SHAPING THE FUTURE
PROSPECTS FOR ECONOMIC AND POLITICAL COOPERATION BETWEEN SOUTH SUDAN AND THE SUDAN

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Conflict Dynamics wishes to express its gratitude to the Government of Norway Ministry of Foreign Affairs and the United States Institute of Peace for their generous support of this work. The opinions, findings, and conclusions expressed in this Briefing Paper are those of the authors and do not necessarily reflect the views of the United States Institute of Peace or Government of Norway.
This Briefing Paper is intended for use by all Sudanese and South Sudanese with an interest in strengthening peaceful cooperation between their two countries. It presents frameworks and tools that people can use to structure options for political and economic interactions as a way of building peace between the Sudan and South Sudan. The Briefing Paper follows the stages of a seven-step methodology for developing options for political and economic interactions (see Figure 1). It is intended that readers can use this methodology to creatively design new options and develop a shared vision about what the relationship between the two countries might look like.

As used here, ‘interactions’ is a neutral term that does not necessarily infer cooperation: States can have hostile interactions or friendly interactions with each other. Section 1 examines the linkages between economic and political interactions and peacebuilding outcomes, and suggests factors that help distinguish which interactions will most effectively prevent and mitigate the effects of conflict. These factors include the degree of free mutual agreement about an interaction, historical considerations, how economic interactions are sequenced, and arrangements for dispute resolution. This analysis reveals the importance of developing cooperation options through processes of consultation that produce ideas acceptable to all parties.

Section 2 lays out a framework for assessing and structuring economic and political interactions. Political interactions can contribute to peace through the effective conciliation of political interests. Political interactions can be explored by looking analytically at inter-State arrangements using a typology of six 'strands' through which mutual conciliation can be achieved: (i) the political structure of intergovernmental arrangements; (ii) the mode of election or appointment for political representatives in a particular arrangement; (iii) how the executive organs of each State interact; (iv) the relationships between States’ legislative branches; (v) the public participation mechanisms by which citizens in each entity can have a say in interactions; and (vi) the role traditional and customary arrangements can play.

Economic interactions can promote peacebuilding via their contribution to the equitable fulfillment of people’s legitimate economic needs in the context of inclusive growth. Key aspects of economic interactions can also be grouped under six organizing strands: (a) macroeconomic arrangements; (b) trade; (c) financial sector; (d) private sector development and investment; (e) infrastructure; and (f) natural resource management.

Economic and political interactions can also be assessed and developed according to whether they are direct or indirect, and national or local. The national and local levels lie on a spectrum. At one end there are macro-level arrangements – the top level of government (e.g. the council of ministers, the national legislative assembly). In the middle, there are meso-level arrangements that govern subnational units (e.g. the border state governments and the county administrations). At the grassroots community level, there are micro-level arrangements (e.g. village-level traditional authorities).
South Sudan’s secession in 2011 brought benefits and costs for each State, but also coincided with a sudden breakdown of economic and political interactions. This had significant consequences for both countries and their peoples, exacerbated by the shutdown of oil production in South Sudan in January 2012. It was in this context of mutual economic challenges that the Sudan and South Sudan signed a package of nine cooperation agreements in September 2012. **Section 3** looks at the impact of those agreements, and seeks to illustrate the state of relations between the two countries as of July 2013. It also looks at the interests that different Sudanese and South Sudanese constituencies have expressed, and how the historical context shapes prospects for future relations.

**Section 4** turns to the specific opportunities for economic and political interactions open to both States. The Sudan and South Sudan share a long common border, as well as the Nile River, two export pipelines from South Sudan’s oil fields to Port Sudan, and a border population that intermingles in the *Tamazuj Zone*. The economies of the two countries depend on oil revenues for macroeconomic stability and for both internal and external balances. As a result, they are both in a position to make significant gains from many forms of economic and political interaction. This section sets out opportunity areas at three levels: (1) **local-direct interactions**, in the form of cross-border relationships between populations in the *Tamazuj Zone*; (2) **national-direct interactions**, in the form of bilateral relations between the two governments; and (3) **national-indirect interactions**, through regional and international institutions.

**Section 5** deals with three remaining questions: How can these benefits best be achieved? What are the options for interaction between the two countries? And how can decision makers assess their usefulness and appropriateness? Section 5.1 explores the considerations people need to account for when developing options. These serve as a filter to identify the most appropriate and effective options in a given context. Based on these considerations, and on consultations with South Sudanese and Sudanese interlocutors, Section 5.2 presents a spectrum of options for interaction between the two countries. These range from Option A, non-cooperation with hostile interaction, to Option E, cooperation under a comprehensive framework for economic and political interaction.

The table presented here helps visualize the pathways for the two States to move their relations from one point to another. By using this tool to map current and desirable options, Sudanese and South Sudanese can determine how to sequence progression towards stronger cooperation.
# Contents

1. **INTRODUCTION** .............................................................................................................. 1
   1.1 Methodology .................................................................................................................. 1
   1.2 Interactions and Peacebuilding .................................................................................... 3

2. **FRAMEWORKS FOR ASSESSING AND STRUCTURING ARRANGEMENTS FOR INTERACTION** ...... 8
   2.1 Political interaction ...................................................................................................... 8
   2.2 Economic interaction .................................................................................................. 9
   2.3 Levels of interaction .................................................................................................. 10

3. **CONTEXT AND CURRENT RELATIONS** ...................................................................... 12
   3.1 Impacts of Seccession .............................................................................................. 12
   3.2 The September 2012 Cooperation Agreements ........................................................... 16
   3.3 Participation in Regional Blocs .................................................................................. 29
   3.4 Identifying Interests .................................................................................................. 30

4. **OPPORTUNITY AREAS FOR INTERACTION** ............................................................. 34
   4.1 Local—Direct Interactions .......................................................................................... 37
   4.2 National—Direct Interactions .................................................................................... 44
   4.3 National—Indirect Interactions ................................................................................ 54
   4.4 Summary of Opportunity Areas .............................................................................. 58

