

South Sudan: A critical battleground between China and USA

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By Steve Paterno

February 16, 2012 - With only few months into independence, the oil rich, but yet impoverished South Sudan finds itself trapped on the cycle of foreign aid dependency as well as a battleground for superpowers' hegemony and influence. This is the classical rivalry and the clash of East meeting West being put into play, with the number two world economy, China, trying to hold on its sphere, while the the number one USA is trying to outmaneuver its way through. The battle between China and USA over influence in Africa, the Sudan in particular, has been brewing for years. The rivalry is now reaching its climax, with South Sudan being set as the theater of operations.

For the last decades, China's expansion into the continent was rapid, at an accelerated speed in tandem with China's economic growth. As of last year, China's trade volume in Africa exceeded 150 billion, in comparison to only 82 billion of US trade with the continent. Sudan is among China's biggest trading partners in the continent. China imports more than 60% of Sudanese crude oil, which accounts for more than six percent of Chinese energy consumption. Chinese investment in Sudan is substantial, valuing at more than eight billions, with the the Chinese state owned oil company, China National Petroleum (CNPC), controlling the energy sector of the country.

In return, the Sudanese regime in Khartoum gets from China military support, diplomatic cover, developmental assistances, financial support among other assistance. However, Chinese hold will likely change, with the independence of South Sudan and USA exerting its influence through the newly established nation.

When South Sudan obtained its independence in July of last year, it walked away with over 70% of Sudanese oil, which was once China's crown jewels. Even though it has its own oil wells, the landlocked South Sudan has no refineries, pipelines, or outlets of its own to sell its oil to the world market. The country relied on Sudan for refining and transporting its oil. This has proven difficult as dispute erupted between these two countries over payment fees, which let Sudan to unilaterally confiscate South Sudanese oil. As a result, South Sudan took a drastic action to shut down its oil production, dispute the fact that the newly established country depends on oil revenue for 98% of its budget.

The sudden disruption of the South Sudanese oil supply caused a shortfall to the Chinese rising energy demands. The Chinese energy market prefers heavy sweet grades crude oil, the Nile and Dar Blend, which is produced in South Sudan to power the Chinese industries. Now, China is scrambling for alternative to cover for the loses.

The shut down of South Sudanese oil production does not just robbed China of its energy needs, but it also further strained relationship between China and South Sudan. South Sudanese officials are accusing Chinese companies and individuals for their role in "stealing" the South Sudanese oil. The officials are demanding that those responsible must be made to pay or else they are kicked out of the country.

China is also finding out that its investments in Sudan's non-oil sector is also being under threats. The recent attack on a Chinese construction camp and subsequent kidnapping of the Chinese workers in the border state of South Kordofan by the rebels, SPLM-N, which has ties to South Sudan, highlights the dangers in which Chinese are encountering in its ventures quest in Sudan. After this particular incident occurred, the SPLM-N made several calls for China to fulfill. Among those requests made by the SPLM-N is for China "to support the demand of the SPLM-N of a holistic approach that will end the tragedy and misery of the Sudanese people and bring a just peace to Sudan." Even though the group claims that it welcomes China's contribution toward development in Sudan, it says that can only be done after the war ends—a diplomatic way of saying they want China out of the country. This means, the presence and interest of China will remain under constant threats from the armed groups in Sudan, who are seeking the overthrow of the Khartoum's regime.

This scenario has given USA room to wiggle through. With South Sudan being cash strapped, The USA lends a hand so as to exert influence and gain access to the resource in the region. For its proposed 2013 budget, the USA includes billions of dollars in aid to be allocated to developing countries and countries transitioning from conflicts, in which South Sudan is a possible beneficiary. This will not be the first time South Sudan is getting aid from US. For the last several years, South Sudan has been getting about 300 millions dollars annually from America. However, those were provided in the context of a united Sudan. Even though a bulk of those grants went to Southern Sudan, part of them were also allocated in the other marginalized regions of the Sudan; the Nuba Mountains and the Blue Nile, respectively.

This time around, the USA aid will be channeled exclusively in an independent South Sudan to assist in "areas of governance, rule of law, conflict mitigation, economic development, delivery of basic services, and security sector reform." As usual, this grant comes with stringent conditions that South Sudan can hardly meet—the conditions, which will even prove more difficult

to implement. Nonetheless, this will allow USA to establish a stronghold in South Sudan and further its regional influence. For example, one of the conditions of this grant requires the USA to involve in the management and “extraction of oil and gas” of South Sudan. Although the USA corporations were forbidden to trade with Sudan due to sanctions, now they can do business with the oil rich South Sudan to further extend US reach.

The coming months and years will prove critical for both China and USA, as the Chinese presence is being tested and their interest being challenged, while the USA is maneuvering to assert more influence and to gain full regional control. The outcome will largely depends among other factors, on the stability of the two Sudans. If there is anything in common between China and the USA, it is that both will want to see the stable and peaceful two Sudans. Therefore, the two giants must invest in peace and stability in the two hostile countries to create an atmosphere of a win-win situation.

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