

Building an effective framework for economic and political co-operation between the Republic of South Sudan and the Republic of the Sudan

CONCEPT NOTE

March 2012

Towards an effective long-term partnership between the Republic of the Sudan (RoS) and the Republic of South Sudan (RSS): Building a process of dialogue on potential approaches to and models for bilateral and regional economic and political co-operation.

Summary

The Republic of South Sudan (RSS) and the Republic of the Sudan (RoS) are currently engaged in an in-depth process of dialogue to agree on arrangements for interaction between the two nation States, and how these arrangements can be satisfactorily implemented. As discussions seeking to resolve outstanding issues (such as the use of Sudanese petroleum infrastructure to export South Sudan's oil, transitional financial arrangements, and the disputed territory of Abyei), insecurity in the border areas together with an accompanying breakdown in bilateral trade and the recent cessation of oil production by South Sudan, has led to harsh economic conditions in both Republics.

Many opportunities and mutual benefits will result from a resolution of the outstanding issues and the transformation of the relationship into a "win-win" political and economic co-operation arrangement. To support progress towards the establishment of a framework for co-operation between the two Republics, it is proposed that a process of policy dialogue be facilitated, involving selected prominent government and the private sector figures from the two neighbouring countries to explore the potential shape of effective economic and political partnerships. The aim will be to create a neutral and confidential discussion environment, providing forums where ideas can be shared and consensus built on the way forward, drawing on the expertise of respected international and regional experts, as well as the support of prominent African business persons.

This proposed initiative is being put forward by Conflict Dynamics International, an organization with significant experience working with Sudan and South Sudan on issues pertaining to the shaping of the political and economic relationship between the two, both in the run up to the 2011 Referendum/ Independence, and subsequently. It is envisaged that the initiative will be taken forward working hand-in-hand with the AU High Level Implementation Panel (AUHIP) which is leading the support to the ongoing negotiations headed by former South African President Thabo Mbeki. It is intended that this project will complement the formal negotiation process on post-independence arrangements spearheaded by the AU, catalysing a positive and constructive policy dialogue between the two sides which can map the way forward to build a new, mutually beneficial bilateral relationship.

1 Aim and objectives

Overall Aim

To stimulate a sense of shared purpose and vision in terms of bilateral and regional co-operation potential between the Republic of Sudan and Republic of South Sudan which can lead to discussions and subsequent agreements on the shape of future bilateral and regional co-operation frameworks.

Objectives

- (1) To facilitate a constructive process of policy dialogue between key figures from the Republic of the Sudan and the Republic of South Sudan on the potential benefits of, and possible approaches to, building strong political and economic partnerships between the two countries, to assist in catalysing a robust dialogue on opportunities, challenges and the way forward.
- (2) To contribute to the evolution of an effective framework for co-operation between the two republics through the engagement of selected international, regional and national policy experts and the production of a range of policy papers, briefings and presentations containing ideas and options for models and approaches.
- (3) To garner the support of a range of countries and organisations, as well as selected prominent individuals, to play a key role in catalysing a constructive long-term bilateral relationship between the two Republics.

2. Rationale for the proposed dialogue

This proposed dialogue is designed to complement the current post-referendum and post-independence negotiation process spearheaded by the AUHIP. This process is not intended to replicate or duplicate, in any way, the current negotiations. The focus of this approach is very much on framing the longer term relationship between the two countries, and on thereby addressing some of the broad issues and choices in terms of the potential frameworks for future interaction which are not built into the post-referendum negotiation issues (as per Section 67 of the 2009 Referendum Act). The AUHIP-led process has from the outset adopted a “bottom up” approach, focusing the negotiations on the technical issues first and foremost; the proposed approach presented here focuses on the “macro”-level frameworks for political and economic interaction, building on CDI’s previous work.

The proposed dialogue can usefully build on the range of options developed previously by Conflict Dynamics and can therefore usefully inform debate on possible frameworks for interaction. The dialogue and exploration of arrangements presented here also seeks to engage interlocutors including, but also beyond, the negotiating Teams participating in the AUHIP-led process, including, for example, business leaders; CDI has gained the perspectives of a broad range of interlocutors through (mostly) bilateral, shuttle consultations, and this can assist in identifying the interests (political, economic, other) that may

be better met through frameworks for economic and political cooperation. This knowledge and mapping of interests can hopefully be of assistance in supporting the work of the AUHIP.

It is envisaged that this project will also draw on experiences from and perspectives shared during the so-called “Vienna Series” of meetings in 2010 which focused on key dimensions of interdependency between the then North and South of the former Sudan, and will also complement the planned international conference focused on economic growth in the Republic of Sudan planned to be held in Turkey later in 2012.