5. **FORMULATING OPTIONS FOR ECONOMIC AND POLITICAL INTERACTIONS** .............. 59
   5.1 Considerations .......................................................................................................... 60
   5.2 Options for Interaction .............................................................................................. 61
   5.3 Linkages and Sequencing .......................................................................................... 63

6. **CONCLUSION** .............................................................................................................. 69

ANNEX I. CASE STUDIES ........................................................................................................ 70
   A. **Czech Republic and Slovak Republic** ...................................................................... 70
   B. **Federal Democratic Republic of Ethiopia and State of Eritrea** ............................. 73
   C. **Republic of Indonesia and Democratic Republic of Timor-Leste** ......................... 76
   D. **Russian Federation and Ukraine** .............................................................................. 79
# List of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>AU</td>
<td>African Union</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
</tr>
<tr>
<td>CPA</td>
<td>Comprehensive Peace Agreement</td>
</tr>
<tr>
<td>DDR</td>
<td>Disarmament, demobilization, and reintegration</td>
</tr>
<tr>
<td>DPRK</td>
<td>Democratic People's Republic of Korea</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FBH</td>
<td>Federation of Bosnia and Herzegovina</td>
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<tr>
<td>FTZ</td>
<td>Free Trade Zones</td>
</tr>
<tr>
<td>GoRSS</td>
<td>Government of the Republic of South Sudan</td>
</tr>
<tr>
<td>GoS</td>
<td>Government of the Republic of the Sudan</td>
</tr>
<tr>
<td>GoSS</td>
<td>Government of Southern Sudan</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<tr>
<td>IGAD</td>
<td>Inter-Governmental Authority on Development</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>JACHPC</td>
<td>Joint Archives and Cultural Heritage Property Committee</td>
</tr>
<tr>
<td>JBC</td>
<td>Joint Border Commission</td>
</tr>
<tr>
<td>JBVMM</td>
<td>Joint Border Verification and Monitoring Mission</td>
</tr>
<tr>
<td>JCBC</td>
<td>Joint Central Banks Committee</td>
</tr>
<tr>
<td>JHLC</td>
<td>Joint High Level Committee</td>
</tr>
<tr>
<td>JMCTR</td>
<td>Joint Ministerial Committee on Trade Relations</td>
</tr>
<tr>
<td>JPSM</td>
<td>Joint Political and Security Mechanism</td>
</tr>
<tr>
<td>LRA</td>
<td>Lord's Resistance Army</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>PMC</td>
<td>Petroleum Monitoring Committee</td>
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<tr>
<td>PSD</td>
<td>Private Sector Development</td>
</tr>
<tr>
<td>ROK</td>
<td>Republic of Korea</td>
</tr>
<tr>
<td>RS</td>
<td>Republika Srpska</td>
</tr>
<tr>
<td>SDBZ</td>
<td>Safe Demilitarized Border Zone</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>TFA</td>
<td>Transitional Financial Arrangements</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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1. Introduction

The Sudan and South Sudan, once a single country, have a history of complex political and economic interdependence. The country had common political institutions, use of a single currency, and strong domestic trading relations since attaining independence in 1956. Seasonal migration between the two regions had occurred for centuries. While the nature of this interdependence has changed as a result of the emergence of South Sudan as an independent State in July 2011, interdependence remains. For the foreseeable future, therefore, the two States face choices that affect their mutual security and economic prosperity at local, national, and regional levels.

This Briefing Paper provides tools to structure options for political and economic interactions according to how they contribute to peace and conflict prevention. In this way, the Briefing Paper is designed to inform the debate about future economic and political interactions between the two States. It is part of an initiative by Conflict Dynamics International ("Conflict Dynamics"), to support the people of the Republic of the Sudan and the Republic of South Sudan in building a peaceful and effective long-term relationship. The initiative aims to assist the two countries in developing a shared vision of what such a relationship might look like, which could ultimately lead to the evolution of new frameworks for interaction as two independent States.

1.1 Methodology

The reason for the strong focus on economic and political interactions in this Briefing Paper is the potential they offer as avenues to build peace. This drives the methodology in Figure 1, designed to facilitate the development of options for economic and political interaction. The Briefing Paper follows the steps of this methodology, which others can use to develop their own options.

Options development methodology

The methodology in Figure 1 presents seven steps that can be useful in developing options for economic and political interaction. Users of this methodology should note that:

- The methodology is designed to be a flexible tool that people can tailor to specific contexts. People can follow the seven steps in sequence, add new ones, or choose their own selection.
- The methodology is designed to help people beyond those in government explore how to strengthen bilateral relations.
- At every step, people need to consider the unique features of the context.
- Successful options development will require an environment of political will, trust, and leadership. However, the process of exploring options itself can build these conditions and help achieve a conducive environment.
- Options development does not guarantee options implementation. To achieve step 7, people must concentrate efforts on navigating the challenges of policy implementation – which differ from the challenges of options development. Implementation challenges include cultivating political commitment, working through legislative processes, and ensuring that there are public resources to make an option reality.
Figure 1 – Methodology for developing options for economic and political interaction

1. Assess context and existing arrangements
   → Section 3.1-3.3

2. Map economic and political interests
   → Section 3.4

3. Identify opportunity areas and processes for economic and political interactions
   → Section 4.1-4.3

4. Develop considerations
   → Section 5.1

5. Develop options
   → Section 5.2-5.3

6. Outreach to test options

7. Options implementation

NOTE: Outreach and consultations with interlocutors feature at every step and feedback loop.

Technical frameworks and building blocks
→ Section 2.1-2.3, Annex I

Options fed into policy processes, and national, inter-State and multilateral dialogue processes.
1.2 Interactions and peacebuilding

This Briefing Paper examines how economic and political interactions can build peaceful cooperation between the Sudan and South Sudan. As used here, the term ‘interactions’ is a neutral term that does not necessarily infer cooperation: States can have hostile interactions or friendly interactions with each other. The frameworks in this paper offer an approach for identifying and developing options for interactions that will support peace.

