSOS strategy goes on to state that the Government “will invest greater diplomatic efforts in new ‘prevention partnerships’ with these countries”. This demonstrates awareness of the growing role that China and other rising powers play in countries at risk of conflict and instability, such as Nepal. It is hoped that the findings of this research project may help to inform the development of a ‘prevention partnership’ with China based on shared objectives of peace and stability; although it is recognised that deeper and more comprehensive research will be required to establish a firm knowledge-base for such a partnership. At a minimum, this project should assist Western policy makers to appreciate the challenges and limitations to their efforts to promote peace and stability in Nepal, and thereby help ensure that policies are not counterproductive.

Looking beyond the bilateral relationship between the UK and China in respect of Nepal, it is recommended that broader international dialogue about peace and stability in Nepal should seek proactively to engage Beijing as well as New Delhi. While support for Nepal’s peace process appears relatively coherent and co-ordinated among Western donors, they should also be looking to connect with Chinese as well as Indian perspectives. This will require a more systematic attempt to build relations with Chinese officials in Kathmandu – as well as with the relevant policy makers in Beijing – and progressively to incorporate China into an inclusive dialogue.

A further area for Western policy makers to consider, and a possible entry point, relates to the notion of ‘conflict sensitivity’. This is based on the understanding that any intervention from outside – developmental, commercial or otherwise – will affect the distribution of power and resources in the local community. Interventions that do not take existing relations and dynamics into account may inadvertently provoke or sustain conflict, and end up doing more harm than good. As noted above, there is a risk that the sizeable injection of Chinese resources into Nepal will upset local interests and power balances, leading to the sort of violent attack against Chinese targets witnessed in the Terai in September 2011. This indicates the value to Chinese companies of adopting a conflict-sensitive approach.

The principle of conflict sensitivity is not new to Nepal. It is recognised that in the past “development programmes have sometimes reinforced the social and political inequalities that are at the root of the violent, armed conflict”.<sup>127</sup> Conflict-sensitive approaches have been adopted in a number of development sectors in Nepal, notably in the forestry sector. The UK Government has promoted and supported conflict-sensitive approaches both internationally and in Nepal. In its response to the multi-lateral aid review for instance, DFID recommends that “multilateral organisations need to improve their performance in fragile contexts... [and they] need to take a more systematic approach to developing conflict-sensitive programming”.<sup>128</sup>

While not underestimating the challenges of making Chinese engagement in Nepal more conflict-sensitive, this may be an area where the West can collaborate with China. There are clear cost and security benefits to Chinese businesses of a conflict-sensitive approach, while it is also in the interests of Western governments, Beijing and all others concerned with stability in Nepal. Western actors could support this by raising awareness of what it means to be conflict-sensitive, and by sharing ideas and

<sup>126</sup> Saferworld interview, Shanghai, May 2011.

<sup>127</sup> Risk Management Office – Nepal, *A guidebook to safe and effective development in conflict* (2005).

<sup>128</sup> DFID, ‘Taking forward the findings of the UK multilateral aid review’, March 2011, [www.dfid.gov.uk/Documents/publications1/mar/Taking-forward.pdf](http://www.dfid.gov.uk/Documents/publications1/mar/Taking-forward.pdf), accessed 26 November 2011.

information with Chinese companies investing and operating in Nepal about ways of putting conflict-sensitivity into practice.

More broadly, this study suggests that the UK and other Western governments would do well to consider what the implications are when they no longer 'own' the donor marketplace. While the engagement of non-Western powers in Nepal is not a new phenomenon (especially where India is concerned), the growing role of China, and the consequent shifting boundaries of what constitutes aid, are fast changing the context in which Western donors try to support development and peacebuilding in Nepal.

China is not overtly attempting to supplant the traditional donors to Nepal. However, by offering alternative options to the GoN they are weakening the bargaining position of traditional donors, with the consequence that the Western practice of linking aid to conditionalities around governance or human rights will be less effective. We should not overestimate the effectiveness of these conditionalities: some of the concern about emerging powers "overestimates the extent to which [good governance, etc.] have been furthered by direct conditionalities imposed by [Western] donors".<sup>129</sup> Nevertheless, conditionalities will now be less effective than they were before, so if the UK and others wish to continue to exert a positive influence upon processes of development and peacebuilding, they will need to engage proactively and imaginatively with the new reality of a multi-polar donor context.

In conclusion, this report suggests a number of ways in which Western policy makers could strengthen their engagement with China on issues of peace and stability in Nepal. This is on the basis of a preliminary and light-touch research exercise. It was not possible within the limited scope of this project to explore fully the various forms of Chinese engagement in Nepal or how they interact with conflict drivers; nor has there been a thorough analysis of all international actors. We recommend undertaking more in-depth and systematic research in some of the areas identified above, in order to generate a comprehensive evidence-base and to develop more targeted policy recommendations. However, this report has highlighted a number of key issues to consider, and we hope it will stimulate policy debate as well as practical action in response to the significant changes identified.

## Acronyms: Nepal

<b>APECF</b>	Asia Pacific Exchange and Cooperation Foundation	<b>NGO</b>	Non-governmental organisation
<b>BRICS</b>	Brazil, Russia, India, China and South Africa	<b>NR</b>	Nepal Rupees
<b>BSOS</b>	Building Stability Overseas Strategy	<b>PLA</b>	People's Liberation Army
<b>CoAS</b>	Chief of Army Staff	<b>RMB</b>	Renminbi
<b>CPA</b>	Comprehensive Peace Agreement	<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>CPC</b>	Communist Party of China	<b>TAR</b>	Tibetan Autonomous Region
<b>CPN-UML</b>	Communist Party of Nepal-Unified Marxist Leninist	<b>UCPN-M</b>	United Communist Party of Nepal-Maoist
<b>CSC</b>	China Study Centre	<b>UK</b>	United Kingdom
<b>DFID</b>	UK Department for International Development	<b>UNIDO</b>	United Nations Industrial Development Organization
<b>GoN</b>	Government of Nepal	<b>UNMIN</b>	United Nations Mission in Nepal
<b>ICG</b>	International Crisis Group	<b>US</b>	United States
<b>INGO</b>	International non-governmental organisation		

<sup>129</sup> Woods N, 'Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance', *International Affairs* (November 2008), vol 84 no 6, p 7.

# Sudan and South Sudan



This map is intended for illustrative purposes only. Saferworld takes no position on whether this representation is legally or politically valid.

# 5

## Sudan and South Sudan case study

### 5.1 Introduction

For an explanation of acronyms used in this chapter, see p 130.

**THIS CASE STUDY** draws on evidence gathered through desk review and field research in Juba, Central Equatoria State, and Bentiu, Unity State, South Sudan, Khartoum, Sudan and Beijing and Shanghai, China in July and August 2011. The field research included a total of 28 interviews with government officials, civil society and the public.

The case study focuses on China's engagement, analysing its impacts on peace and conflict dynamics between Sudan and South Sudan, and internal to South Sudan. It is structured to provide an overview of peace and conflict dynamics in Sudan and South Sudan (section 5.2) and international engagement in the two states (section 5.3), before turning to a more detailed analysis of China's engagement (section 5.4). Building on this analysis, section 5.5 then offers conclusions and policy implications. In the wake of South Sudan's independence in July 2011, it pays particular attention to the views of stakeholders in South Sudan regarding China's past engagement and opportunities for its successful future engagement in a challenging but potentially rewarding context. Although relevant links between the present topic, the conflict in Darfur and China's role in the latter must be acknowledged, China's engagement on Darfur will be discussed separately in a forthcoming Saferworld/St Andrew's case study.

### 5.2 Conflict in Sudan and South Sudan

#### Recent history and impacts of conflict in Sudan and South Sudan

In the 200 years before their historic split, the history of Sudan and South Sudan was marred by colonisation, exploitation, sectarianism and war. Sudan and South Sudan are culturally, ethnically and linguistically diverse. They contain at least 19 major ethnic groups and 600 sub-groups. Relations and competition between different groups have been bound up in religious, racial and ethnic ideology. After independence from Britain in 1956, the country witnessed four military coups (1958, 1969, 1985, and 1989).

Sudan's diverse society has also been linked together by centuries of economic interaction, much of it exploitative. Despite attempts to curtail the trade at the end of the 19th Century, South Sudan was for a long time used by Arab traders as a hunting ground for slaves. South Sudan is rich in resources and fertile in many parts, but has historically been marginalised and disempowered. In 1955 a civil war began in the Southern regions of Sudan, and when the demand for Southern autonomy was rejected following independence in 1956, Africa's longest civil war ensued. The Addis Ababa Peace Accord, signed in 1972, initiated 11 years of peace and recovery. But a second

phase of civil war reignited in 1983 with renewed intensity, until it was brought to an end in a Comprehensive Peace Agreement (CPA) in 2005.

The CPA of 2005 provided a framework for the National Congress Party (NCP), which holds power in Sudan, and the Sudan People's Liberation Movement/Army (SPLM/A), which formed the Government of South Sudan (GoSS), to pursue peace. It guaranteed South Sudan the right of self-determination while committing both parties to make the unity of Sudan attractive; it established an arrangement for wealth and power sharing, elections and constitutional reform; it offered a framework for careful handling of dynamics in the 'three areas' of Abyei, South Kordofan and Blue Nile; and it ensured processes for compensating the victims of war. This came about through a combination of foreign pressure, exhaustion on both sides with the devastating conflict and willingness to co-operate in profiting from Sudan's oil wealth. The CPA period formally ended with South Sudan's secession in July 2011.

This conflict had a catastrophic human and developmental impact on Sudan that can only be summarised here. The second phase of the North – South civil war (1983–2005), killed two million and displaced four million people in South Sudan.<sup>1</sup> Besides death, injury and displacement, in the long years of fighting, the conditions for achieving any progress beyond the most basic living conditions, infrastructure, institutions and services have never been in place across large swathes of the two countries. Thus pre-secession Sudan remained one of the world's least developed countries: ranked at 154 of 162 states on the Human Development Index in 2010,<sup>2</sup> with very high rates of under-five mortality (108 per 1,000) and a primary completion rate of just 57 percent.<sup>3</sup> The civil war also transformed society in important ways, making violent methods for pursuing interests more commonplace, weakening traditional leadership structures and ensuring weapons proliferation across society on a massive scale.

Multiple causes are cited as having led to the North – South civil war, including failure to share resources equitably, ethnic and religious difference and later, the discovery of and competition for oil. The start of oil production raised the stakes, with adverse consequences for those in close proximity to actual or potential oil producing areas.<sup>4</sup> Tribal divisions, competition for land, land degradation, poverty and inequality have fuelled many subsidiary conflicts, which persist in a number of the states of South Sudan (such as Warrap, Lakes, Unity and Jonglei). Aside from the civil war between the North and South and related localised and intra-South conflicts, armed conflict has also plagued Darfur and Eastern Sudan.

### Key peace and conflict dynamics in and between Sudan and South Sudan

Despite the end of the CPA period and South Sudan's secession in July 2011, key issues remain unresolved between Sudan and South Sudan. These include border demarcation and management, allocation of disputed territories, rights of citizens in the two countries and sharing of debts, resources and revenues. Palpable tensions persist, and related outbreaks of violence occurred throughout 2011 and cannot be ruled out for the future.

There are many ways in which Sudan and South Sudan are closely tied – for example through intermarriages and trade relationships. Both sides also understand that peace is in their pragmatic interests, have limited capacity for war and will remain under considerable pressure to avoid escalating tensions. Nonetheless, the CPA process was

<sup>1</sup> Bennet J et al, 'Aiding the peace: A multi-donor evaluation of support to conflict prevention and peacebuilding activities in Southern Sudan 2005-2010', (Netherlands Ministry of Foreign Affairs, December 2010), p 22, [www.oecd.org/dataoecd/3/40/46895095.pdf](http://www.oecd.org/dataoecd/3/40/46895095.pdf), accessed 29 November 2011.

<sup>2</sup> UN Development Programme, 'Human development index and its components', 2010, [hdr.undp.org/en/media/HDR\\_2010\\_EN\\_Table1\\_reprint.pdf](http://hdr.undp.org/en/media/HDR_2010_EN_Table1_reprint.pdf), accessed 30 June 2011.

<sup>3</sup> World Bank, 'Sudan country data profile' (for: 2000, 2005, 2008, 2009 and 2010), [ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT\\_ID=9147&REQUEST\\_TYPE=VIEWADVANCED](http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED), accessed 30 June 2011.

<sup>4</sup> Adapted from: World Bank, 'Sudan: Stabilization and reconstruction', June 2003, [www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000094946\\_03081404004140](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000094946_03081404004140), accessed 29 November 2011.

threatened by mutual distrust and a sense among the two parties that they must compete to win or lose at each other's expense.

The process of implementing the CPA can only be described as a partial success. The CPA period witnessed a military build-up on both sides, with oil revenues supporting retention of troops and additional arms procurement.<sup>5</sup> Within the North, the NCP leadership remains under pressure from security-oriented hardliners to attain a good deal in resolving outstanding CPA issues (including on oil revenues).<sup>6</sup> The NCP is bitterly resented across South Sudan, perceived by many to be better at manipulating negotiations than, and unlikely to deal fairly with, Southern actors. While the SPLM has strongly focused its attention on achieving Southern secession, there have been moments of intransigence and provocation by Southern forces and leaders. Thus, efforts to reach compromises have been held back by mutual suspicion and a dangerous tendency towards brinkmanship by both sides.

It is unclear whether and how the Government of Sudan (GoS) can be influenced to take a more restrained approach that is respectful of the rights of local communities and constructive in its pursuit of political processes, to achieve peace in the spirit of the CPA. Similarly, it is unclear how the GoSS can be influenced to take the most constructive approach possible in negotiations of outstanding issues and in its actions on the ground. Crucially, both sides need to discuss constructively how to share wealth, move forward regarding the status of Abyei and ensure that the violent repression of Sudan People's Liberation Movement North (SPLM-N) supporters and forces in South Kordofan and Blue Nile can be ended without aggravating already tense North – South relations further.

South Sudan contains the majority of the oil of the former state of Sudan, but this oil can only be exported through the North. A new pipeline to export oil from South Sudan via Kenya is a possible, but distant, prospect. For both CPA parties, maintaining the alliances on which stability depends is partly a question of revenue flows that are largely dependent on oil.<sup>7</sup> With this in mind, a huge challenge lies ahead for both states: analysts are in agreement that unless new exploration identifies new reserves, South Sudan's oil production and revenues will decline from a peak of over 430,000 barrels per day (b/d) at the beginning of 2010, to under 250,000 b/d by the end of 2015.<sup>8</sup>

For both parties, there has been an obvious long-term financial and geopolitical interest in territorially controlling as much as possible of Sudan's oil fields. This has been at the heart of North – South enmity – and considerable armed violence – since the discovery of reserves in the late 1970s. However, the prevailing logic is that both sides recognise the benefits of co-operating over oil production and export – and the drawbacks of failing to do so. Nonetheless, in early December 2011, a deal on how oil would be marketed and sold and the sharing of oil revenue was not yet agreed between the two sides, with the South accusing the North of stealing its oil, and the North demanding a 23 percent share of oil revenues pending a final agreement.<sup>9</sup> With many groups present in oil-rich border areas who feel excluded from the CPA bargaining process by the two

<sup>5</sup> See, for example: Wezeman P, 'Arms supplies to North and South Sudan', in: Heinrich Böll Stiftung, *Sudan: No easy ways ahead*, (Berlin, 2010), pp 62–64; Small Arms Survey, 'Supply and demand: Arms flows and holdings in Sudan' (Sudan Issue Brief No 15, December 2009), [www.smallarmssurveysudan.org/pdfs/HsBA-SIB-15-arms-flows-and-holdings-in-Sudan.pdf](http://www.smallarmssurveysudan.org/pdfs/HsBA-SIB-15-arms-flows-and-holdings-in-Sudan.pdf), accessed 29 November 2011.

<sup>6</sup> See, for example: International Crisis Group, 'Divisions in Sudan's ruling party and the threat to the country's future stability', 4 May 2011, p. 23.

<sup>7</sup> On maintenance of alliances with financial patronage by the NCP see: De Waal A, 'Sudan's choices: Scenarios beyond the CPA', in: *op cit* Heinrich Böll Stiftung. In terms of dependence on oil revenues, in South Sudan, the Overseas Development Institute (ODI) states that: "The revenue from oil averaged US\$2.1 billion per year over the period 2006 to 2009, accounting for 98.3 percent of GoSS domestic resources (approximately five times the level of donor aid in 2009)", ODI, *Planning and budgeting in Southern Sudan: starting from scratch*, Briefing Paper 65, October 2010, p 2, [www.odi.org.uk/resources/docs/6093.pdf](http://www.odi.org.uk/resources/docs/6093.pdf), accessed 29 November 2011. On the role of financial patronage in South Sudan's stability, cf eg: "Incomplete establishment of the payroll system for the military has caused some serious tensions throughout the South, with occasional outbursts of fighting and insecurity in towns like Juba, Wau and Malakal", F Von Habsburg/Saferworld, *Southern Sudan conflict analysis*, (unpublished, June 2006), p 27.

<sup>8</sup> Projected yields shown in: 'Post-referendum arrangements for Sudan's oil industry', ECOS, 1 December 2010, p10. See also: 'Sudan's oil industry on the eve of the referendum', ECOS, December 2010, p 9, both available at: [www.ecosonline.org/reports/2010/](http://www.ecosonline.org/reports/2010/), accessed 29 November 2011; Large D and Patey L, 'Caught in the middle: China and India in Sudan's transition', Danish Institute for International Studies (DIIS) Working Paper 2010:36, p13, [www.diis.dk/sw102024.asp](http://www.diis.dk/sw102024.asp), accessed 29 November 2011.

<sup>9</sup> The Africa Report, *Sudan, South Sudan fail to reach oil revenue agreement*, 2 December 2011.



parties, there are conflict dynamics at play that the CPA parties are not necessarily able to control fully. In such areas, tackling chronic poverty and disenfranchisement could be crucial to overcoming insecurity and armed rebellion.

A further headline unresolved issue is Abyei. Abyei is an area claimed by both Sudan and South Sudan and surrounded by oil fields on the Northern edge of the South Sudanese states of Unity, Warrap and Northern Bahr el Ghazal. In Abyei, tensions regarding land, grazing rights and oil have erupted in violence. In May 2011, an SPLA attack on a Joint Integrated Unit troop convoy, and the retaliatory occupation of Abyei by Sudanese Armed Forces (SAF), led to fears of the North – South war reigniting; the resulting violence, destruction and looting of property in Abyei caused the displacement of an estimated 100,000 people. An agreement by both sides to demilitarise the area and allow the deployment of a United Nations Interim Security Force for Abyei (UNISFA) in June 2011, is only the first step in what could be a long and challenging process for finding a mutually acceptable solution to the issue.

Alongside Abyei, South Kordofan and Blue Nile have special status under the CPA. These states of Sudan are home to significant populations who are fearful of marginalisation and repression under the ruling NCP. Some of these fought alongside Southern rebels during the civil war. The Popular Consultation processes, agreed for South Kordofan and Blue Nile states under the CPA, had the potential to lead to a peaceful outcome and demonstrate positive ways of addressing grievances between the centre and the periphery.<sup>10</sup> This potential appears, however, to have been squandered during 2011.

After a violent campaigning period, elections were held in May in South Kordofan, and won by the NCP amid allegations of vote-rigging.<sup>11</sup> In June 2011, as the NCP moved to ‘disarm rebels’ in South Kordofan, both rebels and civilians were targeted in SAF bombings, while SPLM-N supporters were targeted for assassination, humanitarian relief was blocked and United Nations Missions in Sudan (UNMIS) national staff were arrested and tortured.<sup>12</sup> During June 2011, amid “targeted and ethnic-based killings and other gross human rights abuses” between 73,000 and 150,000 people were estimated to have been displaced in the state.<sup>13</sup> A similar pattern emerged in Blue Nile state, where fighting between (SAF) and SPLM-N rebels erupted in September 2011.<sup>14</sup> This reportedly caused approximately 30,000 refugees to flee into neighbouring Ethiopia, alleging the indiscriminate killing and rape of civilians.<sup>15</sup> With civilians facing a desperate humanitarian situation in both South Kordofan and Blue Nile, instead of a peaceful political process to resolve political and economic grievances, the two states have thus relapsed into vicious conflict between GoS allied forces and rebels for the foreseeable future.

With rebellions also exploding in South Sudan in 2011 (notably in Jonglei state), a critical question is the extent to which the GoS and the GoSS will refrain from supporting rebel groups in one another’s territory. In a context of weak communications and chains of command, the reactions of different factions and leaders at different levels could make it hard to avoid escalations and attribute responsibility for developments. Two notable examples illustrate the dangers involved: in February and March 2011, the SPLM accused the NCP of supporting Southern rebels (such as George Athor

<sup>10</sup> Saferworld, ‘The significance of state elections and the popular consultations for peace in Sudan’, December 2010, [www.saferworld.org.uk/smartweb/resources/view-resource/497](http://www.saferworld.org.uk/smartweb/resources/view-resource/497), accessed 29 November 2011.

<sup>11</sup> ‘Militia attacks in Sudan’s South Kordofan State kill dozens ahead of sensitive polls’, *Sudan Tribune*, 15 April 2011; Verjee A, *Disputed votes, deficient observation: The 2011 election in South Kordofan, Sudan*, (Rift Valley Institute, August 2011).

<sup>12</sup> ‘Sudan forces threaten UN flights: US envoy’, AFP, 20 June 2011, [goo.gl/AsGx](http://goo.gl/AsGx); ‘UN condemns arrest of its national staffers in Sudan’, *Sudan Tribune*, 25 June 2011, [www.sudantribune.com/UN-condemns-arrest-of-its-national-staffers-in-sudan](http://www.sudantribune.com/UN-condemns-arrest-of-its-national-staffers-in-sudan), 39329; Mazen M, ‘Sudan closes Southern Kordofan airport as fighting with North continues’, *Bloomberg*, 11 June 2011, [goo.gl/12Zg5](http://goo.gl/12Zg5); ‘UN, AU: Urge end to Sudanese abuses in S. Kordofan’, *HRW*, 10 June 2011, [hrw.org/en/news/2011/06/10/unau-urge-end-sudanese-abuses-s-kordofan](http://hrw.org/en/news/2011/06/10/unau-urge-end-sudanese-abuses-s-kordofan), all accessed 29 November 2011.

<sup>13</sup> Lyman P, ‘Statement of Ambassador Princeton Lyman, U.S. Special Envoy to Sudan U.S. Senate Foreign Relations Committee Hearing “Two new Sudans: A roadmap forward”’, 14 July 2011, [foreign.senate.gov/imo/media/doc/Lyman\\_Testimony.pdf](http://foreign.senate.gov/imo/media/doc/Lyman_Testimony.pdf), accessed 29 November 2011.

