



**Testimony before the
Subcommittee on Domestic and International
Monetary Policy, Trade, and Technology
Committee on Financial Services
United States House of Representatives**

**“H.R. 180, Darfur Accountability and
Divestment Act of 2007”**

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A Statement by

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Chairman Gutierrez and Congressman Paul:

I am grateful to you both for the opportunity to appear here today at this important hearing on *H.R. 180, the Darfur Accountability and Divestment Act of 2007*, held by the House Financial Services Subcommittee on Domestic and International Monetary Policy, Trade, and Technology. As we agreed, I will make my remarks brief and concentrate on China's economic stakes in Sudan, its evolving approach to Darfur, and options for achieving greater collaboration with the United States that result in more effective pressures upon Khartoum.

Notwithstanding China's important economic ties with Sudan and public adherence to the principle of non-interference, the last year has seen a subtle shift in China's approach to Sudan, a greater willingness to raise the issue of Darfur with senior Sudanese leaders, and an emerging consensus with the United States that implementation of the three-phase "Annan Plan" is the best way forward to achieving peace and stability in Darfur. This shift has been driven in part by China's wish to promote itself as an ethical global power, in part by discussions with other African leaders invested in seeing the Darfur issue resolved, and in part by the threat of increasing international pressures and tensions. While the United States and China will continue to differ on respective assessments of the situation in Darfur and on appropriate tactics in its resolution, the United States should seek to build on China's emerging openness to play a constructive role in ending the crisis in Darfur.

I am indebted to my CSIS colleagues, Chin hao Huang and Bates Gill, for their assistance in preparing my remarks.

China's economic stakes in Sudan

Sudan's contribution to China's total energy needs is important but not strategic. Sudan accounts for 5-7 percent of China's total oil imports, and less than 1 percent of China's total energy consumption. Angola is presently China's largest source of external energy (exceeding Saudi Arabia). Sudan's producing oil fields are aging, and its proven oil deposits modest by global standards. Production is projected to decline in the next decade. There have been some recent new discoveries, but not on a scale to sustain current production (at approximately 500,000 bpd) indefinitely.

China's accumulated economic stakes in Africa are significant but also fall short of strategic. Since the late 1990s, China's expansive economic engagement in Sudan has been concentrated in the energy sector. Aggregate sunken investment now stands at an estimated \$8 billion, the largest in Africa. According to Chinese officials, bilateral trade reached \$3 billion in 2006. This is in a context in which total two-way Chinese trade with Africa reached \$50 billion in 2006, and is projected to reach \$100 billion by 2010. Chinese oil companies have made significant headway in constructing pipelines, refineries, and securing exploration and production rights in seven major blocks throughout Sudan. China's contractual projects in Africa in 2004 totaled \$6.43 billion, of which 23 percent went to Sudan, the single, largest recipient in Africa. Sudan also accounted for \$145 million, or nearly half of China's total outward (non-financial institution) investment in Africa in 2004. Chinese officials estimate that of the 8,100 Chinese employed in

Sudan (out of an official total of 45,000 Chinese employed throughout Africa), approximately 3,000 work for Chinese companies implementing contracted projects in Darfur.

China's evolving approach on the Darfur question

Beijing's commitment to protecting the principle of national sovereignty and non-interference is a central dimension of China's global foreign policy and has been the basis for China's tough opposition to UN sanctions against Sudan, seen when discussions on Darfur intensified in the UN Security Council beginning in mid-2004.

An evolving debate has been under way within Beijing's policy circles over whether and how to modify the approach to the crisis in Sudan's Darfur region. Chinese think tanks, academics, and global business enterprises are conscious that China's uncritical embrace of Khartoum has damaged China's standing in much of the world, particularly in important parts of Africa, in Western Europe and North America, in a period in which China is promoting itself as an ethical, rising global power. Within the Chinese Foreign Ministry, under the leadership of Minister Li Zhaoxing (former Ambassador to Washington), there has been an effort to air the views of critical Chinese opinion leaders.