The avenues through which the Sudan and South Sudan may achieve peaceful cooperation include political, economic, and socio-cultural interactions (Figure 2).

![Figure 2 – Avenues for peaceful cooperation](image)

This Briefing Paper focuses primarily on political and economic interactions, rather than on socio-cultural interactions. Socio-cultural interactions are no less important; these types of interactions are an area for further research and options development beyond the scope of this paper.

Economic and political interactions are distinct but intertwined types of relationships. In this analysis, political interactions refer to mutual engagement through governance arrangements in pursuit of political interests. Economic interactions refer to exchange relations pertaining to goods, labor, money, and natural resources, and to the coordination of policies and institutions to manage such exchange relations.
1.2.1 Linkages between economic and political interactions and peace

Figure 3 lays out the framework for peacebuilding through economic and political interactions that enhance mutual conciliation between two entities. Processes of dialogue and outreach interface on the political side with arrangements promoting effective conciliation of people’s political interests and, on the economic side, with arrangements supporting equitable fulfillment of people’s legitimate economic needs. The result is to promote a peaceful relationship between the entities in question.

Figure 3 – Linkages between economic interactions, political interactions, and peace

A ‘direct’ pathway is one where the interactions themselves create a closer relationship that contributes to peace. An ‘indirect’ pathway is one where economic interactions stimulate political interactions supportive of peace, or vice versa. For example, if an economic arrangement helps people fulfill their economic needs equitably, it may lead to conciliation of political interests that moves the actors away from conflict. As economic interactions gain momentum they can ‘spill over’ into political interactions, initially for the purpose of managing economic interactions. As States engage in both types of interaction they may realize the mutual benefits of further cooperation building further momentum, through the growth of mutual trust, towards conciliation and peace.¹

Figure 4 – Linkages between building peace between and within the Sudan and South Sudan

¹ It is important to note that consultations in the Sudan and South Sudan revealed a widespread perception that arrangements for interaction that only benefited elite actors would not lead to accommodation of wider economic and political interests, and so would fail to precipitate this ‘spill over’ effect.
The overall objective of ‘peace’ refers to peaceful cooperation between the two States. As the example of the indirect pathway shows, avenues to building this type of peace may also lead to other important objectives, such as mutual prosperity and peace within each State. However, while peace within each State is a highly desirable goal, it does not guarantee peace between the two (and vice versa).

Peacebuilding within and between the two States are interlinked in important ways. As Figure 4 shows, these processes can be mutually reinforcing. However, they are distinct goals that may require different approaches if they are to advance together.² Internal conflicts within either State can derail cooperation, at different levels and at different times. For example, there have been cases of internal conflict in both the Sudan and South Sudan, where bilateral relations have suffered due to allegations by one that the other is supporting opposition groups within its territory. Even in these situations there have been opportunities for cooperation at other levels, such as through local cross-border interactions or regional organizations. Therefore, the goals of building peace within and between the Sudan and South Sudan can be pursued simultaneously but may require different strategies at the three points of the triangle in Figure 4.³

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**Economic and political interactions in theory**

The economic and political interactions methodology, refined through consultations with interlocutors in the Sudan and South Sudan, is rooted in international relations theory. Different theories provide a variety of explanations as to how increased economic interaction can facilitate or hinder political cooperation and peace.

The link between economic and political interaction is grounded in several theories, including liberalism, which focuses on how domestic factors have an impact on States’ foreign policies, and suggests that their political or economic systems shape how they interact.⁴ For example, democratic peace theory holds that democracies do not go to war with each other due to the nature of their political system.

The realpolitik approach is another interpretation of the role of domestic factors, focusing on how pragmatic and power considerations within the State shape policy making in general, and foreign policy in particular. For example, the diversionary theory of conflict suggests that States can use conflict to galvanize domestic support, or as a distraction from internal woes.

The theory of neoliberalism (distinct from neoliberal economic theory) focuses on why States choose to cooperate. According to neoliberalism, economic interaction (particularly trade) is one factor that makes political cooperation more likely. Trade leads to economic integration, which locks States into mutually beneficial relations by raising the costs of defection. However, this relationship does not always hold.

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² There are situations where the goals risk running at cross purposes, for example if power holders use conflict between the States as a strategy to build internal unity, as described by the ‘diversionary theory’ of conflict outlined below.

³ This is the approach that Conflict Dynamics has taken: In parallel to the initiative Building an Effective Framework for Economic and Political Cooperation between the Republic of South Sudan and the Republic of the Sudan, the organization is implementing two country programs designed to build peace within South Sudan and within the Sudan. The three programs form a ‘three-legged stool’ approach to building peace within and between the Sudan and South Sudan.

For example, economic interaction is less likely to lead to political cooperation when States have inconsistent objectives.⁵

According to the theory of neofunctionalism, limited economic interactions between States can gain their own momentum, gradually increasing in volume and frequency. These increasing economic interactions can have a ‘spill over’ effect as they spread to other avenues of interaction, including political interaction. For example, cooperation on economic policymaking in Europe triggered political cooperation, initially to manage economic interactions but subsequently in other areas as States realized the mutual benefits of further cooperation.⁶ Economic interaction does not always lead to political cooperation; cooperation is more likely under certain conditions, such as when the two countries are similar in size and power.⁷

In addition to these international relations theories, the economic school of structuralism supports the concept of economic integration. Structuralism initially gained prominence in Latin America, focusing on the economic dependence of less developed countries on those which had benefited from a greater degree of development. As one policy prescription to address this dependence, some structuralists propose regional economic integration, with different countries specializing in different economic sectors. Such integration allows developing regions to develop their own import and export markets independently from developed economies.⁸

1.2.2 Potential risks from interaction

While in general cooperation and peacebuilding are strongly associated, it is also the case that interdependence, by increasing mutual vulnerability, can actually raise the risk of conflict. Instances such as the European Union have established the case for promoting economic integration as a pathway towards making war inconceivable. In the case of Ethiopia and Eritrea, however, the use of a common currency provoked conflict with each side strategically manipulating it to serve their own agendas. Both regional and structural factors make this example an important warning for the Sudan and South Sudan.