<sup>14</sup> ‘Sudan army ‘captures’ key rebel stronghold’, AFP, 4 November 2011.

<sup>15</sup> *Ibid*; ‘Ethiopia: Sudanese refugees recount horrors of Blue Nile conflict’, *All Africa*, 1 November 2011 [allafrica.com/stories/201111010278.html](http://allafrica.com/stories/201111010278.html), accessed 29 November 2011.

in Jonglei state);<sup>16</sup> in November 2011, as SAF bombings close to the North – South border were alleged by South Sudan's President Salva Kiir to have killed seven people in South Sudan's Upper Nile state, Sudanese President Omar Al Bashir warned of his readiness to return to war over Southern support to rebels in Blue Nile state.<sup>17</sup>

Sudan and South Sudan failed to resolve several other outstanding issues before Southern secession. These include: citizenship – the status and rights of Southerners in Sudan and Northerners in South Sudan; the as-yet undefined border – along the length of which there is potential for tension over land for agriculture and grazing, copper, uranium and gold to cause problems; and the movement of goods and people across new borders. Such issues have the potential to catalyse further destabilising resentment and violence. While currency unity has been resolved with each side issuing new currency, the ramifications for macroeconomic stability in the two countries may yet prove problematic.

As well as considering conflict dynamics between Sudan and South Sudan, internal dynamics within the two countries are likewise an important area of concern. Thus, while the NCP and SPLM used the CPA to consolidate their own power, there has been only slow progress during the period of CPA implementation towards addressing the root causes of conflict in Sudan and South Sudan. The core issue of poor governance and marginalisation of the periphery by a centrally controlled state looms large in both countries. In Sudan, state institutions have for some years served as the vehicles for upholding NCP patronage and control. For many, authoritarianism and, in particular the imposition of Sharia law, are unacceptable, and the concerns of minorities regarding future exploitation and repression are palpable.

With long-standing, active armed rebellions already challenging the Khartoum regime from the periphery in Darfur, further instability in Abyei, South Kordofan, Blue Nile and Eastern Sudan could call into question the NCP's capacity to manage these tensions – leading potentially to a dangerous endgame. However, internal challenges are not restricted to the North.

### Conflict dynamics within South Sudan

Overcoming the legacy of decades of conflict in South Sudan will mean working over decades to meet needs and fulfil rights in every sector across the humanitarian and development spectrum. It will also require development of a culture of peace in a society deeply traumatised by the experience of war and accustomed to living in conflict. The task of setting up a new state and government is underpinned by significant will to succeed and manage difficulties. However, as in the North, governance challenges, centre – periphery tensions and bloody rebellions that are already visible in South Sudan, 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. A number of well-armed militias are also present in South Sudan, and armed conflicts have persisted in Jonglei, Lakes, Unity, Upper Nile, Warrap and Western Equatoria states. For example:

- Fighting between rebels led by George Athor and pro-SPLA forces in Jonglei state claimed the lives of over 200 people in February 2011 alone.<sup>18</sup>

<sup>16</sup> Sudan Human Security Baseline Assessment (HSBA), 'George Athor's rebellion', Small Arms Survey, April 2011, p3, [www.smallarmssurveysudan.org/pdfs/facts-figures/armed-groups/southern-sudan/emerging/HSBA-Armed-Groups-Athor.pdf](http://www.smallarmssurveysudan.org/pdfs/facts-figures/armed-groups/southern-sudan/emerging/HSBA-Armed-Groups-Athor.pdf), accessed 29 November 2011.

<sup>17</sup> 'Sudan warns it is ready to return to war with South Sudan', *The Telegraph*, 9 November 2011.

<sup>18</sup> See: Saferworld, 'Insecurity in Jonglei', *South Sudan Monitor*, April 2011, [www.saferworld.org.uk/SouthSudanMonitor\\_April2011.pdf](http://www.saferworld.org.uk/SouthSudanMonitor_April2011.pdf) accessed 29 November 2011; *op cit* Sudan HSBA.

- In 2010 violence occurred in Upper Nile State after the arrest of ethnic Shilluk candidates elected to the South Sudan Legislative Assembly. This led to renewed clashes between the SPLA and local SPLM-Democratic Change supporters in Upper Nile in March 2011, resulting in the deaths of 60 Shilluk people, amid burning and looting of homes.<sup>19</sup>
- In April and May 2011, violence in Unity State, between the South Sudan Liberation Army led by Peter Gadet and SPLA forces, led to over 130 deaths.<sup>20</sup>
- There have also been frequent attacks by unidentified soldiers and gangsters, who have been variously suspected as being SAF proxies, independent bandits, unsalaried SPLA soldiers turning to looting and traders conspiring with bandits.<sup>21</sup>

Small arms and light weapons (SALW) are widely available among civilians and armed groups in South Sudan.<sup>22</sup> As SALW are felt by many communities to be important tools for their security, livelihoods and survival, disarmament is proving very challenging. Much remains to be done to achieve the successful reintegration of thousands of ex-combatants and to professionalise the SPLA at an affordable size. With serious armed violence persisting in different areas of South Sudan and the presence of regional neighbours and armed groups accustomed to using violence to achieve political objectives, a military is needed that is able to guard the people of South Sudan effectively from serious security threats. Crucially however, it needs to be politically impartial, under democratic control, committed to humanitarian and human rights principles and accountable for abuses.

Progress has been made in addressing the severe weakness of state security and justice provision. However, in this area there are again huge obstacles: in developing democratic policing capacity, skills, equipment and enabling infrastructure; and in ensuring courts, prisons and other mechanisms, formal and informal, deal more fairly and effectively with crime, violence and disputes.

Governance is also a key issue. In 2005, almost all the infrastructure of a functional government, as well as skilled personnel, laws and procedures needed to be established from scratch. Needs were diverse and urgent, in a context where living standards were extremely low and little of the population could access health services, schools and clean water. At present, nascent government institutions remain centralised, with slowly developing institutions concentrated in Juba and the state capitals.

The Government is also dominated by the military, with spending on defence and security currently running at over one third of the budget (currently US\$1.5–US\$2.0 billion per year).<sup>23</sup> There is a rationale for maintaining this *de facto* welfare system for SPLA ranks – indeed, in its absence, disaffection among soldiers and commanders would carry grave risks. However, very low living standards for the public at large demonstrate the need to move towards proportionally higher spending on infrastructure to support economic development and services such as clean water, sanitation, schools and medical facilities.

Interviewees and communities consulted by Saferworld in late 2010 and in August 2011 consistently affirmed this common frustration: that peace and a new government had not yet resulted in services such as schools, healthcare centres, clean water and policing.<sup>24</sup> Progress by the GoSS in these areas will be a key factor determining

19 'Southern Sudan: Abuses on Both Sides in Upper Nile Clashes', HRW, 19 April 2011, [www.hrw.org/news/2011/04/19/southern-sudan-abuses-both-sides-upper-nile-clashes](http://www.hrw.org/news/2011/04/19/southern-sudan-abuses-both-sides-upper-nile-clashes); Sudan HSBA, 'SPLM/A-Shilluk Conflict in Upper Nile', Small Arms Survey, April 2011, [www.smallarmssurveysudan.org/pdfs/facts-figures/armed-groups/southern-sudan/emerging/HSBA-Armed-Groups-Shilluk-Conflict.pdf](http://www.smallarmssurveysudan.org/pdfs/facts-figures/armed-groups/southern-sudan/emerging/HSBA-Armed-Groups-Shilluk-Conflict.pdf), both accessed 29 November 2011.

20 Sudan HSBA, 'Peter Gadet's rebellion', Small Arms Survey, June 2011, [www.smallarmssurveysudan.org/pdfs/facts-figures/armed-groups/southern-sudan/emerging/HSBA-Armed-Groups-Gadet.pdf](http://www.smallarmssurveysudan.org/pdfs/facts-figures/armed-groups/southern-sudan/emerging/HSBA-Armed-Groups-Gadet.pdf), accessed 29 November 2011.

21 Yoh J, 'The road map countdown – Dynamics and implications of possible divorce', in: *op cit* Heinrich Böll Stiftung, pp 51–61, p 53.

22 *Op cit* Wezeman, p 63.

23 The ODI also gives figures that indicate GoSS expenditure on security in 2009 of over US\$550 million, not including expenditure of over US\$200 million on rule of law. *op cit* ODI, p 2.

24 Saferworld, 'Sudan: Hoping for the best, preparing for the worst?', 20 December 2010, [www.saferworld.org.uk/Sudan\\_hoping%20for%20the%20best,%20preparing%20for%20the%20worst\\_final.pdf](http://www.saferworld.org.uk/Sudan_hoping%20for%20the%20best,%20preparing%20for%20the%20worst_final.pdf), accessed 29 November 2011; Saferworld interviews, Juba and Bentiu, August 2011.

confidence of communities in the state, in a context where centre – periphery tensions and dissatisfaction with unresponsive governance have historically underpinned, and continue to fuel, divisions and conflict.

At present, the GoSS also suffers from democratic deficits. Much now depends on effective leaders, because power is concentrated in the hands of individuals rather than effective institutions, laws, policies and accountability mechanisms. Although state governors now wield considerable power, decentralisation has been slow, and has become a process reinforcing competition for benefits and nepotism. This can partly be ascribed to the practical challenge of setting up local institutions when management and technical skills are weak. Nonetheless, efforts at developing decentralised governance have not yet led to sufficient progress in lessening the GoSS' remoteness from, and unaccountability to, communities.

However, there are some important factors that provide cause for optimism about progress towards better governance. Firstly, many GoSS leaders and officials are keen to develop legitimate and effective institutions and to draw on advice and support for this. Similarly, many in government are genuinely committed to success in decentralisation and delivering services. A further positive factor is that cleavages related to how power is split between ethnic, military and political interest groups – or at least their leaders – have been managed in many cases without bloodshed. While the common struggle for independence and capacities for compromise bode well, the rebellions noted above demonstrate the risks of factional interests turning to violence. To overcome eruptions of violent discontent, the GoSS will need to form a consensus around an approach to governing that satisfies and is increasingly accountable to the competing interests and demands of different groups.

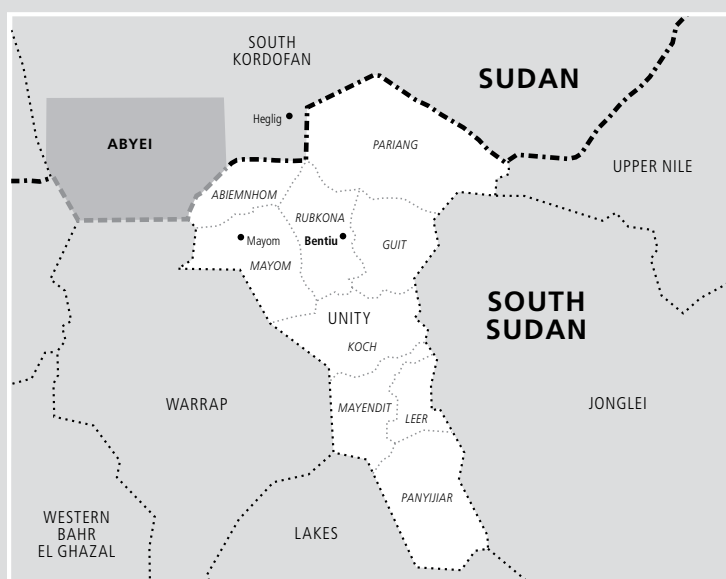
An important aspect to the governance challenges in South Sudan is the limited prospect for demand for better government to emerge from the public through constructive channels. The public's voice is very weak and many communities are very isolated by difficult terrain and illiteracy. Although the media and civil society are getting stronger, and are at times surprisingly vocal and influential, the public lacks access to reliable information and civil society capacity remains weak overall. Likewise, opposition parties exist, but are not unified and the SPLM is yet to stop viewing itself as synonymous with the GoSS.<sup>25</sup>

Competition and contestation over scarce resources are an integral part of inter-group relations. Disputes over access to water, land, the placement of inter-communal borders, grazing rights and cattle raiding are common. Perceptions of unfairness and exclusion routinely lead to serious inter-communal conflict, in which tribal identity can be mobilised to pursue struggles between groups for resources and leaders for power. Returnees and newly displaced people also have the potential to exacerbate tension over resources.

Of particular relevance to this case study is the fact that the struggle for control of oil-producing areas and the way oil resources in South Sudan have been extracted has had severe negative impacts on communities living in oil-producing areas. As will be examined in more detail in section 5.4 on the role of China, there is considerable potential for further unrest, fuelled by public anger at the failure to compensate communities for past suffering and address their chronic poverty.

The varied culture of South Sudan also plays its part in determining how communities respond to the interaction of other dynamics of conflict already discussed. The history of rebellion against marginalisation, the requirement in many places for males to demonstrate courage, provide protection to and win resources for the community from a young age (manifested for example in persistent problems with cattle raiding), as well as cultural belief systems, all have the potential to influence attitudes and decision-making in relation to potential conflicts in unpredictable ways.

<sup>25</sup> Thus, for example, the flag of South Sudan is currently the SPLM flag.



This map is intended for illustrative purposes only. Saferworld takes no position on whether this representation is legally or politically valid.

### A focus on Unity State

This case study included field research in Unity state, a key oil-producing area, where Chinese engagement has been significant. With average consumption rates between US\$25–30 per capita per month in Unity state, poverty and underdevelopment remain chronic.<sup>26</sup> Buildings housing Government institutions are only starting to spring up in the state capital, Bentiü. Very little infrastructure and few health or education services are in place for communities, following years of lucrative oil production. At the time of Saferworld's research visit, Unity was also hosting refugees from ongoing fighting in South Kordofan state, Sudan, who could not be reached through the existing road system. In addition, the blockage of the North–South border was creating food insecurity and petrol shortages.

In Unity, many stakeholders noted concerns over the use of oil revenues. In their view, although these were intended to contribute to community development, there has been an almost complete lack of progress with this, in spite of the State's oil wealth. The result has been significant public anger and tension over the perceived impossibility of holding authorities to account.<sup>27</sup> Relatedly, much bitterness persists following the violent suppression of protests at the contested results of the State elections in 2010, when four local people were killed and others arrested and beaten. A range of interviewees commented on these issues:

*"More oil revenue is going for defence than for development. Even the two percent going to the State is not going for development."*

**Journalist, Central Equatoria State**

*"At the signing of the CPA there was an allocation of two percent [of oil revenues to the producing state for community development]. How it has been used, God knows. Questions are being asked from time to time, but there is no clear answer."*

**Civil society activist, Unity State**

*"The two percent which is for communities: they don't give it to communities, they put it in their pockets. Still there are poor roads, health centres, schools. People are asking about this. When the election result was announced people said it was not possible. They killed four people. If there is not respect for democracy in South Sudan, there will be war."*

**Journalist, Unity State**

*"The State elections were announced for the Governor, but the opposition got more votes. When people protested they began to kill people and torture people. People supporting the opposition fled. They tried the democratic way and now are very tense and don't know what else to try."*

**Civil society activist, Unity State**

Illustrating the risks of such disaffection turning to further conflict in Unity State, in October 2011 75 people died in renewed clashes in Mayom county of Unity State, between the SPLA and the South Sudan Liberation Army rebels. The group complain of domination by the SPLM and of corruption, and have threatened to launch further attacks in Bentiü and Warrap State.<sup>28</sup> SSLA resistance may have happened anyway, as it stems from historic splits and grievances dating back to the war. However, better governance and greater accountability would have acted as a mitigating factor, and may have prevented violence.

<sup>26</sup> *Op cit* Bennet et al, p 21.

<sup>27</sup> A point raised by five key informants in Saferworld interviews, Central Equatoria and Unity States, August 2011.

<sup>28</sup> 'Death toll of Mayom clashes put at 75 amid mutual claims of victory', *Sudan Tribune*, 30 October 2011; 'South Sudan rebel group attacks town in oil-rich state', *BBC*, 29 October 2011.

## Implications of conflict dynamics for external actors

The above analysis suggests that, given the tensions and outbreaks of violence, international engagement in Sudan and South Sudan needs to fulfil its full potential to sustain and strengthen peace in several ways. Firstly, external actors will have to continue to apply meaningful political and economic pressure and incentives to the parties to encourage their co-operation. Secondly, they should also ensure that peace-keeping interventions effectively defuse dangerous developments and strengthen security to the greatest possible extent. Thirdly and relatedly, external actors' military and security co-operation should avoid irresponsibly increasing the potential of either party to pursue escalations of conflict and support reform and improved capacity of the parties for democratic security provision. The latter requires innovative, holistic solutions to respond more quickly to outbreaks of violence, brokering settlements of disputes, re-establishing the rule of law and tackling the root causes of the problems.

Stability in Sudan and South Sudan also requires economic development. Here, there is an obvious role for aid and commercial actors. However, volatility is clearly related to access to resources and services and perceptions of the responsiveness and accountability of government. Thus stability depends less on economic development *per se* than on whether such development is equitably shared. In terms of their working practices, aid agencies and commercial actors therefore need to promote an equitable share for all communities in development – most notably through following conflict-sensitive working methods.

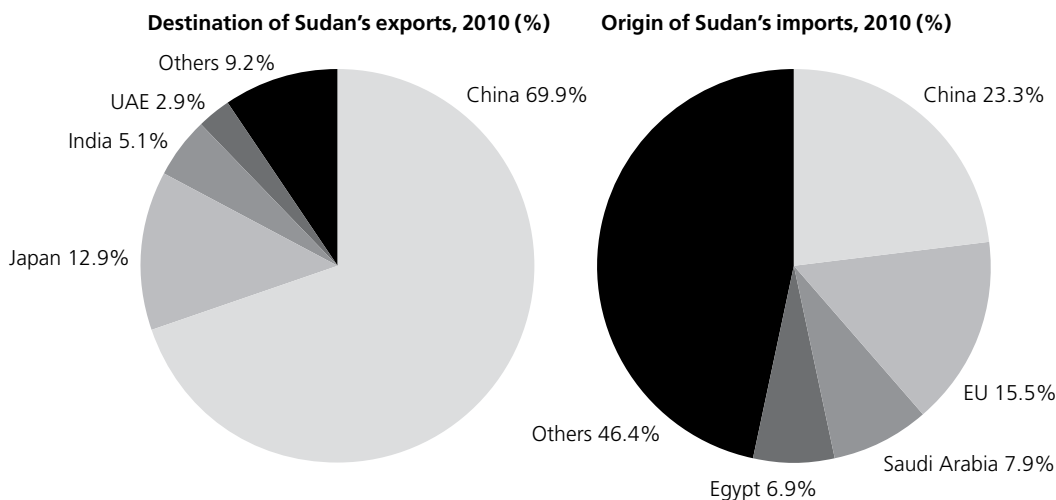
Effective support to capacity of legitimate institutions to provide security and justice and address poverty is also desperately needed. However, to prevent concerns about inequality and unfairness fuelling conflict in the long term, the behaviour of leaders and institutions (listening to the people, respecting democracy and rights, behaving accountably and tackling corruption) are also crucially important to end current, and prevent further, violent rebellions. External actors' impacts on conflict in Sudan and South Sudan must therefore also be judged on two counts: whether they support or undermine better leadership; and whether they engage constructively with a range of actors outside the state who have a role in demanding and monitoring better governance by leaders and state institutions.

## 5.3 International engagement in Sudan and South Sudan

Section 5.2 introduced relevant conflict dynamics and identified their potential implications for external engagement in support of peace in Sudan and South Sudan. Sections 5.3 and 5.4 provide an overview, firstly, of international engagement in the two states, and secondly, of Chinese engagement. This is followed in each case by a comparative analysis of their strengths and weaknesses.

The engagement by regional and global actors and institutions has been an important factor in shaping the conflict dynamics between the parties. Looking at international engagement in Sudan from an economic perspective highlights the role of a different array of actors to those engaged in aid. In 2009, Sudan's exports were valued at US\$7.834 billion, while imports were valued at US\$8.528 billion.<sup>29</sup> The charts below show Sudan's leading trade partners in 2010.

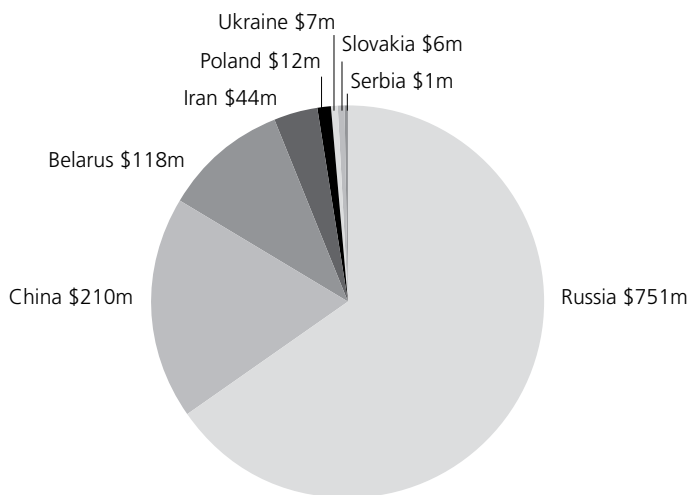
<sup>29</sup> CIA, 'Sudan', *The World Factbook*, updated 23 August 2011, [www.cia.gov/library/publications/the-world-factbook/geos/su.html](http://www.cia.gov/library/publications/the-world-factbook/geos/su.html), accessed 11 September 2011.



Source: European Commission, *Sudan*, (Directorate General for Trade, 8 June 2011), available at [http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc\\_147395.pdf](http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147395.pdf).

These charts illustrate well the dominance of China as an economic partner to Sudan as the CPA drew to a close. While the impacts on conflict of Chinese economic engagement are discussed below, it is important to highlight here that the conflict sensitivity of companies from other countries also warrants detailed analysis. Although such a detailed analysis is beyond the scope of this case study, it is in particular worth noting the extensive literature examining the impact of United States (US), Canadian, Swedish and Austrian oil companies in Sudan, raising serious concerns about their conflict sensitivity and impact on human rights. For example, the comprehensive report ‘Sudan, oil, and human rights’ published by Human Rights Watch (HRW) in 2003, discussed in turn the role played by Chevron, Arakis, Talisman, Lundin, OMV and Petronas, as well as that of Chinese companies.<sup>30</sup>

**Origin of Sudan's arms imports, 1997–2010 (\$ million)**



Source: Stockholm International Peace Research Institute (SIPRI), Arms Transfers Database

Military co-operation by a range of actors has important implications for the balance of power between the parties. Russia, China, Belarus and Iran are among the most important sources of weaponry acquired in recent years by the GoS – with Russia the single biggest supplier by some distance.<sup>31</sup> Arms procurement by the GoSS is less easy to determine: Ukraine, the only supplier of arms to the GoSS listed in SIPRI’s arms transfer database, reportedly supplied arms worth US\$82 million to the GoSS in the

<sup>30</sup> HRW, ‘Sudan, oil, and human rights’, 2003. [www.hrw.org/reports/2003/sudan1103/sudanprint.pdf](http://www.hrw.org/reports/2003/sudan1103/sudanprint.pdf), accessed 29 November 2011.