There is also recognition within foreign policy circles that direct pressures on China and its economic stakes in Sudan could escalate in North America and Europe. In the United States, the broad movement led by the Save Darfur Campaign and encompassing churches, universities, advocacy groups, and states and municipalities, has gained a strong voice, acquired strong allies in Congress and is actively pressing for sanctions and other measures that could impact Chinese interests in Sudan. One outstanding question is whether there will be increasing calls for a boycott of the 2008 Beijing Olympics.

No less important, Chinese views on Darfur are shaped by discussions with African states. Many leaders in sub-Saharan African states find Khartoum's actions in Darfur offensive on human rights, religious, and racial grounds. Khartoum's continued obstruction of an AU/UN force, and the inability of the international community to bring greater stability to Sudan, mean in practice that African Union peacekeeping forces, including troops from South Africa, Rwanda, and Nigeria, remain under grave strain, cannot be reliably sustained and for these reasons are placed at considerable risk. China for its part is vulnerable to being called to account within Africa for enabling Khartoum's intransigence and impeding the AU's efforts.

In 2006, the United States and China deepened their discussions on how to coordinate actions on Sudan. After his appointment as the U.S. President's Special Envoy to Sudan, Andrew Natsios stepped up U.S. engagement with China in the latter part of 2006, traveling to China January 8-12, 2007, where he met with State Councilor Tang Jiaxuan and Vice Minister of Foreign Affairs Yang Jiechi. This step significantly elevated the level of dialogue.

Partly as a result of the intensifying U.S.-China dialogue, a shift in China's position took place in late 2006. The Chinese ambassador to the United Nations Wang Guangya became very active, and was widely credited in gaining Sudanese acceptance for the November 16, 2006, Addis

Agreement (the ‘Annan Plan’) committing Khartoum to a ceasefire and three phase expansion of a hybrid AU/UN force in Darfur. In this same period, senior Chinese officials publicly acknowledged the need for a negotiated political settlement in Darfur and greater protection of humanitarian operations.

Despite this shift, Chinese President Hu Jintao’s visit in February 2007 with President Bashir in Khartoum fell short of impressing Washington and much of the international community with any significant breakthroughs. There were hopes, perhaps unrealistically high, that President Hu might forcefully press for – and win new overt commitments to – renewed efforts to achieve a negotiated political settlement in Darfur and accelerated deployment of the AU/UN force.

In public, on the occasion of President Hu Jintao’s visit, China emphasized its economic ties with Sudan and made new pledges of support, including aid in building a presidential palace. Understandably, these announcements drew international opprobrium.

In private, President Hu reportedly intervened personally to press President Bashir to comply with his commitments to the Annan Plan. And prior to leaving Sudan, President Hu delivered a rare public statement that outlined “four principles” as the basis for an international approach to Darfur. The first principle, not unexpectedly, reaffirmed the principle of non-interference. But the fourth principle seems to contradict the first, saying: “it is imperative to improve the situation in Darfur and living conditions of local people.” That is about as close as a Chinese leader has come publicly to supporting the emerging notion in the United Nations and the broader international community that governments have a “responsibility to protect” their citizens from harm.

The change in Beijing’s mood became more apparent when, shortly after President Hu’s visit, it announced that some economic leverage would be applied to exert additional pressure on Sudan. The Chinese National Development and Reform Commission, the main economic planning agency in Beijing, released a public document in conjunction with the Ministry of Foreign Affairs and the Ministry of Commerce, that Sudan has been removed from the latest list of countries with preferred trade status. According to the announcement, Beijing will no longer provide financial incentives to Chinese companies to invest in Sudan. This latest move appears to be a signal of Chinese disaffection with President Bashir’s unwillingness to comply with his commitments to implement the Annan Plan.