The question of which specific economic interactions will either increase or decrease the risk of conflict is not easy to answer. For example, while there are potential benefits of increased economic interaction, some South Sudanese have made the case for protections, especially in the labor market, due to fears that the Sudan’s stronger economy may dominate South Sudan’s nascent economy. Some initial conclusions can be drawn regarding factors that shape whether interactions increase or decrease the risk of conflict. One is free mutual agreement—the interactions that exacerbate conflict are those where one side is seen to be taking advantage of another. This is, however, hard to assess objectively; it is not immediately clear whether a particular interaction is equitable or exploitative. Historical considerations may prove significant, together with questions of how economic interactions are sequenced and established. Robust adjustment mechanisms and arrangements for dispute resolution

are vital to increase the flexibility of these interactions as the situation changes. In addition to the adjustment modalities it is key to understand the nature of intra-State balances of power, and how these filter into inter-State relations.

An important consideration when developing options (see Section 4) is the need to build a strong contextual component into the framework, and produce options through a process of consultation that results in ideas that are acceptable to all parties. At the national-direct level in particular, the process of consultation must engage political leaders and focus on building political will around options.
2. Frameworks for assessing and structuring arrangements for interaction

This section presents a framework to assess and structure arrangements for interaction. The framework can be used diagnostically to examine how political and economic interactions build peaceful cooperation. The framework can also be used creatively to design and develop new arrangements. Figure 5 presents an overview of this framework.

Figure 5 – Economic and political interactions framework

ECONOMIC INTERACTIONS
- Macroeconomic arrangements
- Trade
- Financial sector
- Private sector development and investment
- Infrastructure
- Natural resource management

POLITICAL INTERACTIONS
- Political structure
- Election
- Executive
- Legislative branch
- Public participation
- Traditional and customary arrangements

2.1 Political interaction

Political interactions contribute to peace when they achieve effective conciliation of political interests. Political interactions can be explored by looking analytically at inter-State arrangements using a typology of six interrelated focal areas – or 'strands' – of governance arrangements, through which mutual conciliation can be achieved. These strands are:
<table>
<thead>
<tr>
<th>POLITICAL STRUCTURE</th>
<th>ELECTION</th>
<th>EXECUTIVE BRANCH</th>
<th>LEGISLATIVE BRANCH</th>
<th>PUBLIC PARTICIPATION</th>
<th>TRADITIONAL AND CUSTOMARY ARRANGEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shape, number, and types of governmental and/or intergovernmental units and mechanisms.</td>
<td>The mode of election or appointment for political representatives/positions in a particular arrangement.</td>
<td>Arrangements for interaction between the executive offices of particular entities.</td>
<td>Relationships between legislative branches (e.g. state and national assemblies), and legislative arrangements through which constituent units engage (e.g. regional assemblies, such as the East African Legislative Assembly).</td>
<td>Mechanisms by which citizens in each entity can be informed about and have a say in interactions.</td>
<td>The role traditional and customary arrangements play in inter-State interactions.</td>
</tr>
</tbody>
</table>

2.2 Economic interaction

Economic interactions can promote peacebuilding via their contribution to the equitable fulfillment of people’s legitimate economic needs in the context of inclusive growth. Used here, inclusive growth is broad-based across sectors and inclusive of the large part of the country’s labor force. Inclusiveness refers to equality of opportunity in terms of access to markets, resources, and an unbiased regulatory environment for individuals. Inclusive growth involves both the pattern and pace of growth, and takes people as the subject of analysis.⁹ There are many aspects which could be considered here, but these can again be grouped under an additional six organizing strands.

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### Macroeconomic Arrangements

- Monetary and fiscal policy
- Taxation
- Subsidies
- Social security
- International aid and aid regimes (including debt relief and sanctions)

### Trade

- Customs
- Exchange rate
- Cross-border trade and trade zones
- Coastal zones
- Export sector development

### Financial Sector

- Banking
- Investment and other capital flows

### Private Sector Development and Investment

- Investment climate
- Education
- Innovation
- Labor market and immigration
- Pensions
- Small and Medium Enterprises (SMEs)

### Infrastructure Management

- Roads, air, rail, sea, and river transportation
- Telecoms
- Information and Communication Technology (ICT)
- Energy
- Markets

- Minerals
- Oil and gas
- Water
- Agriculture
- Livestock/pastoralism
- Environment
- Wildlife

In addition, there are many cross-cutting areas that require action within each strand of economic interaction, for example:

1. **Capacity building**, of people and institutions in each country across the strands.
2. **Research and development**, within both the private and public sectors.
3. **Exchange of data and statistics** between the two countries.

### Levels of Interaction

Economic and political interactions can also be assessed and developed according to whether they are direct or indirect (e.g. multilateral), and national or local. National and local levels of interaction lie on a spectrum:

- At one end there are macro-level arrangements – the top level of government (e.g. council of ministers and the national legislative assembly).
- In the middle, there are meso-level arrangements that govern subnational units (e.g. the border-state governments and the county administrations).
- At the grassroots community level, there are micro-level arrangements (e.g. village-level traditional authorities).