<sup>31</sup> *Op cit* Wezeman, pp 62–64.

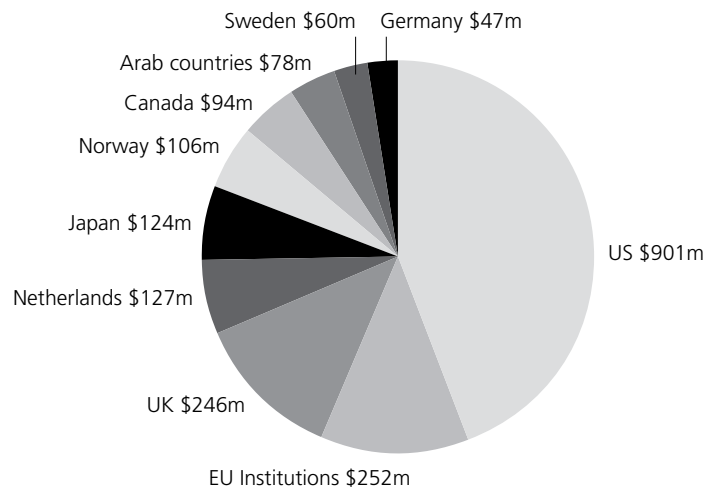
period 2007–2009.<sup>32</sup> The US and the United Kingdom (UK) also reportedly provide the GoSS with military advice.<sup>33</sup>

At the political level, there has been significant international engagement to encourage a peaceful conclusion of the CPA process. A major role in brokering the CPA was played by the *troika* of the US, the UK and Norway. Negotiations between the parties have been facilitated by the African Union (AU). As a key economic actor with an evolving approach, China's influence has also been strong, especially with the GoS (as discussed in more detail in section 5.4 on the role of China). International institutions, including the International Criminal Court (ICC) and UN Security Council (UNSC) have also applied significant pressure on Sudanese actors in relation to the conflict in Darfur.

In terms of international aid, many actors are financially supporting practical efforts to keep and build peace, build more inclusive and effective states in Sudan and South Sudan and engage in critical relief and development work. International development assistance to Sudan has increased markedly in recent years. From 1995 to 2002 aid to Sudan was worth between approximately US\$0.2 and US\$0.5 billion annually.<sup>34</sup> It rose sharply with the onset of conflict in Darfur and again with the signing of the CPA. Between 2005 and 2009 it has ranged between US\$2.1 billion and US\$2.5 billion annually.<sup>35</sup> In 2009 Sudan was the world's ninth largest recipient of development aid (US\$2.4 billion) and the biggest recipient of humanitarian aid (US\$1.3 billion).<sup>36</sup>

Disaggregated Organization for Economic Cooperation and Development (OECD) figures for South Sudan and Sudan will not become available until 2012. The top ten donors of gross Official Development Assistance (ODA) to Sudan for 2008–2009 are shown in the following chart.

**Top ten donors of gross ODA to Sudan 2008–2009 average (\$ million)**



Source: OECD, 'Aid Statistics, Recipient Aid Charts – Sudan', available at [www.oecd.org/countrylist/0,3349,en\\_2649\\_34447\\_25602317\\_1\\_1\\_1\\_1,00.html#5](http://www.oecd.org/countrylist/0,3349,en_2649_34447_25602317_1_1_1_1,00.html#5).

The *troika* of donors who supported the CPA negotiations together accounted for 49.5 percent of ODA to Sudan from 2000 to 2009.

A key component of international support and assistance to Sudan during the CPA period was UNMIS. At the end of 2010, UNMIS had a strength of 9,948 military and 634 police personnel, with an annual budget of US\$938 million.<sup>37</sup> Its mandate included

<sup>32</sup> SIPRI Arms Transfers Database, 'TIV of arms exports to South Sudan, 1997–2010', accessed 11 November 2011.

<sup>33</sup> *Op cit* Wezeman, pp 62–64.

<sup>34</sup> Development Initiatives, 'Sudan aid factsheet 1995–2009: Trends in Overseas Development Assistance', [www.globalhumanitarianassistance.org/wp-content/uploads/2011/02/Sudan-Aid-Factsheet-2011.pdf](http://www.globalhumanitarianassistance.org/wp-content/uploads/2011/02/Sudan-Aid-Factsheet-2011.pdf), accessed 5 December 2011.

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*

<sup>37</sup> Security Council Report, 'November 2010, Sudan', UNSC, 2010, [www.securitycouncilreport.org/site/c.gIKWLeMTIsG/b.6355229/k.F05/November\\_2010brSudan.htm](http://www.securitycouncilreport.org/site/c.gIKWLeMTIsG/b.6355229/k.F05/November_2010brSudan.htm), accessed 5 December 2011.



protection of refugees, internally displaced persons (IDPs), returnees, other civilians, UN staff and aid agencies, including from militias and armed groups, supporting refugee/IDP returns and demining processes, and supporting implementation of referenda and other CPA provisions including disarmament, demobilisation and reintegration (DDR) of former combatants.<sup>38</sup> As the CPA period drew to an end, GoS opposition to the renewal of UNMIS' mandate has forced its withdrawal from Sudan. UNMIS' successor, the UN Mission in South Sudan (UNMISS), was established by the UNSC on 9 July 2011. Its strength will be up to 7,000 military personnel and 900 civilian police.<sup>39</sup> It is complemented by the presence and activities of a number of other UN missions and agencies, including the new UNISFA and the AU/UN Hybrid Operation in Darfur (UNAMID).

By the end of July 2011, nearly 100 UN member states, including China, had recognised South Sudan, which had also become a member of the UN and the AU. A further ten states recognised South Sudan from August to October 2011. From 2005 to 2009, donors made budgeted allocations of approximately US\$4.2 billion to South Sudan (in addition to the substantial assistance provided to South Sudan by UNMIS). Upon South Sudan's independence, many donors also began to pledge renewed assistance for its development.<sup>40</sup>

### Policies and priorities of key international actors

The US placed Sudan on its list of states that sponsor terrorism in 1993, introduced economic sanctions against the country in 1997, and in 1998 launched a missile attack on a pharmaceutical factory in Khartoum, which it alleged to be processing chemical weapons. Its concerted engagement in Sudan after September 2001, and active role within the *troika*, is credited with creating some of the momentum to achieve the CPA. The US has sought to encourage co-operation between the parties over the final stages of the CPA process with the offer to remove Sudan from the list of state sponsors of terrorism if it fulfilled its obligations under the CPA. US strategy in Sudan has three objectives: ending conflict and rights abuses in Darfur; supporting Sudan and South Sudan to become viable states at peace with each other; and ensuring Sudan does not provide a safe haven for terrorists.<sup>41</sup>

USAID programmes in Sudan and South Sudan had a budget of US\$820.3 million in 2010. USAID programmes in Sudan currently focus on humanitarian assistance, food aid, peace and security, and governing justly and democratically and, in South Sudan, on peace and security, just and democratic governance, essential services, economic growth and humanitarian assistance.<sup>42</sup>

The European Union (EU) has been an important actor with political, relief and development aspects to its engagement. In terms of its political engagement, in recent years the EU's focus has been to support the CPA process with an emphasis on assisting governance reforms. In the longer term, the EU is focused on encouraging good neighbourly relations between the North and South, as well as considering carefully how best it can underpin stability and state-building processes in South Sudan. It has been argued that the EU sacrificed political leverage with GoS through its public support for the ICC arrest warrant for President Bashir,<sup>43</sup> and has been seen as more important for its significant humanitarian and development assistance than for any role as a political mediator. The EU is a major relief and development actor. It delivered €650 million of development assistance from 2005–2010, and €776 million in humanitarian aid from 2003–2010.

<sup>38</sup> UNSC, 'Resolution 1919 (2010)', 29 April 2010, [daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/335/77/PDF/N1033577.pdf?OpenElement](https://daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/335/77/PDF/N1033577.pdf?OpenElement), accessed 5 December 2011.

<sup>39</sup> UNSC, 'Resolution 1996 (2011)', 8 July 2011, [www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/Sudan%20SRES%201996.pdf](http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/Sudan%20SRES%201996.pdf), accessed 5 December 2011.

<sup>40</sup> 'UN, donors pledge assistance as South Sudan declares independence', *DevEx*, 11 July 2011, [www.devex.com/en/blogs/49/blogs\\_entries/75324?source=MostPopularNews\\_5](http://www.devex.com/en/blogs/49/blogs_entries/75324?source=MostPopularNews_5), accessed 5 December 2011.

<sup>41</sup> US Embassy Khartoum, 'US-Sudan relations', [sudan.usembassy.gov/ussudan\\_relations.html](http://sudan.usembassy.gov/ussudan_relations.html), accessed 12 November 2011.

<sup>42</sup> USAID, 'Sudan – Monthly update', July 2011.

<sup>43</sup> Marchal R, 'The regional dimension of Sudanese politics', in: *op cit* Heinrich Böll Stiftung, pp 79–96, p 80.

The EU is currently reviewing its comprehensive strategy for Sudan and South Sudan. This is an important priority, since its most recent ‘Country Strategy Paper’ was originally intended to cover the period 2005–2007. The latter strategy focuses EU development assistance on the education and food security sectors, but areas in which the EU has provided assistance include rehabilitation and recovery of war-affected communities and infrastructure, support to CPA implementation, capacity development for non-state actors and public administrations, health, rule of law, media and human rights programmes. The EU has also strongly supported better aid co-ordination and management.

The UK Government states that its objectives for Sudan and South Sudan for the 2011–2015 period are: supporting the peaceful completion of the CPA, including the transition to two countries; working towards an inclusive peace with justice in Darfur; supporting national and regional stability; promoting human rights; and encouraging the development of democratic and accountable government.<sup>44</sup> In South Sudan, the UK Government has articulated the additional objective of “supporting a more equitable distribution of South Sudan’s resources and their allocation towards development”.<sup>45</sup>

The UK Department for International Development’s (DFID’s) bilateral aid review committed the UK to spend £140 million per year in Sudan and South Sudan from 2011–2015, to be focused on delivering health and education services, long-term development, reducing hunger and extreme poverty and responding to humanitarian crises.<sup>46</sup> Over two-thirds of this total has been allocated to South Sudan.<sup>47</sup> As well as continuing to be a major donor to Sudan and South Sudan, the UK is likely to maintain its active efforts to ensure a harmonised international approach both as part of the *troika* of donors who supported the CPA negotiations and as an active proponent of multi-donor funding pools.

The third *troika* member, Norway, was also instrumental in brokering peace, building on its close relationship with the SPLM/A and its support to the role of the Inter-governmental Authority on Development (IGAD).<sup>48</sup> Sudan and South Sudan were allocated US\$124.1 million of Norwegian development aid in 2010.<sup>49</sup> These resources support recovery, education, health, food security, good governance, gender equality, anti-corruption, return and reintegration of refugees and IDPs and institutional capacity building.<sup>50</sup> Norway has also played a key role in ensuring inter-donor co-ordination, having hosted major international donor conferences on Sudan on more than one occasion.<sup>51</sup>

Because of their role in brokering and supporting a CPA that has enabled the South to achieve independence, the *troika* and other Western powers are likely to continue to struggle to achieve influence with the GoS. At present, Western powers enjoy strong relations with the GoSS. Nevertheless, these strong relations could change if, in order to encourage it to assume the responsibilities of full statehood and embrace democratic good governance, Western powers find themselves more routinely criticising the GoSS, however constructively.

The influence of regional powers on conflict in Sudan has been complex and significant, and suggests the critical importance of their constructive and more positive engagement in the months and years ahead. The African Union High-Level Implementation Panel (AUHIP), led by Thabo Mbeki, has been mediating talks between the Govern-

44 DFID Sudan, ‘Operational plan 2011–2015’, July 2011.

45 DFID South Sudan, ‘Operational plan 2011–2015’, July 2011.

46 DFID, ‘Bilateral aid review results: Country summaries’ (DFID, 2011).

47 *Op cit* DFID Sudan and DFID South Sudan.

48 Royal Norwegian Embassy in Khartoum, ‘Norway’s role in the peace process’, [www.norway-sudan.org/Embassy/Norway\\_in\\_Sudan/Peace\\_process/North\\_and\\_South\\_Relations/Norges\\_rolle\\_i\\_fredsprosessen/](http://www.norway-sudan.org/Embassy/Norway_in_Sudan/Peace_process/North_and_South_Relations/Norges_rolle_i_fredsprosessen/), accessed 12 November 2011.

49 Royal Norwegian Embassy in Khartoum, ‘Development cooperation’, [www.norway-sudan.org/Embassy/Norway\\_in\\_Sudan/Development/development\\_cooperation/](http://www.norway-sudan.org/Embassy/Norway_in_Sudan/Development/development_cooperation/), accessed 12 November 2011.

50 *Ibid.*

51 *Ibid.*

ments of Sudan and South Sudan to settle outstanding issues and newly emerging crises. Relations between Ethiopia, the GoS and the SPLM/A have shifted several times since the 1980s, but at present, Ethiopia plays a key supportive role. Thus, it supplied the peacekeeping troops for UNISFA, and Prime Minister Meles Zenawi has taken an active role in peace diplomacy. It is unclear how Egypt's new Government may choose to take forward concerns over management of Nile waters by South Sudan, which was the primary issue on the Egyptian agenda in the run-up to independence. Kenya, Uganda and Ethiopia are likely to be attracted by the economic opportunities available within South Sudan. This factor could guide their efforts towards supporting peace and stability, but on the other hand, if internal divisions emerge in the South, economic interests may lead neighbouring governments to try to influence the outcome of any power struggle in alliance with different actors. South Africa is also engaged in South Sudan, both in terms of providing police and military support, at the political level via both the AU and UN, and as an economic actor.

India and Malaysia both have substantial interests in Sudan's oil sector. Yet their investment and influence is not so visible in other areas of the economy, and neither is a permanent member of the UNSC. Perhaps for these two reasons, neither country is perceived to have as much influence as China over the CPA parties, nor have they been put under the same pressure as China to exert this influence. India established a Consulate in Juba in 2006.<sup>52</sup>

Co-ordination between donors has been partially achieved in Sudan and South Sudan. Organised by the UN and the World Bank and chaired by both the Government of National Unity and GoSS, the Sudan Consortium provided an annual forum to review progress in implementing the socio-economic aspects of the CPA. Sudan and South Sudan have been supported through a range of multi-donor funding pools. These include: the Multi-Donor Trust Funds administered by the World Bank; the Sudan Recovery Fund managed by the UN; the Basic Services Fund (established by DFID, but administered by a consulting firm responsible to a joint GoSS and donor steering committee); and the Capacity Building Trust Fund administered by the Joint Donor Team.<sup>53</sup> The UK, Netherlands and Norway have been the largest contributors to Sudan and South Sudan's pooled funds, whereas the US does not channel any resources through them.<sup>54</sup>

### Initial conclusions about international engagement

A detailed analysis of the international engagement described so far is outside the scope of this case study. However, it is worth recapping some of the key points existing analyses have raised regarding the impacts of international engagement on conflict dynamics in Sudan and South Sudan.

The aid resources invested in Sudan and South Sudan during the CPA period achieved notable progress in some areas in a uniquely challenging context. At the same time, in the recent multi-donor evaluation of support to conflict prevention and peacebuilding activities covering the period 2005–2010, donors to South Sudan identified a number of ways to improve their peacebuilding effectiveness.<sup>55</sup>

At the strategic level, the multi-donor evaluation identified the need to replace the current technical approach to South Sudan's transition with a more political approach. Related to this, it articulated the need for donors to reduce reliance on 'good practice' and Paris Principles (alignment, ownership and harmonisation) and replace them with a more context-specific approach. To achieve this, it pointed to the need for a

<sup>52</sup> Bagchi I, 'India engages both Sudans', *TNN*, 27 April 2011.

<sup>53</sup> *Op cit* Development Initiatives. The JDT was established in 2006 by the Netherlands, Norway, Sweden and the UK, who were later joined by Denmark and Canada. Its role is to support GoSS to accelerate progress in development in the health, HIV/AIDS, water and sanitation, education, governance and economic sectors. It works closely with the UN, World Bank, EU, USAID and NGOs to ensure co-ordination and coherence of their efforts.

<sup>54</sup> *Op cit* Development Initiatives.

<sup>55</sup> *Op cit* Bennet *et al.*

clearer connection between conflict analysis and programme design. It highlighted the need to respond better to local dynamics, avoid assuming that poverty reduction or service delivery automatically contribute to conflict prevention and deepen understanding of key actors, their motives and the power relations between them. The evaluation also found weak links between donors and state and local government, and insufficient progress in scaling up local service delivery. In terms of co-ordination, the evaluation flagged the need to ensure co-ordination mechanisms lead in practice to a joint strategic approach.

Whatever their geopolitical underpinnings, the policies and funding allocations of Western donors described above suggest broad convergence of their relief, recovery, equitable development, governance and peacebuilding agendas. A key question for this study is how they achieve influence in promoting democratic change and equitable development with domestic leaders and government institutions, in a context where China's friendship may diminish national stakeholders' need to listen to Western perspectives. This may mean that anything that can be done to achieve complementarity between Western and Chinese development strategies and diplomatic approaches towards GoSS and GoS will prove crucial in years to come.

At the practical level, the multi-donor evaluation suggested room for improvement in the way donors support peace and security. It noted a failure to agree on and back the security agenda developed by the GoSS and poor sequencing of SPLA and police reforms. It also argued that donors had not successfully assisted areas affected by serious insecurity. It thus recommended more routinely targeting them with rule of law support and stabilising measures (such as policing, disarmament, road-building, addressing youth disaffection/livelihoods), ensuring development measures accompany peace initiatives, ensuring services and livelihoods programmes adopt a conflict sensitive approach and working more with informal security and justice mechanisms.

Aside from the issues highlighted in the multi-donor evaluation, past Saferworld analysis points to a number of other areas for development.<sup>56</sup> Firstly, while humanitarian assistance is needed on an ongoing basis, there has also been criticism of failure to find the right balance between relief and sustainable development. Secondly, given the volatility and predicted decline in oil revenues, there is an urgent need to grow and diversify the local economy. Thirdly, UNMIS provided vital support and co-ordination in many ways, for example in its support to elections in 2010, yet it struggled with delays in getting established, incoherence between mission functions and cumbersome management and co-ordination structures. It also had a poor track record in terms of protecting civilians and delivering results in the areas of security sector reform and DDR.<sup>57</sup> Its successor, UNMISS, will need to be more effectively managed by UNSC members, donors and countries contributing personnel. Fourthly, overall, work on development of the justice sector and prisons has been insufficient.

More broadly, it is not sufficiently clear whether those supporting security and justice sector development have encouraged civilian oversight, accountability, adherence to international humanitarian and human rights law, and a responsible balance of expenditure between military, security and development sectors consistently enough.<sup>58</sup>

There are also significant gaps in the conflict sensitivity of aid delivery. Firstly, development efforts have too often failed to make the maximum possible use of local labour and resources and build the skills and capacities of individuals, communities and government agencies. Secondly, aid has been focussed too much on working with leaders and elites from the centre and has not yet changed much for communities beyond Juba and state capitals. Thirdly, aid activities in some cases risk distorting local relationships or ignoring local priorities and processes. Fourthly, many agencies

<sup>56</sup> *Op cit* Saferworld, 20 December 2010.

<sup>57</sup> Schumann P, 'International actors in Sudan: The politics of implementing comprehensive peace', in: *op cit* Heinrich Böll Stiftung, pp 102–114. Schumann is a former Co-ordinator and Representative of UNMIS in Southern Sudan.

<sup>58</sup> Saferworld interviews, Central Equatoria State, December 2011.

struggle to achieve continuity of staff in Sudan, which affects institutional memory and depth of knowledge of the context, as well as capacity to engage consistently and sensitively. Finally, local civil society is finding it difficult to access donor resources, which does not lend itself to the development of plural local voices helping to shape a peaceful and well-governed state.

This section has affirmed the clear scope for international actors in Sudan and South Sudan to improve their contribution to peace in many different ways. Some of these areas for improvement may also provide food for thought for Chinese actors grappling with similar challenges and pursuing overlapping interests. However, as section 5.4 also explains, the role of China has been, and is likely to remain, different from that of other international actors for some time to come. Thus it has very different relationships with all key stakeholders. These lend it a unique potential to achieve positive influence on the context, as well as posing significant challenges that it will need to overcome, in managing the risks of the context and demonstrating its role as a responsible global power in the two countries.

## 5.4 The role of China

China – or rather the Chinese Government and the diverse array of Chinese companies and entities engaged in Sudan and South Sudan – has played an important role in changing peace and conflict dynamics between and within the now-separated countries over the last two decades. It has influenced the trajectory of development and conflict significantly through economic investment, trade, infrastructural development and its military co-operation – all shaped by its distinct political approach to the context.

### Political engagement

This case study is written at a time of evolution in Chinese engagement. After the National Islamic Front's (NIF's) assumption of power in 1989, Beijing became Khartoum's most significant international ally during the 1990s. It maintained close political, economic and military relations with Khartoum during the second phase of Sudan's civil war, and into the CPA period from 2005. However, as the likelihood of Southern secession increased, it deepened its new ties with the GoSS and acted to reinforce its interests in South Sudan, a process that continues in the wake of South Sudan's independence.

Although there are examples of Beijing's support for revolutionary movements in Africa motivated by political ideology, in the period from 1955, Beijing allied itself with the Sudanese Government in Khartoum and offered no support to the Anyanya 1 rebel movement in the first phase of the civil war.<sup>59</sup> Despite its limited influence on Sudanese politics until 1989,<sup>60</sup> this continued in the second phase of the Sudanese civil war: in line with the principle of non-interference, Beijing sided with Khartoum against the SPLM rebels and cultivated a friendship with the isolated NIF regime in Khartoum after the 1989 coup.<sup>61</sup> Beijing's strong relations with Khartoum came to be manifested in government-to-government relations (with close ties between senior leaders and different branches of government), party-to-party co-operation between the Communist Party of China (CPC) and the NCP (involving "rituals of rhetorical solidarity, and occasional gestures of more active support"), military co-operation (including capacity development and the sale of arms) and state-directed industrial – commercial engagement (between Chinese state-owned enterprises, the NCP and a number of Sudanese ministries).<sup>62</sup>

<sup>59</sup> Large D, 'China's involvement in armed conflict and post-war reconstruction in Africa: Sudan in comparative context', DIIS Report 2007, pp 52–54.

<sup>60</sup> Large D, 'China's Sudan engagement: Changing Northern and Southern political trajectories in peace and war', *China Quarterly*, 199 (2009), pp 610, 626, p 613.

<sup>61</sup> *Op cit* Large and Patey, p 6.