The announcement was welcomed by the State Department and came shortly before Chinese Assistant Minister Zhai Jun arrived in Washington to meet with Assistant Secretary of State for African Affairs Jendayi Frazer for the second round of U.S.-China subdialogue on Africa on March 9, 2007. The inaugural dialogue was formally launched in November 2005 under the auspices of the U.S.-China Senior Dialogue process initiated by former Deputy Secretary of State Robert Zoellick. While the first bilateral meeting on Africa focused largely on formalities, the second dialogue in early March focused on the specific issues of debt sustainability, peacekeeping operations, Chinese companies’ reputational risks in Africa, and transparency in the extractive industries. On Sudan, the Chinese side reportedly acknowledged the need for the international community to step up efforts and become more active in leveraging their respective influences on Darfur.

Last week, Beijing expressed public disappointment with President Bashir when he issued a formal letter to UN Secretary General Ban Ki Moon rejecting the deployment of the AU/UN hybrid force in Darfur. Chinese Ambassador to the UN Wang Guangya responded with open frustration over Khartoum's reversal of its commitment to implement the Annan Plan.

Looking ahead

There is today an important consensus between the United States and China as to what priority actions are now urgently required to achieve peace and stability in Darfur. That consensus focuses on full implementation of the three-phase Annan Plan to put in place a sizeable UN/AU peace operation; a stable ceasefire; internal political negotiations that lead to a durable accord between Khartoum and armed insurgents, including non-signatories to the May 2006 pact; and continued efforts to protect and expand humanitarian operations. That consensus has been achieved, in part, because the United States made the commitment to invest at a high diplomatic level to understand the Chinese perspective and begin to test China's intentions systematically.

Efforts should be made to preserve and build upon this consensus. The United States' recent experience in North Korea has demonstrated that a patient and sustained high-level collaboration with China can deliver substantial results. In the case of Sudan, the Chinese government has moved in the last year from obstruction to modest but important forms of collaboration with the United States in pressing Khartoum to comply with its commitments to end the crisis in Darfur. This is a development that we should continue to leverage systematically to our advantage.

The United States and China differ and will continue to differ in important respects in their respective assessments of the current situation in Darfur: how dire it is; how egregious and intransigent Khartoum's behavior is; what time line is appropriate in gauging Khartoum's behavior and prospects for reforms; and whether new sanctions are warranted and have hope of achieving meaningful results. These differences have up to now been manageable. We should work to ensure that they remain manageable and do not become a new obstacle that obscures the real problems, which continue to lie in Sudan.

International sanctions on Sudan could take different forms, and it is difficult to predict with precision how different sanctions might impact Chinese behavior and the ongoing dialogue between the United States and China on Darfur.

If, for example, the United States were to begin soon to impose unilateral 'smart' sanctions, under 'Plan B,' focused on select individuals and commercial entities, and these measures did not directly or indirectly target Chinese economic interests, it might be possible to raise pressures upon Khartoum through sanctions while preserving the existing U.S.-Chinese consensus and pursuing more robust U.S.-Chinese collaborative pressures upon Khartoum.

If, on the other end of the spectrum, actions were taken that overtly vilify China, directly target its economic stakes in Sudan, and threaten broader interests such as the 2008 Olympics, that would risk undermining the present U.S.-China dialogue.

In between these two scenarios are intermediate options where sanctions might be put in place that do directly impact Chinese economic interests in Sudan and where the impact on Chinese behavior and the U.S.-China dialogue might be mixed.

Looking forward, we should continue to give high priority in our evolving dialogue with China in seeking greater Chinese commitments that support in concrete terms the consensus on Darfur that has been forged between the United States and China. The Chinese can and should press for deployment of special Chinese military units to strengthen the AU/UN force. China can and should use its leadership and public voice in the UN Security Council to hold Khartoum to account. China can and should further adjust its economic policies and instruments to signal that it is systematically distancing itself from Khartoum and deliberately lowering the priority of Sudan in its overall expansive engagement in Africa. These are a few of the immediately available options. I am confident there are other worthy choices.

Thank you for your consideration.