These categories form a matrix of interactions, as shown in Figure 6. Whereas direct-national interactions encompass the traditional bilateral relationships reflected in inter-State cooperation agreements, indirect-national and local-direct interactions offer options to enhance arrangements for political and economic cooperation across several levels.
Figure 6 – Matrix of interactions

<table>
<thead>
<tr>
<th>DIRECT</th>
<th>INDIRECT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MACRO</strong></td>
<td><strong>NATIONAL</strong></td>
</tr>
<tr>
<td><strong>MESO</strong></td>
<td><strong>E.g.</strong> Interactions between state governors through the Border States Governors' (Tamazuj) Forum</td>
</tr>
<tr>
<td><strong>MICRO</strong></td>
<td><strong>E.g.</strong> Migration conferences involving dialogues between Traditional Authority Leaders across the border</td>
</tr>
</tbody>
</table>
3. Context and current relations

This section turns to Steps 1 and 2 of the methodology for development of arrangements for political and economic interaction (Figure 1). It looks at how the historical context impacts on prospects for future economic and political cooperation, and assesses the existing arrangements for economic and political interactions between the Sudan and South Sudan, as well as the interests that emerge from them. The analysis seeks to illustrate the state of relations between the two countries as of July 2013.

3.1 Impacts of secession

3.1.1 Historical context

The Sudan and South Sudan have a long, intertwined history that has shaped the relationship between the States in important ways. Political relations were problematic between southern Sudan (the “South”) and northern Sudan (the “North”) during the 6-year Interim Period of the 2005 Comprehensive Peace Agreement (CPA), which had granted the South a special status within a federal arrangement with the North. However, the two entities belied fears that they might revert to direct conflict in the run-up to secession. The fact that the Republic of South Sudan gained its independence peacefully after overwhelmingly choosing secession in the 2011 Referendum on Self-Determination evidenced the commitment of both countries to a durable end to civil war.

This peaceful separation of the two countries ended the most recent chapter in a series of conflicts which started in 1983 and ended with the signing of the CPA in 2005. But older historical legacies also shape how the Sudan and South Sudan view each other. For example, many South Sudanese refer to their forefathers’ experience of slave-raiding in the nineteenth century, and link this to subsequent patterns of domination and exploitation of the South up to the country’s independence in 2011 — a pattern that some fear could still be perpetuated in new forms. While South Sudan has achieved sovereignty and an equal status on the African and world stages, the legacy of the past continues to have a psychological impact, creating a climate of mistrust. Similarly, in the Sudan some constituencies are still swayed by historical experience, and suspect power holders in South Sudan of pursuing their original civil war objective of political transformation of the Sudan. This has fed fears that some political leaders in South Sudan could be seeking to covertly support opposition groups in the Sudan’s territory. Equally, there are positive examples of historical experiences of cooperation, especially amongst tribes in the Tamazuj Zone on the border between the Sudan and South Sudan (see Section 4.1). These dynamics suggest that any efforts to strengthen political and economic cooperation between South Sudan and Sudan need to address people’s perceptions and interpretations of historical experience.\(^\text{10}\)

\(^{10}\) For further discussion of this and other considerations, see Section 4.1.
3.1.2 CPA Interim Period and Independence

During the CPA period, the Sudan was largely integrated, with a common currency, a single monetary policy, free internal trade, cross-border North-South oil operations, and central management of most telecommunications (though some South Sudanese companies, such as Gemtel, harnessed southern markets). There were, however, limits to this integration. The Government of Southern Sudan (GoSS) managed a relatively independent fiscal and borrowing policy, within an envelope of resources mostly transferred from the national, federal government. In practice there was a separation of banking and commercial regulation. Physical and security-related barriers prevented full freedom of movement for people, goods, and services. The economy resembled a flawed single market, with significant geographic biases, involving inequities between urban centers and areas in the periphery.

Prior to the referendum on South Sudan’s independence in January 2011, the two governments embarked upon comprehensive negotiations on post-referendum issues, which intensified in early 2011 following the overwhelming vote in favor of secession. The negotiations covered security arrangements; border demarcation and disputes; the status of citizens of one country residing in the other; and economic questions, such as currency, trade, banking, division of assets and liabilities, transport, communications, water, oil sector management, and, perhaps most importantly, transit fees for the shipment of South Sudan’s oil through the pipeline to Port Sudan.

As agreements proved hard to attain, however, the security situation deteriorated, and the two sides took a number of unilateral actions, including military movements on the border, an end to trade, and the rapid issuing of new currency notes. At the time of secession, in July 2011, economic and political interactions broke down suddenly, populations were displaced, and mistrust grew. While oil exports continued as before for some months, the failure to agree on any transit fee in December 2011 resulted in a dispute about whether the Government of the Republic of the Sudan (GoS) had confiscated oil belonging to the Government of the Republic of South Sudan (GoRSS), and the subsequent shutdown of oil production by GoRSS. This series of developments, particularly secession and the oil shutdown, had significant political and economic consequences for both countries and their peoples, particularly residents of the border areas.

3.1.3 Economic impacts of secession

Secession had differing economic impacts for South Sudan and the Sudan in the immediate period following independence, while both share similar long-term challenges, especially for their border populations.

The principal economic benefits of secession to South Sudan were, first, a sudden doubling in oil revenue from existing fields and, second, greater freedom to make economic policy that was beneficial to its territory. The immediate costs of secession (e.g. taking on new government functions) were largely outweighed by the huge economic benefit of a doubling of oil income. However, the effective closure of the border in the second half of 2011 severely affected many local livelihoods, and also resulted in a rapid rise in inflation, especially of fuel prices. The next major development, the oil shutdown, had the deepest impact on the macroeconomic stability of the country, depriving South Sudan of 98 percent of its revenues and 100 percent of its foreign exchange earnings. Attempted austerity measures imposed in South Sudan throughout 2012-13 have been unable to address the
deep fiscal and balance of payments deficits. In July 2013, the situation remained volatile as oil production had partially restarted, though the GoS still threatened to prevent oil flowing through its territory until it received confirmation that the GoRSS was not providing military support to armed opposition in the Sudan.