<sup>62</sup> *Op cit* Large (2009), pp 610–626, pp 616–617; quoted text from: *op cit* Large and Patey, pp 14–15.

According to one prominent South Sudanese journalist, China approached the SPLM/A as early as 2004.<sup>63</sup> By this time the party's leader, Dr John Garang, according to the same source, had already facilitated the formation of a party position which recognised the importance of engagement with China, due to its influential position on the UNSC and its potential to stymie South Sudan's self-determination.<sup>64</sup> Under the CPA, the SPLM became a party of Government, sharing power with the GoS within the Government of National Unity. In light of this, the relationship between Beijing and the SPLM quickly began to grow. Salva Kiir, then Vice-President and now President of South Sudan, led a high-level SPLM delegation to Beijing in March 2005. A friendship agreement between the SPLM and the CPC was signed shortly afterwards.<sup>65</sup> Salva Kiir met Chinese President Hu Jintao in February 2007 and returned to China in July of that year, discussing prospects for the development of CPC – SPLM links.<sup>66</sup> In September 2008, Beijing established a consulate in Juba, and after South Sudan's independence in August 2011, Chinese Foreign Minister Yang Jiechi visited Juba. Since 2005, many South Sudanese leaders and officials have visited China as part of the process through which, below the level of national government, China has also fostered relations with State governors and governments within South Sudan.<sup>67</sup>

Although from a Chinese perspective, the swift *rapprochement* between Beijing and Juba has been felt to be consistent with the principle of engaging with the newly emerging sovereign power on the basis of non-interference, it has been widely attributed in the West, as in South Sudan, to the growing realisation that after secession the majority of Sudan's oil would lie in South Sudan, and thus significant Chinese oil investments would be in areas under GoSS control.<sup>68</sup> For its part, the GoSS pointed out in 2010 that if China wanted to retain its oil assets, it would need to recognise the outcome of the referendum on South Sudan's secession in the event of a vote for independence.<sup>69</sup>

As the crucial referendum on Southern secession approached, Beijing's position was to support the CPA's aim to make unity attractive, but at the same time China agreed to recognise the outcome of a credible referendum.<sup>70</sup> China was thus among the first countries to recognise the Republic of South Sudan on 9 July 2011.

China's potential to contribute to stability in Sudan and South Sudan is at the political level partly due to the significant influence conferred by its permanent membership of the UNSC. It has reportedly threatened to use its veto in Security Council deliberations to ensure the withdrawal or amendment of statements intended to pressurise the GoS.<sup>71</sup> As a result, draft resolutions for sanctions and arms embargoes were significantly watered down. While some view its stance on such resolutions as a failure to exert due pressure on GoS for its actions in Darfur, others have noted a shift in China's approach. Under this analysis, Chinese encouragement to settle the Darfur conflict began as early as 2004,<sup>72</sup> and has included some significant gestures, such as the announcement of principles for achieving this by President Hu<sup>73</sup> and effective pressure to accept the presence of UN peacekeepers in Darfur.<sup>74</sup> At the same time,

63 Saferworld interview, Central Equatoria State, August 2011.

64 Saferworld interview, Central Equatoria State, August 2011.

65 *Op cit* Large (2007), p 74.

66 *Op cit* Large (2009), pp 610–626, p 623.

67 *Ibid* p 624.

68 *Ibid* pp 610–626.

69 *Op cit* Large and Patey, p 19.

70 *Ibid* p 19.

71 Such as the withdrawal of a Presidential Statement drafted by the UK Government in July 2008. Dagne T, 'Sudan: The crisis in Darfur and status of the North-South peace agreement', Congressional Research Service, 1 June 2011, p 27. *cf* Large (2007), p 69: "Until mid-2006, [...] The Chinese government consistently abstained at UN Security Council Darfur resolutions, including resolution 1593 (the 'ICC Resolution') of 31 March 2005. There are indications that it diluted the more interventionary measures proposed, including an oil embargo".

72 As affirmed by officials such as China's Deputy Permanent Representative to the UN, Wang Min: 'China urges long-term peace in Sudan', *Xinhua*, 19 January 2011; for a detailed account and chronology of China's evolving and influential stance on Darfur, see: Ahmed G, 'The Chinese stance on the Darfur conflict', Occasional Paper no 67, *China in Africa Project*, September 2010; *cf* also: Small Arms Survey, 'Arms, oil and Darfur', Sudan Issue Brief No 7, July 2007, p 9.

73 *Op cit* Large (2009), p 619.

74 "[I]ts support for the deployment of a United Nations peacekeeping mission for Darfur[...] ran contrary to the wishes of President Bashir in Particular." *Ibid* p 619; *op cit* Large (2007), pp 69–70; Large and Patey p 17; Small Arms Survey, (July 2007).

through abstentions on or support for certain resolutions, China has on several occasions enabled the international community to take action on Sudan and bring pressure to bear on the GoS.<sup>75</sup>

As Chinese scholars admit, both in relation to Darfur and the peaceful co-existence of Sudan and South Sudan, Chinese diplomacy has come to entail a delicate balancing act.<sup>76</sup> Thus China supported the principles behind the ICC, and has agreed that individuals must be brought to justice over violations of human rights and humanitarian law in Darfur; however, it has argued that no one has the right to challenge the immunity of a head of state and criticised the timing of the ICC's indictment of President Bashir.<sup>77</sup> In June 2011, China was in turn heavily criticised when it welcomed President Bashir on his first official visit outside Africa since the ICC indictment against him.<sup>78</sup> However, at the same time as the Chinese President was affirming that "the Chinese side will firmly pursue a friendly policy towards Sudan", China reportedly used the visit to affirm in public its support for the North – South peace process and to urge the Sudanese President to resolve outstanding CPA issues.<sup>79</sup> According to one China – Sudan expert interviewed, China also took the possibility of further arms supplies to the GoS off the agenda for discussion during Bashir's visit.<sup>80</sup>

As with its diplomacy on Darfur, regarding the North – South peace process, it has been argued that in urging the SPLM and NCP to "adhere to peace and restrain themselves", the Chinese Foreign Ministry has made a "sharp break from China's usual silence about the domestic behaviour of the Sudanese regime".<sup>81</sup> Throughout 2011, in step with the AU, the UNSC and other key external actors,<sup>82</sup> China has also consistently been urging the parties to "adhere to the peace option", has declared itself to be "ready to exert joint efforts with Sudan to find solutions to the outstanding issues for sustainable peace" and has also affirmed its willingness to work with the international community in support of this.<sup>83</sup> In December 2011, the diplomatic mission of Chinese special envoy Liu Guijin to Khartoum and Juba to discuss the deadlock over oil with the two parties offered further tangible – and welcome – evidence of China's preparedness to play a more proactive role in mitigating tensions between the North and the South.<sup>84</sup>

With the outbreak of violence in South Kordofan in June and July 2011, China's approach was reportedly once again to attempt a delicate balance: objecting to a Security Council press statement in August 2011 calling on the Sudanese Government to cease hostilities and aerial bombardment in the state,<sup>85</sup> but at the same time, according to an expert on China's diplomacy towards Sudan, communicating to the Sudanese Government that it is paying attention to the ongoing violence and willing to make efforts with the concerned parties to calm the situation.<sup>86</sup>

<sup>75</sup> Such as resolutions 1556, 1591, 1593 and 1706 on Darfur. *op cit* Dagne T, p 27. See also: *op cit* Ahmed G, pp 7–8.

<sup>76</sup> Saferworld interview, Shanghai, May 2011.

<sup>77</sup> Saferworld, 'China's growing role in African peace and security', January 2011, p.vi.

<sup>78</sup> Higgins A, 'Oil interests tie China to Sudan leader Bashir even as he faces genocide charges', 22 June 2011; 'China rolls out red carpet for visiting Sudan president, wanted on war crimes warrant', Associated Press, 28 June 2011.

<sup>79</sup> 'China's President reaffirms support for peace process between north, south Sudan', *Xinhua*, 29 June 2011; 'China "helpful" on south Sudan: US', AFP, 1 July 2011; Saferworld interview with Sun Baohong, Deputy Director General, African Department, Ministry of Foreign Affairs, PRC, 25 July 2011.

<sup>80</sup> Saferworld interview, Beijing, July 2011.

<sup>81</sup> Johnson D, 'Sudan's peaceful partition, at risk', *The New York Times*, 31 May 2011.

<sup>82</sup> *Op cit* Large and Patey, p 17.

<sup>83</sup> Quotes: Chinese Special Envoy on African Affairs Liu Guijin in, 'Chinese envoy urges north, south Sudan to adhere to peace option', *Xinhua*, 13 June 2011. Other relevant examples include: in January 2011, China expressed an overall willingness to "work together with the international community and the parties concerned to continue to play an active and constructive role in promoting the long-term peace, stability and development of Sudan", in: 'China urges long-term peace in Sudan', *Xinhua*, 19 January 2011; In June 2011, Special Envoy for African Affairs Liu Guijin told leaders in Juba and Khartoum to "exercise maximum restraint and be prepared for compromise" regarding violent disputes in Abyei and South Kordofan, in: Bodeen C, 'China pushing for end to renewed violence in Sudan', *Associated Press*, 23 June 2011; since South Sudan's secession, China has also been vocal in urging the parties not to "lose the peace equation", 'China FM warns North & South Sudan against losing "peace equation"', *The Citizen*, 9 August 2011.

<sup>84</sup> 'China dispatches envoy to Sudan with proposals over oil', *Sudan Tribune*, 5 December 2011.

<sup>85</sup> 'Russia, China blocked calls on UNSC to condemn Sudan's fighting in South Kordofan', *Sudan Tribune*, 13 August 2011.

<sup>86</sup> Saferworld interview, Beijing, July 2011.

In relation to its diplomacy over the Darfur conflict, it is possible that the views of the SPLM may have been a factor in China's willingness to pressurise Khartoum.<sup>87</sup> In light of South Sudan's independence, the willingness of Beijing to consider the views of Juba in relation to issues, such as ongoing violence in Abyei, South Kordofan and Blue Nile, is surely likely to increase.

*“China should use its influence to stop war in Darfur, South Kordofan and Blue Nile. These wars have a direct impact on the South. Lots of refugees from the Nuba are now in Unity State. The only way to get peace is to influence Khartoum. China is the one.”*

**Civil society activist, Upper Nile.**

Overall, China's diplomatic engagement tends to remain cautious and Beijing is reluctant to play a proactive or visibly high profile role. Instead, officials refer to regional bodies (such as the IGAD and the AUHIP) and the UNSC as holding primary responsibility and being best placed to mediate between parties. China has previously argued that Sudan's internal conflicts remain outside of the mandate of the UNSC as they represent no threat to regional or international peace. With South Sudan's secession however, it will be harder for Beijing to continue to take this line in relation to any future outbreaks of conflict at the inter-state level.

Commentators on Beijing's political approach have argued that although the overall principle of non-interference is unlikely to be abandoned by China, it has found the principle of limited value for advancing its interests in Sudan, and has therefore adapted its approach to the Sudanese context in significant ways.<sup>88</sup> What seems clear is that, while nurturing its friendship with South Sudan, Beijing wishes to maintain the strongest possible relations with the GoS and is determined to encourage both to maintain a peaceful relationship.

Senior Chinese diplomat Liu Guijin has argued that China's approach, “built on equality and mutual benefit”, is in fact much more able to achieve influence than the political pressure and sanctions favoured by the US and other Western actors.<sup>89</sup> Yet it remains to be seen whether this approach offers the most effective way for China to contribute to the emergence of a peaceful and stable investment environment in a context where the responsiveness, efficiency and accountability of nascent government systems will prove critical for stability.

As China's gaze turns further towards the South, it is likely to continue to develop political relations with the GoSS and to provide markedly increased amounts of infrastructure and economic assistance to cement ties and safeguard resource access. With the SPLM following a policy of constructive engagement with external powers to attract investment, such an approach is in a straightforward sense likely to succeed.<sup>90</sup>

However, Sudanese and South Sudanese scholars and interviewees have raised some important questions about this approach. For example, in the study ‘African perspectives on the role of China in Africa’, Ali Askouri argues that China's influence has led to displacement and killing in Sudan and concludes that “many Africans who are aspiring to further democratic values” object to the way that “China interferes deeply in the domestic affairs of its partners, but always to the benefit of the ruling group”.<sup>91</sup>

*“If China thinks oil will come from Salva Kiir, they will favour Salva Kiir. Lots of people will have a problem with this.”*

**Civil society activist, Central Equatoria State**

<sup>87</sup> *Op cit* Ahmed, offers two examples of SPLM views being broached in late 2006 and during President Hu's February 2007 visit to Sudan.

<sup>88</sup> *Op cit* Large, p 611; Hanson S, ‘China, Africa and Oil’, Council on Foreign Relations, 6 June 2008.

<sup>89</sup> ‘China Defends Engagement with Africa’, VOA, 24 June 2011.

<sup>90</sup> *Op cit* Large and Patey, p 15.

<sup>91</sup> Askouri, ‘China's investment in Sudan: displacing villages and destroying communities’, in: Manji F and Marks S, *African perspectives on China in Africa*, (Fahamu, 2007), pp 73, 77.



*“China is not interested in pleasing the public but rather looking at doing deals with the Government leaders. The Government of South Sudan values the speed at which China works. The people are not educated enough to oppose.”*

Journalist, Central Equatoria State

*“Leaders who have good relations with the Chinese will fail, because they will no longer be part of the community of South Sudanese society.”*

GoSS official, Unity State

As with all external actors, if at the political level China supports elites without finding ways to ensure that the economic and social benefits its engagements provide are duly shared across South Sudan’s diverse area and population, this could prove a missed opportunity to improve the attitudes of local stakeholders towards China. It could also exacerbate conflicts configured around centre – periphery tensions, like those that led to the civil war and the Darfur conflict. Such conflicts are already evident in the new state of South Sudan and have the clear potential to continue to jeopardise the security and profitability of Chinese investments, as pointed out by several of the interviewees for this case study.

With China interpreting and applying the principle of non-interference as it does at present (avoiding encouraging internal political reform), its position as an alternative partner to the SPLM has the potential to reduce the leverage of those international actors who seek to encourage shifts to good governance, democracy and human rights fulfilment through their aid and diplomacy. As noted above, competition for leadership and resources is currently fuelling ongoing conflicts in a number of states in South Sudan. A key question for Chinese actors to ask could be: “how can China best balance its efforts to court the patronage of South Sudan’s leaders with the risk of deepening the marginalisation and potential animosity of South Sudanese stakeholders outside the political leadership?”

The way forward, both for governmental aid and for Chinese commercial actors was perhaps articulated by a Chinese scholar interviewed for this study by Saferworld, who argued that “it’s important for CNPC [China National Petroleum Company] to maintain good relations not just with state authorities, but with local actors too.”<sup>92</sup> Thus, by identifying and addressing the priorities of a broader cross-section of South Sudanese society and ensuring benefits from its interventions are shared more equitably across society, China can significantly boost its image and acceptance among South Sudanese society as well as make a significant contribution to conflict prevention in South Sudan.

## Military co-operation

China has been a prominent supplier of arms to Sudan since 1971.<sup>93</sup> HRW notes the statement of a GoS official that after 1980, China was a major supplier of anti-personnel and anti-tank mines to Sudan. It also affirms the supply by China between 1995 and 2003 of ammunition, tanks, helicopters and fighter aircraft and notes the use of Chinese howitzers, tanks and anti-aircraft guns by SAF in the North – South civil war in 1997.<sup>94</sup> Although according to SIPRI the value of Russian conventional arms transfers to Sudan from 1997–2010 was more than treble the value of Chinese, according to the Small Arms Survey, China provided 72 percent of the SALW delivered to the GoS in the period 2001–2008.<sup>95</sup> In the same period, it supplied missile launchers, tanks, combat aircraft, transport aircraft, helicopters, cannon, rocket guns and air defence guns.<sup>96</sup>

<sup>92</sup> Saferworld interview, Beijing, July 2011.

<sup>93</sup> *Op cit* Large (2007), p 54; and Large (2009), p 617.

<sup>94</sup> *Op cit* HRW (2003), p 457.

<sup>95</sup> *Op cit* Small Arms Survey (December 2009).

<sup>96</sup> *Op cit* Saferworld (January 2011), p 51.

China has been criticised for supplying arms, military equipment and ammunition, which was later used in the conflict in Darfur.<sup>97</sup> Despite the fact that transfer of Chinese weapons to non-state actors such as Janjaweed militia and SAF operating in Darfur by GoS was in direct contravention of a UN Arms Embargo, China has – aside from a reported suspension of such transfers in 2008 – continued to supply weapons to Khartoum.<sup>98</sup> China has also been criticised for providing the GoS with the financial means to purchase increasing amounts of its arms, in spite of evidence of their use to clear areas of South Sudan for oil exploration and production and later to commit atrocities in Darfur.<sup>99</sup>

Another facet of Chinese military co-operation in Sudan has been the assistance of Chinese companies to the building of at least three weapons factories outside of Khartoum.<sup>100</sup> Aside from this, according to the Small Arms Survey, there have also been a series of high-level meetings between senior SAF and Chinese military delegations since 2002, discussing military co-operation and plans to “develop and improve the [Sudanese] armed forces”.<sup>101</sup>

Evidence of Chinese military co-operation with GoSS is much more limited. One interviewee stated that the SPLM had started to receive technical support from China in 2009, may even have been offered assistance to develop military infrastructure and that SPLA soldiers had visited China “to observe technology”.<sup>102</sup> There are no clear indications as to whether GoSS – China military relations are now developing further.

The apparent contradiction between supplying arms to a context where Chinese peacekeepers are actively engaged was brought to the fore in October 2010 when China reportedly attempted to block a Panel of Experts report to the UNSC, which showed the use of Chinese ammunition against AU and UN Peacekeepers in Darfur.<sup>103</sup> This emphasises the need for China to consider carefully whether it is in its interest to supply arms to recipient countries that might not only act in violation of UN arms embargoes, but also divert weapons acquired from China to conflict regions where they might be used against China’s own peacekeepers.

In October 2011, the Small Arms Survey documented the discovery of newly manufactured Chinese Type-56-1 assault rifles in the possession of rebel groups in South Sudan under the command of Peter Gadet and George Athor.<sup>104</sup> This once again illustrates the danger of Chinese arms being diverted to end up in the wrong hands – not only in Darfur, but also in South Sudan. Here, they present the twin risk of damaging China’s growing friendship with the GoSS and being used against Chinese peacekeepers or companies.

<sup>97</sup> See: *op cit* Large (2007), pp 54–55; and: Dagne (1 June 2011), p 27; Letter dated 30 January 2006 from the Chairman of the Security Council Committee established pursuant to resolution 1591 (2005) concerning the Sudan, addressed to the President of the Security Council, para 126; *op cit* Saferworld, (January 2011), pp iv and 51; Amnesty International, *China: Sustaining conflict and human rights abuses: The flow of arms continues*, 9 June 2006, and *Sudan: Arms continuing to fuel serious human rights violations in Darfur*, May 2007; ‘China is fuelling war in Darfur’, *BBC News*, 13 July 2008; Human Rights First, *China’s arms sales to Sudan: fact sheet* (2008).

<sup>98</sup> *Op cit* Saferworld (January 2011), pp iv, 51.

<sup>99</sup> “Sudan’s military expenditures have risen dramatically since 1997, the year of its first oil exports. [...] By 2005, Sudan’s small arms imports had risen to more than 680 times their 1999 levels. From 2003 to 2006, the period covering the worst abuses by Sudanese government forces in Darfur, China sold over US\$55 million worth of small arms to Khartoum. Since 2004, the year in which the United Nations Security Council imposed an embargo on arms transfers to Darfur, China has been the near-exclusive provider of small arms to Khartoum, supplying approximately 90 percent of Sudan’s small arms purchases each year.” *Op cit* Human Rights First. The indications that China opposed the imposition of an oil embargo on Sudan (*op cit* Large (2007), p 69) also suggest the significance of its role in ensuring Khartoum maintained sufficient resource flows to support its growing military expenditure; Human Rights Watch, (*op cit* HRW (2003)), also states (p 59) that, “The president of Sudan announced in 2000 that Sudan was using the oil revenue to build a domestic arms industry. The military spending of 90.2 billion dinars (US\$ 349 million) for 2001 was to soak up more than 60 percent of the 2001 oil revenue of 149.7 billion dinars (US\$ 580.2 million)”, and (p 457) that China, “made available easy financing for some[...] arms purchases”; *cf op cit* Small Arms Survey (July 2007), p 4; Coalition for International Justice, ‘Soil and oil: dirty business in Sudan’, Washington, February 2006, p 24 notes the use of Chinese weaponry in oil-related land clearance: “in the spring of 2002 in Leal, Sudan. Sudanese military with coffers invigorated by oil receipts, and supported by Chinese-made helicopters expelled local inhabitants from the rapidly expanding area of oil production”.

<sup>100</sup> *Op cit* Saferworld (January 2011), p 51; and: Small Arms Survey (July 2007), p 6; ‘China’s role in genocide’, *The Washington Times*, 26 March 2006.

<sup>101</sup> *Op cit* Small Arms Survey (July 2007), p 6.

<sup>102</sup> Saferworld interview, Central Equatoria State, August 2011.

<sup>103</sup> *Op cit* Saferworld (January 2011), p 51.

<sup>104</sup> Sudan HSBA, ‘Materiel seized from Peter Gadet’s forces’, (Small Arms Survey, October 2011).

The question of how China may seek to balance its military support for Sudan and South Sudan, now that the latter is independent, is currently a topic of considerable interest to South Sudanese stakeholders. South Sudanese interviewees for this case study, from both Government and civil society, widely shared the view that to succeed in courting the favour of the GoSS, China would need to show itself willing to provide weapons and other technical/infrastructural inputs to South Sudan and to end its supply of weapons to Khartoum, as well as discourage the use of violence by the GoS in South Kordofan, Blue Nile and Darfur.

Given the evidence available regarding the end-use of Chinese weapons in Sudan in the past decade, it should be clear that further supply of weapons and ammunition to the two Governments has the potential to deepen instability, worsen the impacts of further tensions or outbreaks of violence between Sudan and South Sudan and indeed enable the activities of any other actors who may come to acquire *matériel* supplied to either side. Although they can strengthen China's political relations with recipient governments and have commercial benefits for defence companies, such supply would also be likely to add to existent threats faced by Chinese interests and personnel in Sudan and South Sudan (which are discussed further below). At a time of significant tensions between Sudan and South Sudan, a policy pursuing restraint in arms transfers to the two neighbouring countries, rather than one that favours military build ups, would be a logical way for all responsible international actors to support peaceful outcomes, rather than fuelling potential new conflicts.