3. Proposed approach

It is proposed that the dialogue involves a selection of key policy-makers, members of the business community, and thinkers on both sides.

To inaugurate this process in a way which builds mutual confidence, the following approach is proposed:

- CDI will engage a small team of experts in frameworks for political and economic collaboration from within the sub-region, who will play a facilitating role.
- It is suggested that exploratory roundtable meetings first be held with groups of policy-makers and members of the business community in Juba and Khartoum respectively.
- If there is agreement, a series of discussion meetings between the two sets of stakeholders can then be held in neutral locations, such as Addis Ababa, Nairobi, or one of the Gulf States.
- Different meetings and events can focus on a series of relevant topics, sharing ideas and working towards a consensus on the best way forward. Topics might include:
 - Exploring the economic comparative advantage(s) of the two Republics and the potential for co-operation in key sectors of the economy (for example in sectors such as agriculture, renewable energy, telecommunications and tourism).
 - Exploring the potential shape of an effective model of bilateral co-operation and assessing the economic gains of such a co-operation agreement;
 - Macroeconomic policy co-ordination choices: exploring the opportunities and risks;
 - Managing cross-border trade and economic development in the border states;
 - Building a model of diversified growth which will benefit underserved areas and communities;
 - Understanding the EAC and COMESA, as well as other relevant international organizations;
 - Sharing ideas to build economic and political co-operation from within the Africa region and the Gulf, whilst exploring the potential for economic collaboration with the Africa Region and Gulf States.
- Materials on key topics will be produced by the experts as required, to include briefing papers, concept notes, comparative case study analyses etc.

4. Key partners in the dialogue

Alongside the selected representatives of the two Republics, it is suggested that a range of other parties could usefully contribute to the economic and political collaboration dialogue. CDI will work closely with the AUHIP to identify suggested participants for relevant events. These could, for example, include:

- Representatives of countries keen to support a constructive dialogue, including China (as a key trading partner of both Sudan and South Sudan), Gulf States (such as Qatar, UAE) and key supporting States such as Norway and Turkey;
- Representatives of the EAC and COMESA, as well as potentially hearing the experience of ECOWAS;
- Representatives of key foundations seeking to promote positive economic and political collaboration and governance in Africa;
- Representatives of leading companies which are engaging in supporting regional economic dialogue and collaboration as part of their corporate social responsibility agenda, such as the Dahl Group, Haggard Holdings etc.;
- Representatives of some of the key multinational corporations which are working in both Republics (such as telecommunications companies).

5. What CDI brings to the table

Conflict Dynamics International (CDI) has been working since 2008 with a range of stakeholders in both the North and South of the former Sudan, assisting them to explore models of political and economic accommodation in the run up to the Referendum, and subsequently with both the new Republics post-independence. CDI has built up a high level of trust and credibility in both Khartoum and Juba and is hence well-placed to play a convening role, alongside and complementary to that of the AUHIP. Since the first “Exposure Event” for the Parties engaged in the negotiations on post-referendum arrangements held in Juba in July 2010, Conflict Dynamics has supported, in response to formal invitations, the AUHIP-led process for several rounds of negotiation and internal planning sessions. For the proposed dialogue, it is envisaged that Conflict Dynamics will liaise and consult closely with AUHIP and will proactively seek to identify opportunities whereby the dialogue and outcomes can usefully feed in to the AUHIP-led process.

CDI can bring an independent expert approach, working closely with stakeholders whilst maintaining a robustly impartial stance. CDI can also use its strong links within and knowledge of the sub-region to bring in appropriate experts to help catalyse the dialogue process.

6. Support required

CDI has available funding to enable its core staff to devote a proportion of their time and energy to oversee this initiative, as well as a modest budget to enable the recruitment of a small team of experts to act as facilitators. There will, however, be a need for additional funding to support the organisation and hosting of meetings within the sub-region, and to cover the travel costs of participants.

ANNEX: *Building the framework for Co-operation between the two Republics*

The Republic of South Sudan (RSS) and the Republic of the Sudan (RoS) are engaged in an in-depth process of dialogue to agree on arrangements, across a range of critical issues, on how the separation of the two States and their bilateral relations can be satisfactorily implemented. This process has sought to address a range of post-referendum and post-secession technical issues, as jointly agreed in the December 2009 Southern Sudan Referendum Act.¹

The process of dialogue and negotiation commenced in mid 2010, supported by an African Union High Level Implementation Panel (AUHIP) under the leadership of former South African President Thabo Mbeki, and continues to date, albeit in an inevitably stop-start fashion due to sticking points along the way. Whilst the two States mutually concur in principle on the need to conclude agreements on the various thematic issues and on the technical merits of such agreements, including the most contentious ones, the negotiation process has been complicated and politically fraught. Progress has however been made on several of the technical issues for negotiation, and inter-governmental arrangements such as the Joint Political and Security Mechanism have been established, together with agreement in principle to adopt the “Four Freedoms” model for citizenship and to move ahead with the process of border demarcation.