In the case of the **Sudan**, by contrast, it was secession itself that incurred the largest economic shock. The loss of South Sudan’s oil, which accounted for some 50 percent of the Sudan’s budget and 80 percent of foreign exchange earnings, created a significant fiscal deficit and an even bigger gap in the balance of payments. The loss of oil had a negative impact on other economic sectors, including industry and services, exacerbated by rising insecurity in some areas, which also affected agriculture and (in the case of the Heglig/Panthou fighting) the remaining oil production. Constraints on cross-border trade also hurt Sudanese producers. Attempts to implement austerity measures, including fuel subsidy cuts, faltered in the face of public protests. The Sudan’s pre-existing lack of access to international credit markets meant that the Central Bank was left to finance much of the consequent fiscal deficit, including through letters of guarantee. This had the effect of pushing inflation up to almost 50 percent. To address the balance of payments deficit, the government launched a Three-Year Emergency Program (July 2011) to boost exports and substitute for imports, focused mainly on the agricultural sector, as well as on new gold exports. Despite this, the deficit remained large and the parallel market exchange rate continued to depreciate.

The lack of positive economic and political interaction, and the military build-up in the border areas, has had a severe impact on border communities and pastoralists. Goods became increasingly rare and expensive in the border zone, especially on the southern side. North of the border, food shortages appear to have emerged in Blue Nile and Southern Kordofan, where the expected harvest in 2012 was estimated at 60 percent of the five-year average due to crop damage by livestock, conflict, and restriction of trade and humanitarian access. There were also heightened concerns about a disease outbreak, which would have a significant impact on pastoralists’ livelihoods.

### 3.1.4 Political impacts of secession

For **South Sudan**, secession resulted in political sovereignty and fostered a sense of national pride. This meant that the decision to shut down oil production in January 2012 met with mass popular support. South Sudanese opinion leaders and the public at large have tended to be cautious of a rapid move to reestablish political and economic relationships with the Sudan, with a tendency to doubt the motives and sincerity of their northern neighbor. Many voices have called for a stronger focus on integration, trade, and relationships with South Sudan’s East African neighbors, in particular Kenya and Uganda, as well as Ethiopia. For a strong relationship with the Sudan to be established and to flourish, efforts are required to rebuild trust and public confidence.

In the **Sudan**, the “loss” of the South was met with different responses by different constituencies. While many understood secession to be inevitable, some constituencies saw it as desirable, while others perceived it as a major psychological blow for the country. Political costs of secession for the Sudan have included heightened conflict in the “Two Areas” (the border states of Southern Kordofan State and Blue Nile State, for which the CPA had special provisions), together with a degree of increased public discontent and political dissent at the national level.
The independence of the South in 2011 also had important political implications for citizenship and identity issues in both countries. In the Sudan, there has emerged a need to revisit – and in the case of South Sudan to build – a sense of national identity, creating a need for both countries to address this explicitly, in the context of nation building. Ongoing internal conflicts within both countries have provided opportunities for certain interest groups in each country to lend support to insurgents in the other, leading to accusations of each meddling in the other’s affairs, and hence creating significant obstacles to building cooperation. These internal conflicts highlight the need for both the Sudan and South Sudan to pursue national policies that enable inclusion, equitable development, and the recognition of cultural and religious diversities, supported by processes of national reconciliation.

For both countries, the political fall-out of the protracted war and subsequent secession of the South has led to negative attitudes towards the other and mutual mistrust. Whilst there remains an underlying sense of shared identity, history, language, and culture between Sudanese and South Sudanese, this sits alongside serious historical resentments, as well as ongoing prejudices and negative stereotyping. Politicians on both sides have been accused of playing into these sentiments for their own political purposes, and of lacking the strategic leadership qualities and political will required to act in the longer term national interest. In consultations, people commented that they perceived a disconnection between the attitudes of politicians and the attitudes of citizens in both States towards cooperation. In many cases, the media has also fuelled negative sentiments leading to an escalation of hostility and suspicion. This situation demands initiatives that build genuine trust and bring about long-term reconciliation between Sudanese and South Sudanese citizens. For political representatives in each country, a paradigm shift in thinking may be needed, looking beyond the short-term benefits of shaping the relationship between the two States for political purposes, to the long-term potential benefits for citizens of sustained peaceful cooperation.

Some political commentators have further raised ideological differences between the Sudan and South Sudan as a factor that could hinder effective economic and political interactions, for example in the realm of Islamic banking systems. In practice, international experience suggests that differing political ideologies and economic systems need not be a hindrance to political and economic cooperation where it is in the mutual interest of both countries.

**Case Study: Democratic People’s Republic of Korea (DPRK) and Republic of Korea (ROK)**

DPRK and ROK have been officially at war since 1950. DPRK remains so isolated from its neighbors that some commentators have termed it a ‘hermit kingdom’. Ruled since the Second World War as a communist State, the 1972 DPRK Constitution adopted the ‘Juche Idea’, a form of Marxism-Leninism, as the official State ideology. Meanwhile, ROK developed as a free-market capitalist State. In spite of otherwise hostile relations and conflicting ideologies, DPRK and ROK have found ways to cooperate in limited economic areas. Examples include the Kaesong Industrial Zone, where ROK companies have employed DPRK laborers at the border, and the building of a train track across the demilitarized zone between Jejin in ROK and Kumgang in DPRK.
3.2 The September 2012 Cooperation Agreements

In spite of their differences and the post-secession breakdown in relations, the two countries finally signed in September 2012 an important package of agreements across the majority of post-independence issues, governed by an overarching Cooperation Agreement (hereafter, the ‘September Agreements’). After a six month delay in taking forward the contents of the agreements, the Sudan and South Sudan adopted a detailed “Implementation Matrix” on 12 March 2013.\(^1\) As of July 2013, implementation has been partial, with periodic disruptions and reversion to deadlock over core issues, including on oil. However, if implementation makes progress, the agreements will help the two States address political and economic tensions, in part by restoring structured interactions.