### Contributions to peacekeeping and demining

China provides personnel to UN peacekeeping operations in Darfur, South Sudan and Abyei. In the CPA period, it contributed peacekeepers to UNMIS. In 2007, its second group of 435 peacekeepers included a 275-strong engineering division, a 100-strong transportation division and a 60-strong medical division.<sup>105</sup> At present, China provides 362 contingent troops, ten experts on mission and six police to UNMISS (the successor mission to UNMIS), and one expert on mission to UNISFA.<sup>106</sup> Thus, in October 2011, the area of Sudan and South Sudan accounted for 36 percent out of China's total world-wide contribution of personnel to UN Peacekeeping Operations of 1,936.<sup>107</sup>

It is commonly acknowledged that Chinese personnel within peacekeeping missions, "have overall fulfilled their tasks with significant professionalism".<sup>108</sup> Likewise, China's willingness to deploy peacekeepers within Sudan and South Sudan has demonstrated how in this area it has taken a leading role in ensuring vital peacekeeping presence and capacity in these two very challenging environments.

It has also been recognised among senior AU and UN officials that the Chinese presence in UNAMID and UNMIS has helped to "temper the host government's suspicions that the missions are really Western-led military interventions".<sup>109</sup> While in this respect Chinese proximity to GoS has been of clear benefit, others have suggested the need for Chinese peacekeepers to play a greater role in interacting with non-state actors.<sup>110</sup>

A further aspect of China's military co-operation with Sudan and South Sudan that should be recognised as positive is its support to demining through the provision of training and equipment to both the GoS and the GoSS.<sup>111</sup>

<sup>105</sup> *Op cit* Large (2007), p 67.

<sup>106</sup> UN Department for Peacekeeping Operations (UN DPKO), 'UN Mission's summary detailed by Country', 31 October 2011.

<sup>107</sup> Including 319 troops in UNAMID. *Ibid* UN DPKO.

<sup>108</sup> *Op cit* Saferworld (January 2011), p 77.

<sup>109</sup> Gill B and Chin-Hao Huang, 'China's expanding role in peacebuilding: Prospects and policy implications', *SIPRI Policy Paper* 25 (1990), p 27.

<sup>110</sup> Hirono M, 'China's charm offensive and peacekeeping: The lessons of Cambodia – What now for Sudan?', unpublished manuscript (2010).

<sup>111</sup> PRC Ministry of National Defence, 'China holds humanitarian minesweeping training course for South Sudan and Sudan', 11 October 2011; 'China presents demining equipment to Sudan', *Sudaneseonline*, 29 January 2009; 'China launches demining training course for Sudan', *Sudan Tribune*, 8 April 2008.

## Aid, finance and economic development

China's role in economic development in Sudan has been significant. In 2010, China was Sudan's biggest trade partner, accounting for 69.9 percent of its exports and 23.3 percent of its imports, amounting to a total of approximately US\$8.52 billion in bilateral trade.<sup>112</sup> Chinese actors are estimated to have invested US\$15 billion in the North.<sup>113</sup> In 2010, an adviser to President Bashir stated that China had invested US\$8 billion in Sudan in 2010.<sup>114</sup>

Rather than being easily classifiable as ODA, in many contexts, Chinese engagement in economic development more often takes the form of projects implemented by Chinese companies (state- or privately-owned) financed by Chinese loans or commercial investment.<sup>115</sup> Nonetheless, China and Chinese organisations and companies do deliver aid in Sudan and South Sudan, and undoubtedly do have a unique potential for helping to address underdevelopment through both aid and commercial activity.

In terms of finance, reliable and comprehensive figures are hard to obtain. The limited information that is publicly available suggests that the boundaries between Chinese aid, investment and loans are indeed characteristically blurred in Sudan, but that tied loans are more significant than direct grants.<sup>116</sup> An International Monetary Fund working paper notes that Sudan is, after South Africa, probably the largest recipient of Chinese foreign direct investment in Africa, and that "Chinese FDI [foreign direct investment] flows increased from nothing in 1996 to over US\$800 million in 2007".<sup>117</sup> Likewise, a study by Nour asserts that:

*"[T]he Chinese share in total loans and grants offered to Sudan greatly increased from 17% in 1999 to 73% in 2007 out of total loans and grants offered to Sudan [...] increasing Sudan's debts to China from 0.9% in 1999 to 13.45% in 2007 out of Sudan's total debts."*<sup>118</sup>

In 2001, it was reported that China cancelled 63 percent of Sudan's US\$67.3 million debt.<sup>119</sup> China cancelled a further US\$70 million of Sudanese debt in 2007 and provided a US\$13 million interest-free loan for Sudan to construct a new presidential palace.<sup>120</sup> Another Chinese action aimed at lessening Khartoum's economic isolation was the agreement in 2008, as an element of broader economic co-operation, to open branches of Chinese banks in Sudan.<sup>121</sup>

Known examples of Chinese aid to Sudan or South Sudan, aside from assistance for Darfur,<sup>122</sup> include a grant of US\$3 million to Sudan "for strengthening North-South unity";<sup>123</sup> a further grant of US\$3.0 million in December 2009 to support Sudan's elections (for which it also provided observers).<sup>124</sup>

A number of headline infrastructure development projects have been backed by China and/or built by Chinese firms in the North. Among the best known of these is the Merowe Dam on the Nile. The lead financier of this US\$1.5 billion project was China's Export Import Bank (Exim Bank). It was built by Chinese, French and German companies.<sup>125</sup>

<sup>112</sup> European Commission Directorate General of Trade, 'Sudan', 8 June 2011, [trade.ec.europa.eu/doclib/docs/2011/january/tradoc\\_147395.pdf](http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147395.pdf), accessed 5 December 2011.

<sup>113</sup> Hardenberg D, 'China – A force for peace in Sudan?', *Al Jazeera*, 11 Jan 2011.

<sup>114</sup> 'Sudan to hold strategic dialogue with China', *Sudan Vision*, 10 May 2011.

<sup>115</sup> See also: Section Two of this report, on China's aid to conflict-affected states.

<sup>116</sup> Cf the analysis that "Chinese FDI has often been bundled with aid mainly project loans and credit lines": Mlachila M and Takebe M, 'FDI from BRICs to LICs: Emerging growth driver?', *IMF Working Paper WPI/11/178*, July 2011, p 26.

<sup>117</sup> *Ibid* p 26.

<sup>118</sup> Nour S, *Assessment of Effectiveness of China Aid in Financing Development in Sudan*, UNU-MERIT, Working Paper #2011-005.

<sup>119</sup> *Op cit* Askouri, p 71, citing Kuwait News Agency (Kuna), 7 April 2001.

<sup>120</sup> *Op cit* Large (2007), p 71, and Dagne (1 June 2011), p 27.

<sup>121</sup> Journal of Current Chinese Affairs, 'Data supplements: PRC Agreements with foreign governments' (Feb 2007–Aug 2009).

<sup>122</sup> Examples of Darfur-related aid include the provision of 'symbolic aid' via the AU mission in Darfur- such as a grant of US\$3.5 million in mid-2006, (*op cit* Large (2007), p 69) and a further grant of US\$1.8 million. (*op cit* Saferworld (January 2011), p v). Other sources state that China had provided US\$11.65 million of assistance for water, electricity and health services in Darfur by June 2008. (*op cit* Ahmed (2010), p 7). *Op cit* Small Arms Survey (July 2007), p 9, similarly notes the pledge of over US\$5.0 million in humanitarian assistance for Darfur by China during President' Hu's visit in February 2007.

<sup>123</sup> *Op cit* Journal of Current Chinese Affairs.

<sup>124</sup> *Op cit* Large and Patey, p 18.

<sup>125</sup> *Oil development in northern Upper Nile, Sudan*, (ECOS, May 2006), p 14; Bosshard P, 'New Chinese dam project to fuel ethnic conflict in Sudan', *Huffington Post*, 26 January 2011; *op cit* Large (2007), p 68. Chinese companies involved include China International Water & Electric Corp., China National Water Resources and Hydropower Engineering Corp, Harbin Power Engineering Company, Jilin Province Transmission and Substation Project Company.

In 2010 Chinese consortia or corporations reportedly won contracts of US\$838 million, US\$711 million and US\$705 million to build the Upper Atbara, Sherek and Kajbar Dams respectively.<sup>126</sup>

A Chinese company has also reportedly been contracted to build a railway from Nyala to Abeche, linked to the larger plan to build a 1,000 km railway linking the Sudanese capital Khartoum and the Chadian capital N'Djamena.<sup>127</sup> In February 2011, a subsidiary of the state-owned China Communications Construction Company also won a contract worth US\$1.2 billion for its role in the construction of Khartoum's new international airport,<sup>128</sup> which is co-financed by the Exim Bank alongside banks from Saudi Arabia, Kuwait and Turkey.<sup>129</sup>

Other major Chinese projects involve power, water and transport infrastructure. In March 2010, Exim Bank agreed a loan of US\$274 million to fund the construction of a 630 km network to supply electricity from the new Al Fula power plant.<sup>130</sup> According to Sudanese news media, the Chinese company CMIC holds a contract worth US\$373 million to build a water pipeline from the Atbara-Nile confluence to Port Sudan, while other Chinese companies hold a number of contracts to deepen the harbour at Port Sudan and construct bridges, each worth tens of millions of dollars.<sup>131</sup>

A further area of investment that appears to lie at the crossroads between economic investment and human development is China's growing interest in supporting the development of agriculture in Sudan and South Sudan. Co-operation in this area could be crucial to the challenging task of diversifying the two countries' economies in time to stave off declining oil revenues – and could make an important contribution to the food security of the wider region and other external trading partners. Aside from the proclaimed agricultural benefits of the large Chinese-built dam projects in Sudan, a headline agriculture project touted by the Sudanese media has been the construction of a 500,000-acre 'ideal agriculture centre' in Gazira state, with the financial support of the Chinese Government.<sup>132</sup> Chinese businesses are also engaged in agricultural co-operation projects and have set up a number of farms.<sup>133</sup>

Chinese newspapers have also documented China's efforts to support social development. According to the *People's Daily*, China has been sending medical missions to Sudan since 1971 and the China Foundation of Poverty Alleviation (CFPA) is providing US\$9.3 million to support the development of medical facilities and technologies in Sudan, as well as building and providing staff for a hospital in Abu Ushar, Gezira (140 km south of Khartoum).<sup>134</sup> Similarly, according to the *China Daily*: "China has been providing unconditional funds to build schools, hospitals and roads. Currently more than 100 Chinese companies with more than 10,000 staff members are working in the region, creating jobs for the local residents and supporting development initiatives."<sup>135</sup>

Chinese officials and scholars have claimed that its support to socio-economic development in Sudan is, among other things, a contribution to conflict prevention. For example, in 2007 Ambassador Liu reportedly stated that: "China will continue to support the development projects in the region [...] on the basis that the absence of socio-economic development is part of the causes of the conflict."<sup>136</sup>

<sup>126</sup> *Op cit* Bosshard; Medieval Sai Project, *Nubians resist new dams*, 13 March 2011.

<sup>127</sup> 'Sudan officials in China to sign Sudan-Chad railway', *Sudan Vision*, 27 April 2011.

<sup>128</sup> 'China to build new Sudan airport in Khartoum', *BBC News*, 15 February 2011; 'China to build a new US\$1.2 billion airport in Sudan', *Al Arabiya News*, 15 February 2011.

<sup>129</sup> Mazen M, *Arab fund lends Sudan US\$360 million for new airport two dams*, 28 Mar 2011.

<sup>130</sup> *Op cit* Large and Patey, p 11.

<sup>131</sup> *Op cit* Askouri, p 76.

<sup>132</sup> Awadallah Al Sammani, 'Al Bashir's Visit to China to Expand Partnerships', 23 June 2011.

<sup>133</sup> *Op cit* Large and Patey, p 12.

<sup>134</sup> 'Chinese charity assists Sudan to improve health care system for mothers, children', *People's Daily*, 5 June 2011.

<sup>135</sup> Zheng A, 'Development key to Sudan's lasting peace', *China Daily*, 20 Jan 2011.

<sup>136</sup> *Op cit* Ahmed, p 7, citing *China Daily*, 18 June 2007; see also: *op cit* Saferworld, p 84.

However, although Chinese actors have made some positive contributions through such projects, there have also been criticisms of the approaches taken and the impacts on peace and conflict dynamics of some Chinese projects. For example, while the Merowe Dam benefits Sudan by providing irrigation water and doubling the supply of electricity, it has also been criticised for displacing 50,000 people from the Nile valley, amid violently suppressed protests.<sup>137</sup> The project to build a dam near Kajbar was likewise the focus of violent clashes in 2007, in which more than 20 people were injured and four killed.<sup>138</sup> It would be unjust to suggest that such criticisms only apply to Chinese companies: higher standards of conflict sensitivity need to be upheld also by Western firms working in Sudan – including those who are partners in these projects. Nonetheless, consultation of communities when deciding on and designing initiatives and fair compensation for any disruption caused, would enhance the reputation of, and reduce the security risks for, all firms involved in such projects.

A further contentious issue is that despite significant Chinese-backed development projects in Sudan, in South Sudan such projects are not yet comparable in scale. The perception that this is the case is widely shared among South Sudan's people and officials.

*“In the South, China has done almost nothing compared to what it has done in the North – in terms of roads, infrastructure and agriculture.”*

Civil society activist, Unity State

*“They say they have built things – hospitals and schools – but this is in the North, not in the South. They have built a computer laboratory at the University of Juba – it is a start, but more is needed.”*

Civil society activist, Unity State

It is therefore encouraging to note among Chinese commentators a growing recognition of poverty and inequality as potential drivers of further conflict in Sudan and South Sudan. Work by Chinese scholars such as Jiang Hengkun, Yu Jianhu and Wang Zhen have posited low levels of socio-economic development and poverty as the root cause of the Darfur crisis.<sup>139</sup> Applying the same logic to South Sudan, Professor Zheng Anguang has argued that, “the giant gap between the northern and southern regions has been a significant factor in the hatred and war that has caused so much suffering”.<sup>140</sup>

At the official level, clearly, new agreements for Chinese aid, investment and construction in South Sudan are being agreed in a variety of sectors. Chinese diplomats have signalled Beijing's willingness to increase much-needed investment in physical infrastructure, hydroelectric energy, agriculture, health, education and other sectors in South Sudan.<sup>141</sup> In line with this, a Chinese firm has reportedly won a contract to develop South Sudan's new capital.<sup>142</sup> Furthermore, a leading expert on China – South Sudan relations interviewed by Saferworld noted that the agreement of Chinese programmes for the development of all of South Sudan's state capitals<sup>143</sup> and other projects to construct hospitals, schools and agricultural processing facilities for locally produced meat and rice are also planned.<sup>144</sup> For example, an agreement was signed on 28 March 2011 between the Ministry of Agriculture and Forestry and the Chinese construction firm Beijing International to enhance agricultural technologies and

<sup>137</sup> *Op cit* Askouri, pp 78–81, cites several occasions of violence being used against local communities affected, including a militia attack on a protest meeting in April 2006 that led to three deaths and over 50 injuries. See also: *op cit* ECOS (May 2006), p 14; Bosshard; and Large (2007), p 68.

<sup>138</sup> *Op cit* Bosshard.

<sup>139</sup> Jianhu Yu and Zhen Wang, ‘China-Africa strategic partnership ushered in a new era’, in: *China-Europe-Africa Co-operation: Chances and Challenges: Proceedings of the 6th Shanghai Workshop on Global Governance*, 14–15 March 2008; Hengkun Jiang, ‘China and the Darfur crisis: A Chinese perspective’, paper presented at the *China-Africa Civil Society Forum on Peace and Development*, Beijing, 2–4 June 2010; *op cit* Saferworld (January 2011), p 84.

<sup>140</sup> Zheng A, ‘Development key to Sudan's lasting peace’, *China Daily*, 20 Jan 2011.

<sup>141</sup> For example: in the press statement made by Chen Xiaodang following a meeting in May with GoSS Vice President Riek Machar: ‘China to expand investment in South Sudan after independence’, *Sudan Tribune*, 1 June 2011; cf Zhang H, ‘China keen to foster south Sudan ties’, *China Daily*, 5 June 2011.

<sup>142</sup> ‘Chinese firm wins contract for S. Sudan's new capital’, *Sudan Tribune*, 29 October 2011.

<sup>143</sup> Chinese firms will undertake construction under the programmes, although it is not clear on what basis they are being financed. Saferworld interview, London, July 2011.

<sup>144</sup> Saferworld interview, Central Equatoria State, August 2011.

techniques in South Sudan. In October 2011, China granted South Sudan US\$31.5 million for development projects.<sup>145</sup>

Alongside these rapidly developing plans, examples of Chinese aid and finance beginning to address the perceived imbalance of assistance between North and South are beginning to emerge. *China Daily* has estimated the value of Chinese investment in aid projects such as school and hospital construction and well digging in South Sudan in the six years to 2011 at US\$60–100 million.<sup>146</sup> One well-publicised example of Chinese engagement beginning to deliver benefits to South Sudan is a new hospital worth US\$760,000, built by the Chinese in the oil-producing Unity State. The hospital was opened in April 2011.

A report by a local journalist on the opening of the hospital placed it in the context of a criticism repeated by several South Sudanese stakeholders from within and outside GoSS interviewed by Saferworld in Unity State in August 2011, pointing out that, “For years, the Chinese have been profiting from oil pumped from Unity State, but almost no development has been seen by the people living there”.<sup>147</sup> At the same time, another local stakeholder interviewed pointed out that the hospital provides levels of equipment and treatment that could only be obtained in the past by travelling to Khartoum.<sup>148</sup>

Yet other key informants interviewed by Saferworld in Bentiu were more critical of the development model that the hospital in Bentiu represents, pointing out that the hospital is not a gift but a business, and will benefit only elites, since it provides medical services for fees that the vast majority of local people are unable to afford.<sup>149</sup>

*“China didn’t do projects for the people until ordered by the Government. They have made a Chinese hospital in Bentiu. It’s good, but it’s very expensive – too much for local people.”*

**GoSS official, Unity State**

*“This is not a support – it is a business. It is not a reward to the people.”*

**Civil society activist, Unity State**

The example suggests that China may need to pay closer attention not just to whether benefits from its engagement accrue more visibly in South Sudan, but also to consider carefully how it can achieve an equitable spread of the benefits of its assistance across South Sudanese society. Another criticism is of the quality of Chinese infrastructure, which some GoSS officials believe could be of higher quality and durability.<sup>150</sup>

At the same time, it is important to note that, of the few standing buildings in the state capital Bentiu at the time of South Sudan’s independence, a large proportion had been recently constructed by Chinese companies. As well as the private hospital, these included a conference centre, an assembly hall and houses for GoSS officials to purchase on credit. A new water purification plant is also in the early stages of construction in Bentiu. While these structures are not necessarily oriented to directly tackling poverty and access to services for communities, they do illustrate the capacity and potential of China to fast-track infrastructure development and stimulate local economies in South Sudan, in a context where it should be noted that other foreign actors are barely engaged and have negligible logistical capacity.

*“They are building permanent housing in Bentiu for the Government of Unity State. The individuals pay through the Government to buy the houses. A Chinese company also produces bricks in Bentiu in large quantities.”*

**GoSS official, Unity State**

<sup>145</sup> ‘South Sudan: China Grants Country US\$31.5 Million for Development Projects’, *Sudan Tribune*, 24 October 2011.

<sup>146</sup> Zhang H, ‘China keen to foster south Sudan ties’, *China Daily*, 5 June 2011.

<sup>147</sup> ‘China strengthens relationship with South Sudan: new hospital in Bentiu’, *Sudan Tribune*, 10 April 2011.

<sup>148</sup> Saferworld interview, Unity State, 5 August 2011.

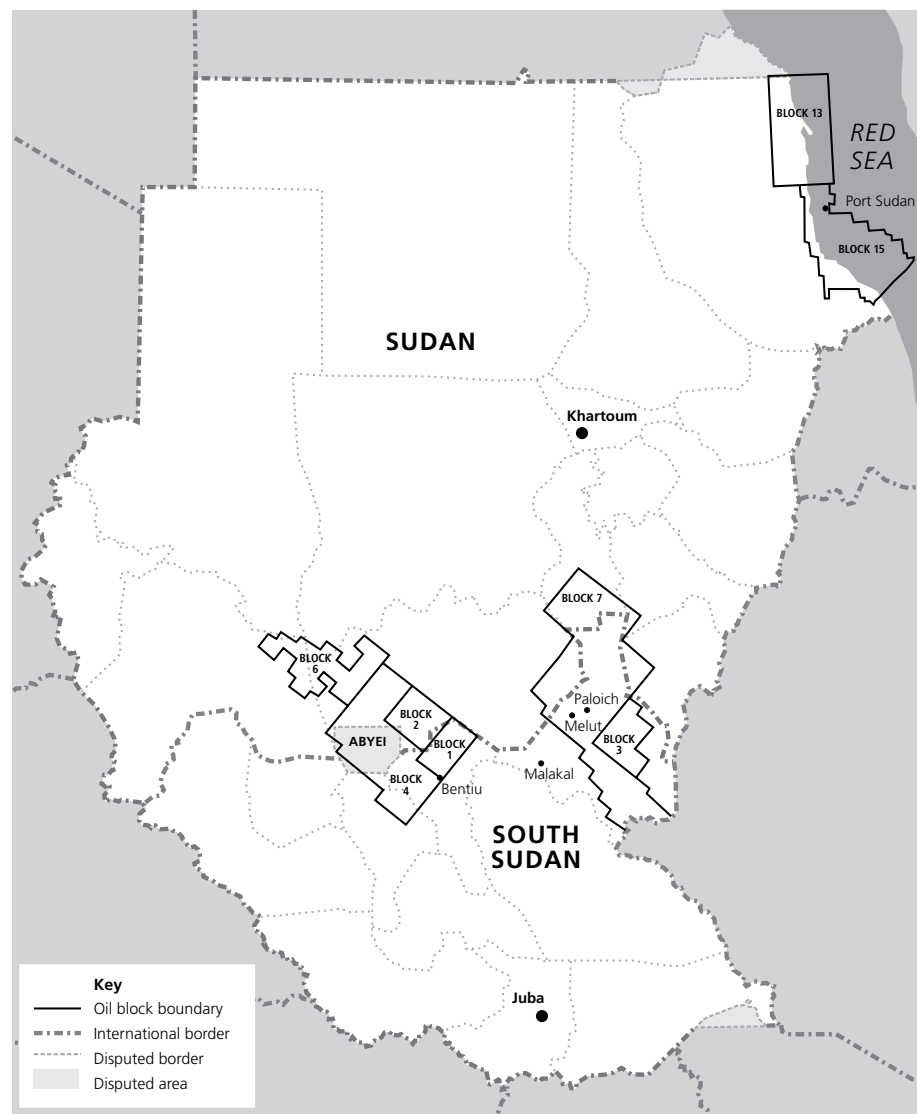
<sup>149</sup> A point echoed by four Saferworld interviewees drawn from GoSS and civil society. Saferworld interviews, Unity State, August 2011.

<sup>150</sup> Saferworld interview, Unity State, 5 August 2011.