Amongst the sticking points is the lack of convergence on the arrangements pertaining to the oil resources and transitional financial arrangement, tensions over the disputed Abyei Region and the ongoing fighting in the South Kordofan and Blue Nile regions of the Republic of the Sudan. The shut-down of oil production by the South, due to a lack of trust in the handling of the South’s oil by the Sudan, has caused a huge strain on both economies. Deteriorating security in many of the border areas, and the accompanying obstruction of trade routes and border crossings, resulting in uncertainty for economic planning, have all had a harsh economic impact on both Republics. With an economy already hit by the loss of southern oil revenue, the Sudan is further suffering from a loss of trade with South Sudan. And in South Sudan, the acute shortage of key imports from the former North, ranging from food commodities to petrol and building materials, is causing serious economic hardship.

In this context, there is a critical need to ensure that the dialogue between the two Republics can focus on and identify the many opportunities and mutual benefits which could result from a resolution of the stalemate, and the transformation of the relationship into a “win-win” political and economic co-operation arrangement. South Sudan has ample natural resources, both in terms of land, oil and minerals, but lacks economic infrastructure and private sector capacity. It has hence been heavily dependent on the former North and its other neighbours for imports. As South Sudan takes time to build up its economic and productive capacity, it will continue to rely on key imports across a range of sectors. The RoS could serve as a key trading partner, with South Sudan exporting its major export commodity, oil, as well as other natural resources and agricultural products.

¹ These issues include: borders; security; citizenship; treatment of debts and assets; and how the two State would collaborate in the oil sector, including what type and level of fees the South would pay for use of northern transportation and refining facilities.

At the same time, both countries now face a number of similar and inter-related economic development challenges, which need to be tackled in tandem with the political dimension of post-conflict reconstruction. Both economies are heavily dependent on oil and need to diversify to other sectors (such as agriculture, manufacturing and tourism). The pattern of unequal centre-periphery development and inequitable resource allocation which has persisted in the former Sudan over decades is also arguably mirrored in the new Republic of South Sudan, where a significant proportion of government resources are currently allocated to the national level as opposed to sub-national levels. Both Republics need to pay particular attention to the social and economic needs of border states - the most densely populated for South Sudan. And both need to consider the specific developmental agendas of communities in areas which produce natural resources such as oil, where some local populations have experienced detrimental social and environmental impacts, and where grievances are in some instances already spilling over into conflicts.

Collaboration in addressing some of these shared challenges could be focused in a number of ways. For example, the economic potential of border states on both sides of the RoS-RSS border could be explored and developed in tandem, concurrently developing cross border trade modalities and opportunities. At the same time, economic partnerships focused on developing key non-oil sectors of the economy could be explored, for example in manufacturing, telecommunications, renewable energy and tourism, with a specific focus on addressing the needs of rural and underserved areas.

An effective economic and political partnership between the two States could take a number of forms. For example, the States could pursue a stronger bilateral relationship, formalised through a bilateral co-operation treaty.² Additionally, the focus could be on economic co-operation and integration within the region, via membership of existing bodies such as the Common Market for East and Southern Africa (COMESA) and potentially the East African Community (EAC)³. The various approaches can each bring benefits as well as potential challenges. The different scenarios for one or both countries joining wider regional economic bodies, as well as the potential sequencing of potential bilateral arrangements, need to be carefully explored. Over and above this, a stable macro-economic environment which builds mutual economic viability would be dependent on some level of macroeconomic co-operation between the two neighbouring countries. This could include areas of trade integration, monetary policy and exchange rate control, inflation and labour market policies. Inter-state macroeconomic policy co-ordination would however a major challenge and could only be achieved within some form of transparent and mutually agreed institutional framework, either using an existing mechanism or a new one.

² Conflict Dynamics has previously identified four potential scenarios in terms of political and economic interaction between the two states in the event of secession following the January 2011 referendum, namely: (i) a structured union of independent states; (ii) an economic community of independent states; (iii) reciprocity between independent states, and (iv) mutual isolation. (*Envisioning the Future, CDI September 2010*).

³ This will depend on whether one or both of the Republics gain admission to the various regional economic co-operation bodies. Both have applied to join the East African Community (EAC). It is likely that South Sudan will be accepted as a member; there are however indications that the Republic of Sudan's application for membership may not be accepted.