This section assesses the extent to which the September Agreements have created a robust and comprehensive framework for economic and political interactions. The section examines the strengths and gaps of the structures provided for in the agreements, and how policy makers can consolidate them. To conclude, Table 1 summarizes the agreements’ key provisions, their focus areas and the structures they create.

3.2.1 The Cooperation Agreement between the Republic of the Sudan and the Republic of South Sudan

This agreement does not offer details on proposed mechanisms, requiring supplementary work to construct frameworks to ensure implementation and resolve potential disputes. By providing a broad mandate to discuss future models for cooperation, the agreement opens the opportunity for the two States to continue deliberation, and progressively develop institutions supportive of political accommodation.

At a summit in Juba on 12 April 2013, the presidents of the two republics established a High Ministerial Joint Committee (HMJC) to be chaired by the vice presidents of each State, charged with supporting efficient decision making on how the republics could enhance cooperation. The African Union (AU) welcomed this development as a demonstration of the States’ mutual commitment to normalizing relations. The HMJC met for the first time in Khartoum in July 2013.

3.2.2 Agreement on Oil and Related Economic Matters

This agreement addresses issues central to economic negotiations. These include the level of transit fee GoRSS agrees to pay for the passage of its oil, and the level of Transitional Financial Arrangement (TFA) payments GoRSS is prepared to provide in order to cushion the shock of southern secession to Sudan's economy. Figures were agreed following long negotiations. The broader agreement is designed to ensure that there are no hidden losses or gains. However, the agreement does not determine what should happen when it expires after three and a half years. This uncertainty threatens effective implementation, especially if it provokes disputes about future transit fees.

The principal tool for political interaction and political accommodation between the two States is the Petroleum Monitoring Committee (PMC). Its high-level membership gives the committee the potential to play a broader role in oil relations between the two States. The PMC works by consensus, which could complicate enforcement in case of a dispute. The agreement does not define how to resolve disagreement between ministers, though either party can notify a breach. The PMC may require additional dispute resolution mechanisms to function effectively.

The sub-committees of the PMC will undertake the day-to-day technical work. There is scope for more definition of who their members will be and how they will function.
The likelihood of effective implementation is enhanced by the working relationships the two States established during the CPA era, and safeguards that should prevent deviations regarding real and quoted oil volumes. The representatives of each State in the other’s facilities offer a robust verification mechanism. However, the requirement that each State must approve the other’s representative could lead to delay, especially if one withholds approval without clear reason.

Figure 8 – Summary of arrangements under September 2012 Agreement on Oil and Related Economic Matters

3.2.3 Agreement on Trade and Trade Related Issues

The Joint Ministerial Committee on Trade Relations (JMCTR) is an important oversight mechanism. However, the membership of six ministers from each State could reduce the efficiency of decision making and make it difficult for the JMCTR to meet. As of July 2013, the technical committee had begun operations, but its decisions will require support from the ministers to be implemented. A potential obstacle is that the two States do not yet have a strong precedent of bilateral technical meetings. In the past, agreed meetings have at times failed to be scheduled or been cancelled at late notice.
The most substantive item on the JMCTR agenda is the drafting of the customs agreement. A potential tension is the overlap between the JMCTR’s mandate with the mandate of the Joint Political and Security Mechanism (JPSM), which designated the trade corridors, and the mandate of the Joint Border Commission (JBC), which is tasked with managing the 'soft border'. There are also potential disputes over the exact placement of customs points, though the JPSM has sought to define where these should lie. There is no dispute resolution mechanism in this agreement. The two States must, therefore, rely on other dispute resolution mechanisms previously agreed.

The sharing of trade data would support trust and provide foundations for broader cooperation. Furthermore, the two States have an opportunity to develop an institution that could support long-term cooperation and exchange between their technical experts.

Figure 9 – Arrangements under September 2012 Agreement on Trade and Trade Related Issues

3.2.4 Agreement on a Framework for Cooperation on Central Banking Issues

The newly established Joint Central Banks Committee (JCBC) has membership at a senior technical level. The members have experience working together and face few outstanding disputes to delay their work, since the issue of currency redemption was shelved and the two States mutually forgave non-oil related arrears in the Agreement on Certain Economic Matters. The JCBC could rapidly implement its mandate through establishment of basic cross-border payments systems, assuming the broader political situation allows (which had not yet been achieved, as of July 2013). Monetary and fiscal policy cooperation may prove a longer process. Again, the agreement does not provide for a dispute resolution mechanism.

12 Art. 2 of the Agreement on Border Issues defines this as “a peaceful, safe and secure border, along which economic activity and social interactions can flourish and across which people can move, and goods and services can flow easily.”
resolution mechanism, so it may prove difficult to break deadlocks in the case of a significant breach of the agreement.

Figure 10 – Arrangements under September 2012 Agreements on a Framework for Cooperation on Central Banking Issues

3.2.5 Agreement on Certain Economic Matters

This agreement brings together disparate economic issues, and has some points of weakness. One is that it lacks clarity about how to review the division of debts two years following the agreement’s signing (September 2014). The mutual forgiveness of arrears and claims may also prove controversial, as inclusions and exclusions have not been agreed. The full implications of "government-to-government" forgiveness are unclear. For example, it is unclear whether it covers State-owned banks and other companies. The commitment to support private claims with “joint committees or other workable mechanisms” may also cause controversy. It has proved difficult to arrange meetings under the Joint Approach to the International Community, given GoRSS’s explicit linkage with the unresolved (as of July 2013) Sudapet issue. When the AU is able to convene a meeting, it will be necessary to resolve questions with regards to who should lead and attend the meeting, whether work should occur through conferences or visits, and how mutual commitments will be maintained.

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Lastly, the provisions for the establishment of the Joint Archives and Cultural Heritage Property Committee (JACHPC) are vague, and may require greater clarity for the two States to implement them.