Regarding the criticisms commonly levelled against Chinese actors of failing to support community development, provide employment opportunities and foster good community relations, a counter-example was also put forward by the employees of a Chinese construction firm interviewed in Bentiu. As well as the company's production of much-needed construction materials in Bentiu, the staff highlighted its contribution to the construction of two schools in Unity State (albeit on commercial terms), the donation of roundabouts to the town's main thoroughfares, their willingness to use company vehicles to transport sick local people to hospital on request and their employment of local people in non-technician posts.<sup>151</sup>

## Energy and infrastructure

By far the most significant sector of Chinese economic engagement in Sudan and South Sudan is the energy sector. Having accounted for one percent of gross domestic product in 1999, by 2008 oil came to account for 18 percent, providing over 50 percent of GoS revenue in that year.<sup>152</sup> Sudan was the sixth largest supplier of oil to China in 2010.<sup>153</sup> China is in turn the leading actor in Sudan and South Sudan's oil industry.<sup>154</sup>



This map is intended for illustrative purposes only. Saferworld takes no position on whether this representation is legally or politically valid.

<sup>151</sup> Saferworld interview, Unity State, August 2011.

<sup>152</sup> *Op cit* Mlachila and Takebe, p 26.

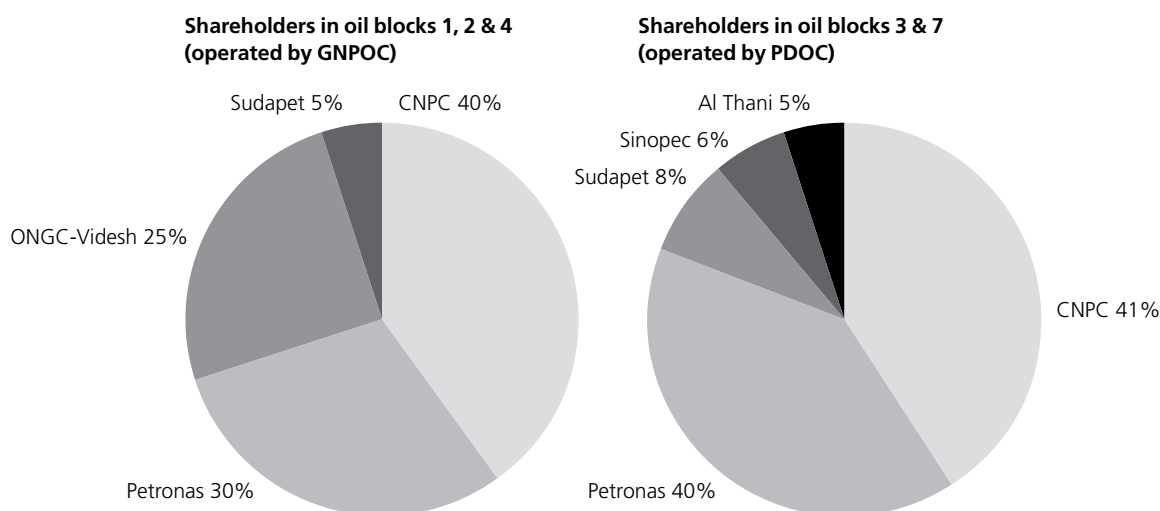
<sup>153</sup> Dyer G, 'Signals of a shift', *Financial Times*, 21 Jan 2011. Figures are for the 12 months to November 2010.

<sup>154</sup> The 240,000 b/d produced by state-owned China National Petroleum Company (CNPC) in 2008 accounted for half of all Sudanese production in that year. Lexis Nexis, *CNPC Sudan – Q1 2011*, 2011.



In recent years, there have been two key oil-producing areas. The first comprises oil blocks 1, 2 and 4, which lie partly in Unity, Warrap and Northern Bahr El Ghazal States in South Sudan, partly in the disputed area of Abyei, and partly on the North side of the border in Sudan's South Kordofan State. The second comprises oil blocks 3 and 7, which lie predominantly in Upper Nile State of South Sudan but also fall partly into South Kordofan, White Nile, Sennar and Blue Nile states in Sudan.<sup>155</sup>

CNPC holds the largest stake in the consortia holding the concession rights in both of the two key oil-producing areas: in 1996 it acquired a 40 percent stake in the Greater Nile Petroleum Operating Company (GNPOC) consortium that exploits blocks 1, 2 and 4.<sup>156</sup> The Petrodar Operating Company Ltd (PDOC) was awarded the concession to develop oil blocks 3 and 7 in 2000. In 2001, PDOC was incorporated, with CNPC holding a 41 percent share and the China Petroleum & Chemical Corporation (Sinopec) also holding six percent.<sup>157</sup> Those who assert CNPC's responsibility for the actions of these consortia in Sudan have also highlighted the inter-changeability of the senior staff of CNPC, GNPOC and PDOC.<sup>158</sup> Elsewhere in Sudan, CNPC also holds a 96 percent stake in oil block 6, which straddles Darfur and South Kordofan<sup>159</sup> and production sharing agreements in blocks 13 and 15 in North-Eastern Sudan and the Red Sea.<sup>160</sup>



China has also provided the lion's share of the infrastructure necessary to transport and process Sudan and South Sudan's oil. For example:

- CNPC invested US\$700 million in the construction of an oil refinery in Sudan near Khartoum.<sup>161</sup>
- The Chinese-led PDOC has also supported a US\$300 million investment to increase the capacity of the refinery.<sup>162</sup>
- CNPC built the pipelines running to Port Sudan from oil blocks 1/2/4 (1,506 km) and 3/7 (1,370 km), and from block 6 to the Khartoum refinery (716 km).<sup>163</sup>
- The construction of the Heglig-Port Sudan pipeline involved over 10,000 Chinese workers.<sup>164</sup>

<sup>155</sup> See: ECOS, 'ECOS Oil Map, colour, large', [www.ecosonline.org/oilmap/resources/Soedan%20A5%20kleur.pdf](http://www.ecosonline.org/oilmap/resources/Soedan%20A5%20kleur.pdf), accessed 29 November 2011.

<sup>156</sup> *Op cit* ECOS (May 2006), pp 13–14.

<sup>157</sup> *Ibid* pp 13–14.

<sup>158</sup> Sudan Divestment Task Force, *PetroChina, CNPC, and Sudan: Perpetuating genocide*, 15 April 2007, p 6.

<sup>159</sup> *Op cit* ECOS (May 2006), pp 13–14. CNPC reportedly signed a 20-year multi-billion dollar development deal with the Government of Sudan in June 2007, and on 28 June 2011 by signing a deal to boost co-operation with the Sudanese Government. 'China rolls out red carpet for visiting Sudan president, wanted on war crimes warrant', *Associated Press*, 28 June 2011.

<sup>160</sup> *Op cit* Lexis Nexis. [0]

<sup>161</sup> *Op cit* Mlachila and Takebe, p 26.

<sup>162</sup> *Op cit* ECOS (May 2006), pp 13–14.

<sup>163</sup> *Op cit* Lexis Nexis. [0]

<sup>164</sup> *Op cit* Mlachila and Takebe, p 26.

- China's Petroleum Engineering Construction Group built a US\$215 million oil terminal in Port Sudan.<sup>165</sup>
- Similarly, in 2009 CNPC was awarded seven engineering contracts estimated to be worth US\$260 million for projects in oil block 6 including construction of oil tanks and expansion of a power plant.<sup>166</sup>

Some infrastructure development created by the oil industry is also visible in South Sudan, but almost all of it has been built directly to support oil production, rather than to deliver any significant wider benefits.<sup>167</sup>

In this most significant area of China's engagement in Sudan and South Sudan, there is a range of evidence to be taken into account in considering what has been the impact on peace and conflict dynamics of Chinese actors to date, and why and how all those engaged in the sector, including Chinese actors, should make a greater contribution to peace looking forward.

The first overarching point to be made is that in some ways the desire to share in oil revenues has underpinned the drive towards settlement of the North – South civil war.<sup>168</sup> Oil wealth and actors in the petroleum industry also have a significant potential to contribute to recovery and development in Sudan and South Sudan. Yet there was a clear relation between oil and conflict in the second phase of Sudan's civil war. During the 1990s, control of oil-producing areas and exploitation of oil became critically important to Khartoum, in that it enabled it to generate funds and acquire arms to consolidate its power and wage war against rebel groups.<sup>169</sup> It has been extensively documented that efforts to exploit oil in Sudan have been accompanied by and in some cases directly fuelled serious armed violence.

Oil companies from the US, Canada, Austria and Sweden, alongside those of China, Malaysia and India, have been criticised for their role in oil exploitation amid war in Sudan.<sup>170</sup> After its operations became affected by violence in the 1980s, the American oil company Chevron sold its rights to blocks 1, 2 and 4 in 1992. Other Western oil companies, such as Lundin and Talisman, eventually succumbed to pressure to withdraw from consortia exploiting oil in areas of Sudan seriously affected by violence. By contrast, along with its Malaysian and Indian partners, CNPC stayed the course: "Exports of crude oil to China reached as high as 80 percent of Sudan's total crude exports on average between 2001–2004".<sup>171</sup> Thus CNPC led the GNPOC and PDOC consortia that developed the productive capacity of the Sudanese oil industry in contested areas as they were violently cleared of civilians and rebels. Numerous reports have documented the violence used to displace the population to make way for oil operations in blocks 1/2/4 and 3/7.<sup>172</sup> For example:

*"Oil exploration and production resumed in the late 1990s when the Greater Nile Petroleum Operating Company (GNPOC) leased blocks 1, 2 and 4 and built a pipeline from Ruweng County to Port Sudan. From April to July 1999, an estimated half of the population of Ruweng County, where the Unity and Heglig oilfields are located, was displaced after attacks by Government of the Sudan troops."*<sup>173</sup>

<sup>165</sup> *Op cit* ECOS (May 2006), pp 13–14.

<sup>166</sup> *Op cit* Lexis Nexis. [0]

<sup>167</sup> For example, "Once Petrodar was formed, changes on the ground in northern Upper Nile were immediate and impressive. A comprehensive oil development infrastructure began to be built, including 31,000 b/d field production facilities at the Adar Yale and Agordeed fields, a full-size airfield, and hundreds of kilometres of all-weather roads and feeder-pipes. Kotolok, just west of Paloic, became the centre of operations and the hub for the 1,392-kilometre pipeline to Port Sudan that was inaugurated on 6 April 2006." *Op cit* ECOS (May 2006), p 14.

<sup>168</sup> *Op cit* Large and Patey, p 7.

<sup>169</sup> "Oil revenues accruing to the GOS increased by a massive 875.7 percent between 1999 and 2001. [...] Oil revenues provided hard currency not just for arms purchases but also the Chinese-assisted development of a domestic arms manufacturing capability by the GOS." *Op cit* Large (2007), p 61.

<sup>170</sup> Reinforcing, but only up to a point, the argument that "the similarities between Chinese and more established actors should be remembered and the temptation to present China's African involvement as somehow qualitatively different, resisted". *Op cit* Large (2007), p 52.

<sup>171</sup> *Op cit* Large (2007), p 58.

<sup>172</sup> De Guzman D, 'Depopulating Sudan's oil regions', (ECOS, May 2002); *op cit* ECOS (May 2006); 'Documentation on the impact of oil in Sudan', (ECOS, 29 May 2001); 'Unpaid debt: The legacy of Lundin, Petronas and OMV in Block 5a, Sudan 1997–2003', (ECOS, June 2010); *op cit* HRW (2003); and Askouri; see also: *op cit* Large (2007), pp 60–61.

<sup>173</sup> *Op cit* De Guzman, p 3.

*“In May of 1999, just as the [CNPC/CPECC] pipeline was completed, an offensive on the eastern edge of Heglig was carried out by the Sudanese army displacing one to two thousand civilians. The United Nations Special Rapporteur noted reports by observers of government bombers, helicopter gunships, tanks and artillery used against unarmed civilians to clear a 100-kilometer swathe around oilfields.”<sup>174</sup>*

*“Oil-rich areas in the Melut Basin [...] have been developed against the background of a war in which the Petrodar Operating Company Ltd has not acted as a neutral party but as a loyal partner of one of the warring sides, the Government of Sudan. [...] The total number of people that has been forcibly displaced can be safely estimated at well above 15,000 minimum; the true number could easily be double that figure. Several hundreds of people have reportedly been killed. Destruction in Blocks 3 and 7 was carried out primarily by the regular Sudanese army and Government-supported Dinka militias, at several occasions backed by helicopter gunships or even high-altitude bomber aircraft, despite the fact that the SPLA presented no direct threat to oil exploitation. Many settlements were burned. The wave of destruction peaked in 1999–2002, preceding and coinciding with the development of the oil fields. We estimate that in total over a hundred villages and settlements have been victimized, and often disappeared.”<sup>175</sup>*

*“According to information provided by the UN, WFP [World Food Programme] and others, as of March 2002 an estimated 174,200 civilians remained displaced as a result of the conflict between the government and its southern militia proxies, and the rebel SPLM/A in the oilfields of Western Upper Nile/Unity State (roughly Blocks 1, 2, 4, 5A, and 5B) [...] In mid-May 1999, the Sudanese government launched an all-out attack lasting several weeks on Dinka communities in the eastern part of Block 1. The assault commenced with aerial bombardment, followed by ground troops who looted freely and burned everything. Tens of thousands of people were displaced. [...] Block 1 was also a target of Sudanese army offensives and SPLA counter offensives throughout 2001, including a government attack with new helicopters and ground troops in October in Ruweng (Panaru) County, in which an estimated 80,000 persons were displaced. [...] The UN special rapporteur on Sudan reported to the March/April 2002 session of the UN Commission on Human Rights that: [...] ‘oil exploitation is closely linked to the conflict [...] oil has seriously exacerbated the conflict while deteriorating the overall situation of human rights’ [...] HRW concludes that CNPC and Petronas operations in the GNPOC Sudanese oil concession Blocks 1, 2, 4 [...] have been complicit in human rights violations. Their activities are inextricably intertwined with the government’s abuses; the abuses are gross; the corporate presence fuels, facilitates, or benefits from violations; and no remedial measures exist to mitigate those abuses.”<sup>176</sup>*

One aspect of the link that has been documented between the oil companies and the violence that unfolded in the oil-producing regions related to the security apparatus they used. Thus, for example, a detailed report in 2000, commissioned by the Canadian Department of Foreign Affairs and International Trade, asserted that GNPOC security staff:

*“[...] are serving or former army, police or security service officers and maintain the closest collaboration with the Sudanese Army garrison in Heglig.”<sup>177</sup>*

The Coalition for International Justice also documents such links, noting that:

*“in or around 1999, a Chinese oil company operating in Sudan had contracted with the Sudanese government to ensure the security of its operations. Khartoum-backed paramilitary groups have been deployed to the oilfields [...] the Popular Defense Force, a*

<sup>174</sup> Coalition for International Justice, ‘Soil and oil: dirty business in Sudan’, Washington, February 2006, p 21, citing UN (Special Rapporteur Leonardo Franco), ‘Report on the Situation of Human Rights in the Sudan’ (October 1999), para 77.

<sup>175</sup> *Op cit* ECOS (May 2006), pp 3, 19.

<sup>176</sup> *Op cit* HRW (2003), pp 39, 40, 42, 56.

<sup>177</sup> Harker J, ‘Human security in Sudan: The report of a Canadian assessment mission’, Ottawa, January 2000, p 62; cf ‘Post-referendum arrangements for Sudan’s oil industry’, (ECOS, 1 December 2010), p11: “Petroleum consortiums in Sudan are reportedly required by the Government to employ specific security staff, who have background or experience in the army or the security services. They allegedly report to security agencies based in Khartoum rather than to their employers”.

*militia that is armed and trained by the Army [...] includes a unit known as the 'Protectors of the Oil Brigade.'*<sup>178</sup>

Another criticism in the same report related to the fact that:

*"Use of oil infrastructure for military purposes also has been widely documented. As part of the protection of Sudanese military forces, the [GNPOC] consortium provided use of their facilities such as air strips, landing pads, and mechanical support."*<sup>179</sup>

Furthermore, the testimony of witnesses and perpetrators makes it clear that much violence directed against the local populations in the areas operated by the Chinese-led consortia was (as was also the case in areas operated by companies from other countries) undertaken specifically to clear land for oil exploration and extraction. For example:

*"Monybai Ayong was a commander in the Dinka Dong Jol militia of Thon Mum Kejok until he joined the SPLA after peace was signed in January 2005. He said his militia, based in Akoka near Malakal, was sent out to kill civilians in villages where there was no SPLA presence, but which stood in the path of projected oil roads.*

*'We only killed. The Government burned the villages. One of the villages we were ordered to attack was Adair. We cleared it for the road [from Melut to Paloic].' (Monyba Ayongi, Payuer, 26 April 2005)*<sup>180</sup>

These and other examples combine to demonstrate that oil exploration in South Sudan before the signing of the CPA directly, including that led by Chinese companies, worsened conflict and caused significant suffering. Whether or not this body of evidence and analysis is accepted by CNPC and other Chinese actors, interviews conducted for this case study indicate that South Sudanese officials, civil society and people retain strong negative memories and perceptions regarding Chinese actors from this period. Because these have the potential to affect their relation with China and Chinese companies long into the post-independence era, it is very clearly in China's interest to examine them and take steps to achieve reconciliation.

*"China's impact on peace and conflict dynamics in the past has been negative."*

**GoSS adviser, Central Equatoria State**

*"Wherever there was oil, people were displaced, killed and attacked with helicopter gunships and antonovs."*

**Civil society activist, Unity State**

*"The population in Pariang, Rubkona and Abiemnom [counties of Unity state in oil blocks 1/2/4] were displaced so that they could exploit the oil. [...] I am from that area. They were bombarded by helicopter gunships and were driven out by nomads. [...] If someone has done something bad to us, we may forgive, but not forget."*

**GoSS Minister, Unity State**

*"There is a negative perception of the Chinese because of the war: the Government of Sudan went and struck a deal with Chinese companies."*

**GoSS Minister, Unity State**

*"During the war the Government in Khartoum decided to make use of oil in the South using that method of clearing inhabitants by force. China came in full swing in support of that."*

**Civil society activist, Central Equatoria State**

<sup>178</sup> *Op cit* Coalition for International Justice (February 2006), p 22.

<sup>179</sup> *Op cit* Coalition for International Justice (February 2006), p 23.

<sup>180</sup> *Op cit* ECOS (May 2006), p 13.

*“When the Government tried to clear the oil passage the Government ethnically cleansed people so that the Chinese companies could come later. That was done because of the Chinese interests.”*

**Civil society activist, Unity State**

*“Their past approach was to drive people from oil areas. We tried to reach them to ask them why they had done this, but we could not reach them.”*

**Civil society activist, Central Equatoria State**

*“China has been ignorant of the conflict of South Sudan... They gave arms to SAF for oil. Now, the relation is changing and China is leaning to South Sudan... Their way is to offer a package – roads, hydropower, agriculture. We won’t turn the offer down, although we haven’t forgotten what they’ve done.”*

**GoSS official, Central Equatoria State**

An important strength of the CPA was to set out principles to ensure redress for past problems, conflict-sensitive working practices and social development in affected areas. Thus the CPA provided for:

- The sharing of oil wealth for the benefit of all the citizens and parts of Sudan;
- Use of best known practices in sustainable use of natural resources;
- Consultation and consideration of the views of those holding land rights in areas where natural resources are developed, as well as compensation on just terms and a share in the resulting benefits;
- Remedial measures for contracts that have fundamental social and environmental problems;
- Compensation for persons whose rights have been violated by oil contracts;
- Publication of all the revenues and expenditures of the Government.<sup>181</sup>

This represents a framework for all actors, including oil companies operating in Sudan, to redress past negative impacts of oil production and embrace practices and initiatives that will contribute to stability and human security in future. Encouragingly, according to a GoSS official closely involved in the drafting process, positive principles such as those set out in the CPA regarding management of the petroleum sector seem set also to be reflected in the draft transitional constitution, the draft petroleum policy and draft petroleum law currently being prepared by the GoSS.<sup>182</sup> According to the US Institute of Peace (USIP), the draft norms and policy include:

- Use of World Bank environmental and social standards “as a benchmark”;
- Requirement for insurance to cover environmental clean-up responsibilities;
- A commitment to seek Extraction Industry Transparency Initiative membership;
- Allocation of a percentage of oil revenue to producing states;
- Oil company collaboration with GoSS to develop infrastructure to enhance livelihoods of people in producing areas;
- The creation of opportunities for local businesses to provide goods and services to the industry;
- Continuation of existing contracts together with the right for GoSS to review them and create addenda in areas of non-compliance with the policy.<sup>183</sup>

The GoSS faces a great challenge in developing the necessary capacity to ensure that these policies and laws are carried through into practice. However, if agreed provisions affirm the key points of the draft documents, such laws and policies in themselves have

<sup>181</sup> Adapted from: ‘Chapter III – Wealth sharing’ in: *The Comprehensive Peace Agreement between the Government of The Republic of The Sudan and the Sudan People’s Liberation Movement/Sudan People’s Liberation Army*, January 2005, [www.sd.undp.org/doc/CPA.pdf](http://www.sd.undp.org/doc/CPA.pdf), accessed 29 November 2011.

<sup>182</sup> Saferworld interview, Central Equatoria State, August 2011. Shankleman J, ‘Oil and State building in South Sudan’, (United States Institute of Peace, July 2011), pp 7–8.

<sup>183</sup> *Op cit* Shankleman, pp 7–8.

significant potential to help actors such as CNPC fulfil their commitments to sustainable development and contribute to stability in South Sudan, as well as mitigate risks to their own security and profitability.<sup>184</sup>

In fact it is already clear that Chinese companies such as CNPC are keen to win friends in Sudan and South Sudan by being seen to contribute to development. In 2006, CNPC was able to boast of the investment of US\$30 million in health, education, transport and water infrastructure in Sudan.<sup>185</sup> In November 2010, CNPC Nile donated US\$600,000 to support the work of CFPA in Khartoum.<sup>186</sup> It also provides training to Sudanese and South Sudanese nationals in the petroleum industry.<sup>187</sup>

CNPC's contribution to development in South Sudan has been less evident thus far, although China's donation of a computer laboratory to the University of Juba in July 2010, funded by CNPC and built by Beijing Construction limited, is one very visible contribution to the social infrastructure of the South Sudanese capital.

This has made it possible for some scholars to take a positive view of the contribution of CNPC in Sudan. So argue Yu and Wang:

*“Chinese investments have helped to establish a complete system of oil refineries, petrochemical plants and trading companies. More than 100,000 Sudanese are employed by China-Sudan joint ventures. The Chinese National Petroleum Corporation has spent an additional US\$35 million in building roads, bridges, hospitals, and schools for various Sudanese communities, benefiting over 1.5 million local residents.”<sup>188</sup>*

However, interviews undertaken for this case study tend to back up the evidence compiled in some past reports that due compensation and conflict-sensitive working practices are not yet a reality in South Sudan and will require further efforts on the part of the oil companies and the new regulators of South Sudan's oil industry to achieve.

A report by the European Coalition on Oil in Sudan (ECOS) in 2006 strongly questioned the efforts of PDOC to support community development in oil blocks 3/7. It identified not only an overall failure to undertake community development projects, but also, in some of the cases where projects have been undertaken, instances of infrastructure being developed primarily for use by those who had perpetrated the violent displacement of communities, failure to consult communities when implementing development projects and the resultant provision of resources that were of no use to communities (such as mosques in non-Islamic areas, schools that remained abandoned and building materials in locations prone to flooding).<sup>189</sup>

The perception that Chinese actors have not helped communities carries significant risks for China. This was highlighted by the killing of five Chinese oil workers in South Kordofan in October 2008. The Justice and Equality Movement (JEM)-affiliated commander responsible for this attack cited lack of local benefits from oil wealth and continuing underdevelopment as underpinning his belief that China's support had assisted the GoS in marginalising the region.<sup>190</sup> Such targeted violence illustrates that China is perceived by local actors as having an impact on conflict dynamics and suggests that future violence would be less likely if China steps up its support to raising living standards and overcoming the deep sense of grievance in marginalised communities.

<sup>184</sup> CNPC affirms an “International Cooperation Principle” of “Mutually beneficial development” and a “Sustainable Development Strategy” defined as: “To supply energy for sustainable social and economic development in a safer, cleaner and more efficient way, and to create a better life for its stakeholders. Fulfilling its social responsibilities is the basic precondition of the Company's sustainable development. In addition to public welfare and charity donations, corporate social responsibility should also be incorporated into the whole production and operation process”. CNPC, *CNPC in Sudan* (2009).

<sup>185</sup> *Op cit* Large (2007), p 73.

<sup>186</sup> ‘CNPC Nile Company signs an agreement on public welfare donations’, *CNPC*, 23 November 2010

<sup>187</sup> Awadallah Al Sammani, ‘Al Bashir's visit to China to expand partnerships’, 23 June 2011.

<sup>188</sup> *Op cit* Yu and Wang, p 88.

<sup>189</sup> *Op cit* ECOS (May 2006), pp 22–23.

<sup>190</sup> *Op cit* Large (2009), p 618.

Interviews for this case study by Saferworld indicate perceptions of local officials and civil society in South Sudan that the framework of the CPA, the Constitution and the draft petroleum policy and law is not being taken forward by the relevant actors. Although the primary responsibility for this lies with GoSS, the oil consortia led by China also bear some of the responsibility.

*“I come from Upper Nile State. Petrodar? It’s like a small town where they dig the oil. It’s like the first world. But the surrounding area? It’s the opposite – they are not interested in it.”*

**GoSS official, Central Equatoria State**

*“The signal is that they are ready to work with the Government of South Sudan and build capacity. The concern is that they target the top leaders and not the community. At their operation sites they don’t mix with people. [...] We haven’t seen Chinese development projects for the people.”*

**Civil society activist, Central Equatoria State**

*“Up to now, the victims of oil production have not got anything to compensate them to change their mind of what they have gone through.”*

**Civil society activist, Central Equatoria State**

*“Six years have passed [since the CPA] without seeing any development. The roads are the same. The schools are still under trees or semi-permanent constructions.”*

**Civil society activist, Unity State**

*“China is getting a lot of oil revenues but has not put a single project in the South – even where the oil is coming from.”*

**Civil society activist, Unity State**

*“If you go to the oil fields they are all Chinese, but they have given nothing to the community. That is a big challenge. The people are not happy with the Chinese and don’t trust the Chinese.”*

**Journalist, Unity State**

*“In Upper Nile, oil installation areas have everything – roads, airport facilities. In Melut, seven kilometres away, nothing is there.”*

**Civil society activist, Upper Nile State**

*“The communities [rioting in an oil producing area of Upper Nile state] say that government is not paying a percent to them to develop their lands. The Government is supposed to build schools and hospitals but the place is very poor and nothing is happening.”*

**Former CPECC trainee, Central Equatoria State**

*“We don’t have any problem if they offer training, employment, social development and community development projects – and also change their attitude not to view us as enemies to be ignored or backward.”*

**GoSS Minister, Unity State**

Overall, the picture that emerges of a Chinese engagement that has been characterised by too close a relationship with state authorities as they were asserting military control over oil exploration areas and too little initiative by all concerned stakeholders to achieve reconciliation with and deliver development benefits to communities.

A further serious problem raised in past reports relates to the environmental damage caused by oil exploration, which has reportedly resulted in deaths of people and cattle and the loss of the agricultural potential of local land. Some interviewees for this case study suggested that the problem is beginning to be addressed, but most South Sudanese stakeholders consulted took the view that there was still a significant problem.

*“They don’t observe environmental issues. Children and cows who have come to drink ponds where they have dumped toxic waste have died.”*

**Civil society activist, Central Equatoria State**

*“The chemicals used to separate the oil from the water are harmful to the people. But these chemicals have been used there [in Upper Nile] for the last seven years. [...] They are going into the river from which people take their water.”*

**Former CPECC trainee, Central Equatoria State**

*“Chemicals of oil on the southern side of Heglig and in [the] Unity [oilfield] have affected the soil so that agriculture there is not productive.”*

**WFP official, Unity State**

*“The problem was very severe in 2007–2008. State Governments and the Government of South Sudan forced companies to pay compensation and take safety measures. Toxicity has reduced since 2009 but still there is a danger as water goes to streams affecting cattle and children. Some people feel positive about the action taken but not if the money ends in the hands of commissioners: most is taken by commissioners who only sometimes invest it in services.”*

**GoSS official, Unity State**

*“Ten days ago there was a serious protest in Melut against the oil companies and the Government of South Sudan, complaining about environmental and employment issues. They blocked the way for three days.”*

**Civil society activist, Upper Nile State**

*“On the issue of toxic waste, in the Melut basin, in Upper Nile State, communities have been protesting and threatening to disrupt.”*

**Civil society activist, Unity State**

The view that significant environmental problems remain to be addressed by oil companies is also supported by *Agence France-Presse* (AFP) documentary footage released in August 2011. The film asserts that drinking water remains contaminated due to oil exploration in Unity State, in areas where GNPOC operates.<sup>191</sup>

South Sudanese officials share with ECOS analysts the perception that the methods used to extract oil in blocks 1/2/4 by the CNPC-led consortium have caused a loss of production potential.<sup>192</sup>

*“When they take the oil, they do not follow international standards. Everything is temporary and not made to last. They use generators and pull the oil right out so that it is full of water. They invest nothing in a place and take all the money back home.”*

**GoSS official, Unity State**

South Sudanese officials also bemoaned a lack of transparency on the part of Chinese companies.<sup>193</sup>

*“They had a system whereby Khartoum would have control over permissions to visit oil fields. Even now, they do not want us to go [...] we can go but they are secretive.”*

**GoSS Minister, Unity State**

Another significant concern of South Sudanese stakeholders relates to employment opportunities in the operations of outside investors. Although specific neither to the energy sector, nor to China, these concerns are particularly prominent in the petroleum industry. In the past, national staff employed by oil companies in Sudan were predominantly from the North. Before South Sudan's independence, most oil consortia had to recruit personnel through a company named Petroneeds, whose manager was believed to be a General in the National Intelligence and Security Service.<sup>194</sup> Resentment and suspicion thus remains strong towards the continued presence of Northern oil workers in oil companies operating in South Sudan.

<sup>191</sup> ‘Water pollution “a catastrophe” in South Sudan’, AFP, 20 August 2011, [www.youtube.com/watch?v=QSVj\\_z7jbPA](http://www.youtube.com/watch?v=QSVj_z7jbPA), accessed 29 November 2011; Saferworld interview, Unity State, August 2011.

<sup>192</sup> Saferworld interview, Unity State, August 2011. The same complaint is made in an interview with Unity State Governor Taban Deng (*op cit* Dyer). See also: *op cit* ECOS (December 2010), p 15.

<sup>193</sup> Saferworld interview, GoSS Minister, Unity State, August 2011.

<sup>194</sup> *Op cit* ECOS (December 2010), p 22.



In interviews with Saferworld, although there was a mix of views, some GoSS officials expressed concerns about overall levels of employment of South Sudanese people by the oil industry and stated that there are insufficient opportunities offered to them to develop skills and careers in the petroleum industry.<sup>195</sup>

*“All their workers are Chinese. They don’t have opportunities for South Sudanese people to be employed.”*

Civil society activist, Central Equatoria State

*“Opportunities for people to work are all for North Sudanese people.”*

Civil society activist, Upper Nile State

*“They are employing the local community in their business. The Chinese bring Chinese senior staff, but employ local communities in their work.”*

GoSS official, Unity State

Addressing such perceptions is by no means straightforward. For example, a young unemployed man from Equatoria interviewed by Saferworld described a dangerous situation that emerged because of negative perceptions about a Chinese company’s use of local labour. He was one of a group of South Sudanese trainees, recruited from across South Sudan, to work at an oil processing facility in Upper Nile. However, when the group arrived to begin working for the company near Malakal in Upper Nile in July 2011, they were taken captive and held for four days without food by local communities protesting the failure to employ members of their communities.<sup>196</sup> Such incidents clearly show the business case for overcoming negative local perceptions through selecting staff in a conflict-sensitive way, investing in the skills of local people, consulting communities and addressing any misunderstandings.

The negative perceptions of past and present Chinese engagement in the energy sector that persist in South Sudan are perhaps complemented by what could be termed Chinese fatigue with the volatile investment environment. In many African countries, this has been noted as a factor that may lead to greater concern by Chinese actors to do more to mitigate risks and promote better governance.<sup>197</sup> That such fatigue may be shared by both the Chinese Government and Chinese companies engaged in the oil sector in South Sudan is suggested by numerous examples of how their interests have been directly affected by ongoing conflict and/or lack of social support for their operations:

- In 2006, a PDOC team leader was killed in Upper Nile state;<sup>198</sup>
- In October 2007 the Darfurian JEM rebel group attacked Chinese oil operations in Defra, Kordofan, criticising Chinese arms supplies to the Government of Sudan and demanding Chinese withdrawal from Sudan;<sup>199</sup>
- A further attack on the Rahwa oil field in December 2007 was carried out by JEM “in its targeting of the Chinese oil companies”;<sup>200</sup>
- A GNPOC report estimated the costs of vandalism, theft and related stoppages in the first half of 2008 at US\$10.7 million;<sup>201</sup>
- In October 2008, nine CNPC employees were kidnapped by militants in oil blocks 1/2/4 in South Kordofan near Abyei, four of whom were rescued, but five were killed.<sup>202</sup>
- On 28 September 2011, an attack in South Kordofan caused the death of one Chinese oil engineer and injury to another.<sup>203</sup>

<sup>195</sup> Unity State Governor Taban Deng has also criticised Chinese companies for failing to employ local people: see: *op cit* Dyer.

<sup>196</sup> Saferworld interview, Central Equatoria State, August 2011.

<sup>197</sup> For example in Alden C, ‘Charting Africa’s Chinese future’, powerpoint presentation, no date.

<sup>198</sup> *Op cit* ECOS (May 2006), p 25.

<sup>199</sup> *Op cit* Ahmed, p 17; Large (2009), p 618.

<sup>200</sup> *Op cit* Ahmed, p 17.

<sup>201</sup> *Op cit* ECOS (December 2010), p 8.

<sup>202</sup> ‘The last missing CNPC employee kidnapped in Sudan confirmed killed’, *China Wire*, 1 November 2008.

<sup>203</sup> ‘Chinese engineer killed in S Sudan attack’, *China Daily*, 3 October 2011

Discontent in communities and insecurity have in the words of one GoSS Minister led “either to some production plans being shelved or, even worse, production stoppage”.<sup>204</sup> Similarly, in January 2011, noting the kidnapping of Chinese workers, failure to pay Chinese contractors and arrest of three Chinese nationals in Juba, the *Financial Times* quoted Zhang Jun, Chinese Consul for Economic affairs in Juba, opining that “our people are risking their lives [...] This is far from a society running by the rule of law”.<sup>205</sup>

There is clearly a question therefore, regarding how China can best provide for the security of its operations and its citizens in South Sudan. The combination of too close a relationship with coercive state authorities as they were asserting military control over oil exploration areas, too little initiative on all sides to deliver development benefits to communities and deficits in the conflict sensitivity of Chinese actors’ approaches has both proved politically damaging and led to heightened security risks for China. It is thus clear that the alternative path – choosing a more conflict-sensitive approach to attain greater levels of acceptance – offers China and all other stakeholders important benefits.

*“I would like to see compensation for the whole area of the oil activities. People have been very badly affected, and died too young, from the effects of the displacement.”*

GoSS minister, Unity State

*“The risk of popular discontent is there, and a conflict risk – like in the Niger Delta. If companies can ensure corporate social responsibility – through consultation with local communities and stakeholders – they can supplement this and ensure their corporate social responsibility practices align with their company’s policies. This is different from buying patronage – they should be very mindful to hear the local needs, for things like roads, schools and scholarships.”*

GoSS adviser, Central Equatoria State

## 5.5 Conclusions and policy implications

External actors’ recent engagement in Sudan and South Sudan has in some ways contributed positively to peace. For example, there clearly has been effective co-ordinated diplomacy to support the emergence of a fragile peace from decades of war. However, the emerging lessons from the CPA period suggest much that could be done to respond better to conflict in Sudan and South Sudan. This could be achieved through: better contextual understanding; more coherence around a collective strategy to respond flexibly and effectively to conflict dynamics, including the political aspects of the post-conflict transition; more effective support for rollout of service delivery outside main towns, rapid economic growth and economic diversification; and greater conflict-sensitivity in how assistance is designed and delivered.

China’s engagement in Sudan and South Sudan forms a strong contrast with that of Western actors. Each element examined in the case study – political, military, aid and economic – illustrates both positive and negative aspects of Chinese engagement. Thus China has influenced the parties to pursue peace, but could have done so more strongly, and will need to consider whether its courting of elites could prove divisive and short-sighted, given its long term interest in stability. China has also contributed personnel vital to keeping the peace in Sudan and South Sudan and assisted in building local demining capacities – but paradoxically, has retained an irresponsible arms transfer control policy that has embittered Southern stakeholders and fuelled violence against civilian populations. China has also made huge investments in Sudanese infrastructure, but should consider how to ensure that some clear negative impacts on local communities are avoided in future such projects and address the strong local perception

<sup>204</sup> Quotation: Minister Lual Deng in *op cit* ECOS (December 2010), p 12.

<sup>205</sup> *Op cit* Dyer.

in South Sudan that China's assistance has disproportionately benefited the North and not the communities worst affected by the conflict. In the energy sector, Chinese companies pioneered profitable oil extraction and processing in Sudan – but in doing so they were, along with several Western companies, complicit in causing tremendous human suffering. Chinese oil companies will continue to face hostility from local stakeholders until they are able to enjoy tangible compensation for what many feel have been strongly negative impacts of oil exploration.

The clear risks to Chinese interests posed by conflict dynamics in Sudan and South Sudan have been increasingly recognised by China and fed into both lessons learning among officials and organisations like CNPC, and the adoption of new approaches in the form of measures aimed at enhancing security and more active political engagement in support of peace.<sup>206</sup> The policy implications set out in this section are intended as a contribution to such lessons learning – as well as to help Western actors to consider how they can strengthen their contribution to peace in considering the strengths and weaknesses of China's approach. Most importantly, the case study suggests that China would have nothing to lose, and everything to gain, from addressing these negative aspects – maximising the conflict sensitivity of its engagement in Sudan and South Sudan as an increasingly responsible global power.

The conduct of Khartoum has made it at times a problematic ally for Beijing and this has led international observers to question China's contribution to peace and stability as a responsible global power. Beijing needs to make it clearer to Khartoum that the price for close friendship with Beijing is not only avoiding escalations of conflict with the South, in the three areas and in Darfur, but also tackling the root causes of such conflicts. No one stands to benefit more from better relations with the populations of Sudan's peripheries than the GoS, but China also has both the protection of civilians and the security of its oil operations and workers to consider, and should therefore use its unique traction to influence Khartoum to stop targeting civilians in ongoing violence and pursue meaningful negotiations towards a durable peace in South Kordofan and Blue Nile. It should also work to ensure that both parties negotiate a fair and therefore durable agreement on sharing oil revenues and the final status of Abyei.

This paper notes that China needs to consider carefully whether it is in its interest to supply arms to recipient countries that might not only act in violation of UN arms embargoes, but also divert weapons acquired from China to conflict regions where they might be used against China's own peacekeepers. Chinese military co-operation should also be shaped under the overall priority for China of supporting peace and stability. Restraint in the supply of arms to GoS and GoSS is likely to lessen the readiness of either side and their proxies to pursue escalations of hostilities. Any dialogue and capacity support on military matters should also encourage the fulfilment of global norms and standards, such as the responsibility to protect; and China should increase its engagement in peacebuilding efforts, such as those to collect and destroy illicit weapons, or to build capacity for demining.

International actors face a common challenge in supporting GoSS and other stakeholders to respond better to outbreaks of armed violence in South Sudan, with a combination of stabilising measures in the security, justice, relief and development sectors. China should be proud of the contribution its peacekeepers make to stability in South Sudan, but seek to engage more in support of innovative and holistic responses to violence that provide security for local people and address the causes that underpin ongoing violence.

China should also play a role in contributing to more rigorous management of the performance of UNMISS, than was achieved with UNMIS. It is critical that UNMISS becomes more effective in key areas such as ensuring genuine protection of civilians from violence and the development of a responsive and accountable security sector.

206 *Op cit* Large (2009), pp 618–619.

In line with the concern that corruption can fuel resentments that drive conflict, China should strengthen the guarantees it requires regarding the use of grants, loans, infrastructure and services it provides in the two countries, and carefully guard against providing assistance in a way that is seen as benefiting only elites. Until the public feels confident that oil revenue is being fairly allocated in support of national and local priorities, concerns about corruption will increase the likelihood of further armed conflicts. If China shares Western concern about this, it should seek to support the capacity of the anti-corruption commission and other systems for budget monitoring and tackling corruption in South Sudan.

Like companies from all countries, Chinese companies' chief purpose is to pursue commercial success. However, all Chinese companies, especially those that are state-owned, also represent China in the world. Structurally, Beijing should consider how it can ensure that Chinese companies pursue success in a way that is fully compatible with China's image in the world as a responsible global power. This could be achieved by enhancing China's legal framework to require greater corporate social responsibility and conflict sensitivity from companies operating abroad. It should also increase the powers and capacity of the Chinese Ministry of Foreign Affairs (MFA) to monitor Chinese commercial actors and ensure they operate in ways that are contributing to China's prestige.

The challenges China is facing in Sudan and South Sudan are not new challenges, but difficulties that have also faced other emerging economic powers in the past and will affect others, such as India, increasingly in the future. As China's engagement – even that which is providing development benefits – is primarily commercial at present, the most important areas where it could usefully draw on the lessons of past Western failures are, perhaps, drawing on the expertise of aid agencies regarding the need to 'do no harm' or to be 'conflict-sensitive', and adopting emerging best practices in terms of corporate social responsibility.

In considering the issues and perceptions surrounding the energy sector in South Sudan at the time of independence, a number of recommendations can be identified that would clearly enable Chinese actors to make a more positive contribution to peace and stability. By providing broad-based social and economic benefits in the right way and engaging responsibly with both political leaders and communities, they can mitigate the political and security risks they face to bring about a 'win-win' scenario for themselves and South Sudanese stakeholders.

A key recommendation regarding conflict-sensitive approaches to any context is to take every opportunity to consult with communities and where possible, address any concerns or grievances they raise. It is also important to work in a way that stimulates the local economy and provides employment opportunities to local people. At policy level, as affirmed by a senior Chinese MFA official in an interview with Saferworld, the MFA already encourages Chinese economic actors, including state owned companies, to do risk assessments, and this provides scope for engagement with local community actors that could become a bedrock for more conflict-sensitive engagement.<sup>207</sup>

A very clear demand from South Sudanese stakeholders is for community development projects in the South that more clearly target the very deeply marginalised and impoverished people of the country. Conflict-sensitive community development initiatives would build on a strong platform of consultation with communities to identify their perceptions and ways to respond to the needs of the most vulnerable. For as long as GoSS capacity for the task remains weak, oil companies should take steps to compensate communities within their blocks of operation through processes that assess all aspects of damage caused to communities, directly and indirectly, as a result of oil exploration and deliver socio-economic benefits to communities through processes that are designed, implemented, monitored and evaluated through conflict-

sensitive, participatory processes owned by communities. This is an example of a specific area where it could be beneficial for Western aid agencies to share with Chinese actors their experience of using community development approaches that work in a participatory and accountable way directly with communities. Such an approach would help China to achieve important improvements in its image among South Sudanese stakeholders, enhancing its security at the same time as making a more visible and effective contribution to poverty reduction.

Oil companies should also commit to improve their protection of the environment. They should undertake comprehensive assessments of the potential environmental impacts of their work, take all necessary steps to avoid negative impacts on the environment, monitor their performance in doing so in consultation with communities and other local stakeholders, and report transparently on this.

ECOS has argued that:

*“The continued prevalence of people with a military and security background [...] may provide a certain kind of security, but risks sustained alienation and dissatisfaction among the population and perpetuating a climate in which targeting companies remains socially acceptable.”*<sup>208</sup>

As a framework to address this, ECOS recommends that oil companies adopt and implement the Voluntary Principles on Security and Human Rights.<sup>209</sup> An important way for companies to embrace the conflict sensitive principle of impartiality would be for them to ensure that their risk management and security operations are independent from the security apparatus of both GoS and GoSS. They should also follow codes of conduct that help improve the way Chinese companies are perceived by communities and officials. Furthermore, the quality of community development work undertaken by Chinese companies will be optimised if it is designed, implemented and evaluated by staff with expertise in community development and conflict sensitivity, rather than being managed wholly by security/risk management staff.

In addition, given the expected sharp decline in Sudan and South Sudan’s oil revenues by 2015, China and Chinese companies appear to be in a unique position to support stability in three main ways. Firstly, according to ECOS and USIP, a key way for Chinese oil companies to improve the perceptions of GoSS officials and other stakeholders of the contribution they are making would be for them to discuss with officials any existing options for investing in technologies that would increase the yield from remaining oil stocks, negotiating new contractual arrangements for covering the costs of doing so where necessary.<sup>210</sup> Secondly, Chinese companies were said in 2010 to be the only companies with a track record in successful exploration to have expressed interest in investing further in South Sudan’s oil sector – potentially staving off the threat of declining oil production.<sup>211</sup> Thirdly and crucially, Chinese actors are in a unique position to support the diversification of South Sudan’s economy: this can be achieved by the implementation of the Forum On China-Africa Cooperation Sharm-el-Sheikh Action Plan of 2009 and in particular, through the financing and delivery of fast-tracked infrastructure development, drawing on and perhaps further expanding the already unrivalled logistical capacity of Chinese companies in South Sudan.<sup>212</sup> In doing so, Beijing should encourage companies to ensure that infrastructure development draws as much as possible on local labour and resources and does not serve only elite interests as a result of political interference.

Considering China’s approach and engaging with China is also crucial for Western actors. Western donors should prioritise discussion and focus on the situation in

<sup>208</sup> *Op cit* ECOS (1 December 2010), p 11.

<sup>209</sup> *Ibid*, p 11; see also: *op cit* Shankleman.

<sup>210</sup> New wells and technologies could, according to ECOS, add five percent to the current recovery rate in oil blocks 1/2/4, and delay the predicted decline in production from oil-producing blocks. See: *op cit* ECOS (December 2010), pp 10, 15.

<sup>211</sup> *Ibid*, p12.

<sup>212</sup> ‘Forum On China-Africa Cooperation Sharm El Sheikh Action Plan (2010–2012)’, FOACAC, 12 November 2009.

Sudan within broader dialogues with Chinese officials. A shared interest in peace and security should be the foundation on which dialogue is built – and much can be learned on both sides through considering the case of Sudan and South Sudan, based on closer understanding of the perspectives of local communities. Such a dialogue might lead to closer policy alignment in some areas. More broadly, dialogue will contribute to the longer-term and gradual process of international norm-building surrounding China's emergence as a global power. At the same time, discussions should also be seen as an opportunity for Western states to demonstrate that they understand and appreciate the legitimacy of China having its own perspectives that may contribute constructively to common aims.

In light of the challenges they have acknowledged in shifting from relief to more sustainable development benefits in Sudan, Western actors should consider what they can learn from China's commercial model. It has underpinned commercial activity that provides employment, and in some cases services, sustained by local market demand – even in locations such as Bentiu, where others working with conventional aid approaches have developed negligible logistical capacity. Chinese actors could in turn benefit from engaging in dialogue with aid agencies on how to achieve a conflict-sensitive approach to delivering development assistance in South Sudan and elsewhere. This could look in particular at how to work with officials and communities to ensure an equitable spread of benefits from development initiatives and how to reduce the risk of any diversion of development resources from their intended purpose – also a key priority for GoSS.

China's growing engagement also has policy implications for Western actors engaged in South Sudan. Encouraging the uptake of human rights, democratisation and good governance in a situation where large volumes of support are increasingly available from actors who do not prioritise them is challenging. As one GoSS official put it:

*“If a man is thirsty, he needs to drink, no matter where the water comes from. China is ready to do things straight away. [...] When the West gives some small money, they want to manage it very carefully. While they are thinking what to do, China will come in.”<sup>213</sup>*

For the time being, however, South Sudan will need as much assistance as possible from all sources. Thus there is no zero-sum game for influence with GoSS in prospect for the present time. In their development engagement in South Sudan, Western governments and their donor agencies should remain openly committed to their core values and avoid falling into the trap of re-aligning their development priorities as a means to compete with Chinese influence. In fact, seeking co-operative or complementary development objectives and diplomatic approaches with China need not detract from promotion of core values – but could instead be crucial to their advancement.

Ultimately, it is the task of South Sudanese people to demand and uphold governance and regulatory systems that can ensure that external actors' projects and capacities help their country move forward to peace and prosperity – for example, through the implementation of South Sudan's new petroleum policy and legislation. Rather than seeking to exert pressure exclusively through direct influence with the national government, Western actors should adopt a more clear and strategic focus on resourcing and building the capacity of local media, civil society and communities to hold their leaders and commercial actors to account.

## Acronyms: Sudan and South Sudan

<b>AFP</b>	Agence France-Presse	<b>MFA</b>	Ministry of Foreign Affairs
<b>AU</b>	African Union	<b>NCP</b>	National Congress Party
<b>AUHIP</b>	African Union High-Level Implementation Panel	<b>NIF</b>	National Islamic Front
<b>b/d</b>	Barrels per day	<b>ODA</b>	Official Development Assistance
<b>CFPA</b>	China Foundation of Poverty Alleviation	<b>ODI</b>	Overseas Development Institute
<b>CNPC</b>	China National Petroleum Company	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>CPA</b>	Comprehensive Peace Agreement	<b>PDOC</b>	Petrodar Operating Company Ltd
<b>CPC</b>	Communist Party of China	<b>SAF</b>	Sudanese Armed Forces
<b>DDR</b>	Disarmament, demobilisation and reintegration	<b>SALW</b>	Small arms and light weapons
<b>DFID</b>	UK Department for International Development	<b>Sinopec</b>	China Petroleum & Chemical Corporation
<b>DIIS</b>	Danish Institute for International Studies	<b>SIPRI</b>	Stockholm International Peace Research Institute
<b>ECOS</b>	European Coalition on Oil in Sudan	<b>SPLM/A</b>	Sudan People's Liberation Movement/Army
<b>EU</b>	European Union	<b>SPLM-N</b>	Sudan People's Liberation Movement North
<b>Exim Bank</b>	China Export Import Bank	<b>UK</b>	United Kingdom
<b>FDI</b>	Foreign direct investment	<b>UN DPKO</b>	UN Department for Peacekeeping Operations
<b>GNPOC</b>	Greater Nile Petroleum Operating Company	<b>UNAMID</b>	African Union/United Nations Hybrid Operation in Darfur
<b>GoS</b>	Government of Sudan	<b>UNISFA</b>	United Nations Interim Security Force for Abyei
<b>GoSS</b>	Government of South Sudan	<b>UNMIS</b>	United Nations Missions in Sudan
<b>HRW</b>	Human Rights Watch	<b>UNMISS</b>	United Nations Mission to South Sudan
<b>HSBA</b>	Human Security Baseline Assessment	<b>UNSC</b>	United Nations Security Council
<b>ICC</b>	International Criminal Court	<b>US</b>	United States
<b>IDP</b>	Internally displaced person	<b>USIP</b>	United States Institute of Peace
<b>IGAD</b>	Intergovernmental Authority on Development	<b>WFP</b>	World Food Programme
<b>JEM</b>	Justice and Equality Movement		

# 6

## Conclusions and recommendations

### 6.1 China rising

The role and influence of China in conflict-affected states is increasingly apparent. China should acknowledge the responsibilities that come with this, recognise that 'non-interference' is difficult to reconcile with its major role, and use its influence to promote peace.

China is an increasingly significant actor in a number of conflict-affected states. There is a perception, if rarely stated explicitly, that such contexts will become less stable and more prone to conflict because China's foreign policy is driven purely by economic and geopolitical interests and it is not committed to the principle of peacebuilding. Saferworld's research explored these issues in four conflict-affected states, and shows that in reality the picture is more complex. The case studies illustrate how in some ways China is having a stabilising influence in the selected contexts, but that this may work against the evolution of inclusive and sustainable peace.

#### Peace and stability

The terms 'peace' and 'stability' mean different things to different people. In this report we distinguish between peace – associated with political, social and economic inclusion – and stability, usually associated with political order and the absence of violent conflict. This is not intended as a definition of these terms, but to clarify how they are used here. It does not imply that they are opposed or incompatible, but nor are they synonymous. There is an obvious synergy between peace and stability, but it is also possible to have stability without peace. The different interpretations and applications of stability are considered further in this section.

#### Reinterpreting the policy of non-interference

It is clear that whatever the official line on non-interference, China's engagement is – deliberately or otherwise – changing the political landscape in conflict-affected states. Whether 'non-interference' is viewed as a principled position or as a convenient façade, it is increasingly hard to put into practice given China's dominant role. Not to recognise the impacts of China's engagement will undermine peacebuilding.

- *China should recognise that its engagement inevitably impacts on the internal politics of conflict-affected states, and should analyse the consequences.*
- *China should consider a more flexible and context-specific interpretation of its policy of non-interference so that it supports peace more consistently.*



### Using economic and diplomatic leverage to promote peace

It is equally clear that China has the potential to play a larger role in consolidating peace as well as stability in many of these contexts. This does not necessarily mean China should adopt a Western-style approach to peacebuilding, but rather suggests it could use its undoubted economic and diplomatic leverage to promote more inclusive and sustainable political solutions.

- *China should acknowledge the responsibilities that come with its increasing role in conflict-affected states, especially its ability to influence conflict dynamics.*
- *China should use its influence proactively to promote peace as well as stability.*

### Recognising its impact on conflict dynamics

There is no doubt that in some conflict-affected states China is an important source of economic support for post-conflict reconstruction, which provides a tangible peace dividend for many. However, any intervention by an external actor – whether Western, Chinese or other – will affect the distribution of power and resources in that context. Depending upon how and to whom it is delivered, development assistance can increase inequalities and divisions between communities, at local and national levels. The risk is that over time the flow of Chinese resources into conflict-affected states may fuel existing inequalities and exclusion, thus strengthening drivers of conflict.

- *China should acknowledge that economic development on its own is not sufficient to build inclusive and sustainable peace; and that economic co-operation and other forms of assistance can exacerbate conflict dynamics.*

## 6.2 Implications for the West

As the ‘donor marketplace’ expands, Western commitments to key building blocks of sustainable peace, such as good governance and human rights, should not be sidelined in favour of geopolitical interests and competition with China. The West should also support confidence-building measures between rising powers, such as China and India.

### Acknowledging a new reality

The corollary of China’s growing role and influence in many conflict-affected states is a decline in the influence of Western donors. This shift in influence should not be overstated, but it does refute the supposition that Western states are the only or main actors when it comes to supporting peace and stability in such contexts.

- *Western states should acknowledge the significant and often dominant role that rising powers now play in conflict-affected states.*
- *Western states will need to ensure that context analysis and strategy development are informed by a better understanding of the interests and impacts of rising powers.*

### An expanded donor marketplace

By offering alternative sources of support to that of the traditional Western donors, China and other new actors are introducing more competition into the ‘donor marketplace.’ This means that national governments in conflict-affected states have more choice regarding from whom they receive assistance, and more options regarding the terms of such support.

It is hard to predict the implications of an expanded donor marketplace for conflict-affected states. It would be naïve to suggest that the agendas of Western states are wholly benign in contrast to those of China, so a decline in Western influence will

not automatically increase the prospect of conflict. Some consider that wider choice for recipient governments will enable greater national ownership of the development process – though others question the balance between state and people in terms of national ownership.

What is clear is that strategies for peacebuilding need to reflect changes in the donor context. OECD-DAC donors no longer hold sway over development assistance, so they have less leverage over recipient governments. Furthermore, the threat of diplomatic isolation by the West now carries less weight.

This has implications for the Western principle of linking aid to government performance on issues like governance or human rights. The assumption that Western donors can guide conflict-affected states towards peace through a combination of aid and conditionality – arguably only sporadically attempted, let alone effective – becomes more questionable.

One concern is that the expanded donor marketplace may make it easier for national governments to ignore values of human rights and good governance that are fundamental to peacebuilding. There is a consequent fear that Western states may relax pressure on governments to address difficult issues in order not to lose influence *vis-à-vis* China. Thus concerns about human rights and governance may become side-lined as a wider range of external actors compete for the favour of recipient governments.

- *While recognising the limitations to their influence in conflict-affected states, Western actors should maintain and affirm commitment to fundamental values including the peaceful resolution of conflicts, representative and accountable political institutions, and human rights.*
- *Western states should review how they uphold these values in the changed donor context, including through: more strategic bilateral engagement which effectively links aid to diplomacy; more coherent and co-ordinated engagement across the donor community; and greater support for civil society participation in generating change from the bottom-up.*

### **Geopolitical competition between rising powers**

It would be blinkered to view these issues solely through the prism of ‘the West and China’. In South Asia, for instance, India has historically been the most influential actor, so the main axis of geopolitical competition currently is between China and India. In other regions, such as Central Asia, a different cast of non-Western states is competing for influence. How geopolitical competition between rising powers plays out in conflict-affected states poses a challenge to future peace and stability in a number of contexts.

- *Western states should analyse how their engagement may affect geopolitical dynamics and, where possible, support initiatives that build confidence between rising powers in order to mitigate the risks to conflict-affected states.*

## **6.3 Bridging the policy gap**

A shared concern in the West and China over stability in conflict-affected states provides a foundation for dialogue about peacebuilding. Policy dialogue, at both official and non-governmental levels, can help reconcile different interpretations of stability and identify complementary approaches in support of peace.

### **Building on a shared concern for stability**

China’s growing role and the relative decline of Western influence can be seen to affect strategies and tools for peacebuilding, but does it necessitate a wholesale shift of focus in conflict-affected states? Saferworld’s research suggests that the positions

and interests of China and Western actors are not as incompatible as may be assumed. Both Western states and China wish to ensure stability in conflict-affected states. This shared concern suggests some common ground and could provide a foundation for dialogue on peacebuilding.

For dialogue between the West and China to be constructive will require both sides to deepen their understanding of the other. For instance, although a rising power, it is important to bear in mind that China still regards itself as a developing country, which is borne out by its GDP per capita. This does not mean Western states should view China through a donor-recipient lens, but it should be approached as a country that faces development challenges of its own, as well as having a key role to play in supporting development overseas.

### **Defining stability**

Productive dialogue will also depend on mutual understanding of key terms of the discourse. In particular, both China and the West need to be clear about what is understood by 'stability'. Although it does not promote a particular model, for Beijing the stability of a country tends to be equated with the capacity of its government to control it. It follows that China generally supports a top-down, state-oriented model of stability.

Western states have adopted a similar approach in some contexts considered of strategic importance, though recent history – for instance, uprisings in the Arab world – reveals its limitations in terms of building inclusive and sustainable peace. Western states do not subscribe to a single definition of stability in conflict-affected states, but they generally seek to promote a model based on liberal democratic values, including representative and legitimate political systems and respect for human rights.

### **Opportunities for policy dialogue**

To reconcile these different interpretations of stability may present challenges, but also offers scope for policy dialogue between China and the West, and potentially for co-operation. The risk is that a top-down model of stability that automatically reinforces the state regardless of its role in peace and conflict dynamics may become the norm for China and Western states alike. But there is also an opportunity for policy communities in China and the West to review what is understood by stability, and to evolve a shared vision of a more people-oriented approach that will underpin sustainable peace rather than undermining it.

Broad-based engagement between policy communities in China and the West could lay the foundations for co-operation at the official level. Policy-formation in China is the preserve of the party leadership, but it is partly informed by Chinese think tanks, universities and academics. This underscores the value of a parallel process of dialogue between policy communities in the West and in China. Dialogue between policy communities will also help to address the gap in Western actors' knowledge of Chinese policies and practices.

- *Policy communities in China and the West should initiate a more nuanced debate about what type of stability they support overseas, whether driven by national security interests or concern for human security.*
- *Western actors will need to deepen their understanding of China's perspective on stability in specific contexts – and vice-versa – and points of convergence should be identified, with a view to developing common policy objectives in support of peace.*
- *Chinese and Western policy makers should ensure that any engagement in conflict-affected states gives due consideration not just to the concerns of governments, but also to the needs of local people, particularly in respect of access to security, justice and livelihoods.*

## 6.4 Building a culture of co-operation

China is going through a period of policy development and adaptation as it engages more on issues of peace and conflict. This provides a strategic opportunity for the West to engage with China and to help shape its approach in conflict-affected states, based on the principles of conflict sensitivity.

### A chance to shape China's engagement

There is a real opportunity at present to develop more complementary approaches between China and the West. Aside from the principle of non-interference, there is no defined set of Chinese policies or institutional mechanisms for engaging in conflict-affected states, while knowledge and capacity regarding peacebuilding is relatively low. As such, China faces a period of policy development and adaptation. Proactive and constructive engagement by the West on these issues can help shape how China engages in conflict-affected states in the future.

While the West could and should do more, it also needs to be noted that for Chinese policy makers, engagement and co-operation with Western actors in conflict-affected states does not appear a priority: bilateral relations with host governments are Beijing's main concern. Eschewing association with Western states may have short-term benefits for China in its relations with the government of the day, but it is likely to fuel suspicion of China's role among other international actors. Chinese claims to impartiality should not preclude dialogue and co-operation with other states.

It would be naïve to suggest that such engagement will be easy or straightforward. However, it is in the interests of both sides – and most importantly in the interests of conflict-affected states – that they build a culture of dialogue and co-operation with each other. This should be developed on a step-by-step basis, progressing from basic information-sharing through dialogue to co-ordination and ultimately co-operation on joint projects. Small-scale and practical development projects could be identified for joint support in the first instance; using these as entry-points for subsequent co-operation on larger and more sensitive issues.

### Time to talk

Saferworld's research indicates that there is currently minimal official engagement between Western states and China in the countries examined. Given the significant roles they play in these contexts, for such influential actors not to be at least talking to each other means that support for peace and stability will be incoherent at best and counter-productive at worst.

- *Policy makers in the West and China should proactively and systematically engage with each other regarding their strategies towards conflict-affected states, with a view to more harmonised approaches and ultimately co-operation.*

The process of policy formulation will be informed by dialogue at various levels and in different forums. This includes bilateral engagement between diplomatic counterparts in conflict-affected states, as well as with government officials in Beijing. Multi-stakeholder dialogue, including civil society and the corporate sector, would also inform the policy debate.

- *Dialogue between China and the West will need to take place at different levels, both in-country and in capitals.*
- *Western and Chinese governments should provide official support for multi-stakeholder dialogue processes.*

### Collaborating on conflict sensitivity

The approach of ‘conflict sensitivity’ may be one area where the West can collaborate with China. Through better understanding the context in which external actors operate and assessing the risks of their engagement, this approach seeks to mitigate negative impacts on conflict dynamics and to build on opportunities for peace. A conflict-sensitive approach is in the interests of local communities, but also has benefits for Chinese companies in terms of security and sustainability. China could adopt a more conflict-sensitive approach not only in bilateral reconstruction and development projects, but also in terms of investment by state-owned banks (e.g. the China Export-Import Bank) and of companies operating in conflict environments (e.g. the China National Petroleum Corporation).

#### Conflict sensitivity

Conflict sensitivity is generally defined as a three-step approach:

- Understanding the context in which you operate, including the conflict dynamics
- Understanding the interaction between your intervention and this context
- Acting upon this understanding to avoid exacerbating conflict and to reinforce peace.

Putting conflict sensitivity into practice may entail some of the following:

- Consulting systematically with local stakeholders and acting to ensure their needs and concerns are constructively addressed
- Targeting reconstruction and development projects in ways that benefit different regions and groups equally
- Providing broad-based social benefits alongside large-scale extractive infrastructure, for example through community development projects
- Operating in a way that stimulates the local economy and provides employment opportunities to local people
- Engaging responsibly with political leaders and government institutions to avoid fuelling corruption and patronage politics.

- *Western development agencies and NGOs should strengthen their commitment to conflict sensitivity, raise awareness of this approach with Chinese counterparts, and share information and lessons learnt about how to put conflict sensitivity into practice.*
- *Chinese as well as Western governments will need to strengthen legal requirements and regulatory capacity to ensure that their companies abroad operate in a way that is conflict-sensitive.*

## 6.5 An enabling international architecture

Progress in building peace and stability in conflict-affected states will depend on dialogue and co-operation at the multilateral as well as bilateral level. The international architecture for development should reflect the new world order, including China’s growing role. China should be encouraged to participate actively in multilateral frameworks, including those for peacebuilding and arms transfer control.

#### New frameworks for new actors

It should no longer be assumed that the problems of conflict-affected states can be fixed by Western donors operating within traditional development frameworks and groupings like the OECD-DAC. This is particularly important as the international community begins to draw up a new vision and framework for human development when the Millennium Development Goals expire in 2015. China and other rising powers will be key to developing and agreeing a post-2015 framework.

- *New multilateral frameworks for development should be formulated on the basis of dialogue between states, including China and other rising powers.*

As the World Development Report 2011 illustrated, insecurity and conflict pose major obstacles to development. This was highlighted by the call from conflict-affected countries at the Fourth High-Level Forum on Aid Effectiveness in Busan to give more attention to peacebuilding as a key element of human development.

- *Western states should proactively engage China in developing and implementing international strategies for peacebuilding, such as the New Deal for Engagement in Fragile States agreed in Busan.*

### **Encouraging multilateral engagement**

China is still coming to terms with how, and how much, it engages as part of the international community. There is considerable internal debate about the role it should take in global processes and decision-making bodies, and on what terms. China appears willing to engage in some multilateral forums, especially those linked to the UN system, which it considers as the appropriate platform for co-operation between states.

Recent evidence – for instance from the High Level Forum on Aid Effectiveness in Busan and from the Climate Change Conference in Durban – encourages the view that China is not adopting an isolationist stance. It suggests that it is gradually embracing the responsibilities that come with its growing global reach and impact. Involving China and other rising powers may mean that global processes move slower and entail more concessions. However, in certain cases good-enough commitments signed-up to by all the major players may achieve more than optimal commitments approved by only a minority. Therefore China's positive engagement in such processes should be acknowledged by other actors, and efforts made to encourage similar engagement on processes and frameworks related to peacebuilding.

- *China should actively promote peacebuilding in regional and international policy forums and processes, such as the Forum on China-Africa Cooperation.*

### **International agreement on arms transfer control**

Arms transfers are a key area of multilateral engagement affecting peace and stability. Conflict-affected states are particularly vulnerable to the uncontrolled proliferation and misuse of conventional arms. The case studies illustrate how the availability of Chinese weapons to actors in such contexts can threaten peace and stability, and even pose risks for Chinese companies and peacekeepers. Globalisation and trade liberalisation mean that any action taken to tackle the problems associated with conventional arms proliferation must be international and co-operative.

- *Closer engagement is required between Western and Chinese policy communities to strengthen arms transfer policy and practice, including the adoption of a robust and effective UN Arms Trade Treaty that establishes common international standards.*
- *China will need to apply criteria that assess the risk that Chinese weapons are used in a way that undermines its obligations under international law or are diverted to unauthorised end-users for purposes that threaten peace and stability.*

**Saferworld works to prevent and reduce violent conflict and promote co-operative approaches to security. We work with governments, international organisations and civil society to encourage and support effective policies and practices through advocacy, research and policy development and through supporting the actions of others.**

**COVER PHOTOS TOP LEFT:** Nyala, Sudan – Chinese engineers working for the United Nations-African Union Mission in Darfur (UNAMID) arrive at their duty station, July 2008 © UN PHOTO/STUART PRICE

**TOP RIGHT:** Colombo, Sri Lanka – Construction machinery for infrastructure development donated by China to the Government of Sri Lanka line the streets of Colombo, December 2011

**BOTTOM LEFT:** 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

**BOTTOM RIGHT:** Sindhupalchok, Nepal – A view of the China-Nepal Friendship Bridge, spanning the Koshi river to link Nepal and Tibet, March 2010

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