Figure 11 – Arrangements under September 2012 Agreement on Certain Economic Matters

3.2.6 Framework Agreement to Facilitate Payment of Post Service Benefits

As in other cases, the negotiations on the cooperation agreements resulted in broad agreement with committees mandated to implement the general principles. Failure of the committees to function would pose a risk to vulnerable pensioners. In this case there are strong dispute resolution mechanisms, with a provision for binding arbitration by the International Labour Organization (ILO). It is not yet clear whether the ILO can commit to play this role. Another point of potential weakness is that the framework creates a high-level ministerial committee with a large number of specific responsibilities, which may cause delays in pensions payments if the committee fails to meet. As of July 2013, pension payments were already delayed.
3.2.7 Agreement on Security Arrangements

The agreement provides for the establishment of a Joint Border Verification and Monitoring Mission (JBVMM) and Safe Demilitarized Border Zone (SDBZ). Progress in all of the other files remains conditioned on ongoing progress in this one. As of July 2013, both States had sought to activate the JBVMM, but progress was yet to be achieved in implementing all provisions of the agreement.
3.2.8 Agreement on Border Issues

The agreement demonstrates a principled acceptance of respect for local communities and the need to involve them in decision-making processes. It provides for a key role for institutions such as the Border Governors’ Forum. However, the focus on the 1956 boundary could potentially limit the scope for popular participation, as does the short time-frame. The detailed specifications of how the two States will share costs may constitute an important precedent within the Cooperation Agreement as a whole.

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* Two ministers of defense, two chiefs of staff, two directors of intelligence services, commissioner of police, two chiefs of military intelligence, two legal advisors, one military officer, two police officers, and two intelligence officers from each State

** Three military officers, one police officer, one intelligence officer, and one legal advisor from each State

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14 Part 7 of the agreement specifies that the two States should complete demarcation three months after the establishment of the Joint Demarcation Committee and Joint Demarcation Team, unless the Joint Demarcation Committee recommends a time extension.
Figure 14 – Arrangements under September 2012 Agreement on Border Issues

* Co-chaired by one minister from each State
** Co-chaired by one representative from each State; six persons with expertise in cartography, law, or relevant disciplines from each State
*** Forty surveyors, cartographers, construction engineers, and other relevant experts from each State
3.2.9 Framework Agreement on the Status of Nationals of the Other State and Related Matters

As the Joint High Level Committee (JHLC) is supposed to elaborate on the Four Freedoms,\textsuperscript{15} it is critical to successful implementation of this agreement. The JHLC could potentially face pressure from those from both States who do not support the agreement. The Sudan’s experience of partial implementation of the 2004 Four Freedoms Agreement with Egypt may hold lessons for this agreement.

![Diagram](image.png)

*Co-chaired by minister of internal affairs from each State; includes other ministers

3.2.10 Gaps and opportunities

The September 2012 Cooperation Agreements established a range of bilateral mechanisms for political and economic interaction between South Sudan and the Sudan. These mechanisms provide foundations for the States’ bilateral relationship, but require further steps by both parties to create the arrangements for long-term economic and political interaction. Apart from the overarching cooperation agreement, the substantive focus of the agreements is on economic matters (five agreements), plus agreements related to borders and security, and one related to the Four Freedoms. This means that

\textsuperscript{15} These entail freedom of residence, freedom of movement, freedom to undertake economic activity, and freedom to acquire and dispose of property.
there is scope for a complementary focus on other cooperation matters not specifically covered by the agreements, such as areas of social, educational, and cultural cooperation.

Many of these mechanisms will function at the national level, with the exception of the mechanisms related to the management of the border. The agreements rely on joint national inter-ministerial committees (high level policy/oversight committees, some with technical committees to work out detailed implementation), which could prove difficult to convene in a timely manner. The prime focus is on interaction between the two executives, with no formal arrangements proposed for interaction of legislative bodies in the two countries (such as committees of the national legislative assemblies). The importance of interactions between legislators has already been noted by leading figures in the national assemblies of both countries.

Over and above this, there is scope for a broad range of further mechanisms to promote cooperation at the local/cross-border level, both in terms of governmental and non-governmental collaboration, as well as scope for establishing joint co-operation mechanisms in a wide range of regional initiatives and programs.

Most of the agreements have limited or no mechanisms for public participation and citizen engagement. The exceptions are the border agreement, which has provisions for the involvement of communities in border management, and the security agreement which provides for the use of traditional dispute resolution mechanisms. There is an opportunity to explore additional mechanisms for civic engagement, for example to strengthen accountability and transparency in the oil sector arrangements as part of trust building.

Analysis of the agreements from a gender perspective has shown that there was limited engagement of or consultation with women in the negotiation process on post-referendum and secession arrangements. Furthermore, limited attention has been paid to ways the agreements impact upon women as a population group.\(^\text{16}\) As of July 2013, women had also not been adequately included as members of the various cooperation committee structures. The first priority should be to ensure that the committees are operational, and include people in the appropriate political and technical positions to make them effective. However, it will be important to take active measures to address the issue of women’s participation and inclusion. This will require arrangements to increase women’s access to influential political positions in their national governments so that they can be nominated to the committees. Over time, the two States could consider a minimum of 25% female members of the various committees, in line with South Sudan’s domestic gender quotas for public institutions.\(^\text{17}\)

There are also opportunities to build stronger involvement of traditional and customary authorities, over and above the use of traditional dispute resolution mechanisms in the Agreement on Security Arrangements. This could be both at local and national levels. In addition, future arrangements could benefit from engaging the business sector, which has forged and sustained cross-border interactions between the Sudan and South Sudan, in spite of deteriorations in inter-governmental relations.


\(^{17}\) Coalition of Women Leaders from Sudan and South Sudan, *Communiqué: Women Shaping the Peace in Sudan and South Sudan* (Addis Ababa: The Institute for Inclusive Security, 2013).
Table 1 – September 2012 Co-operation Agreements: Issues, structures and opportunities

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Issues covered</th>
<th>Focus</th>
<th>National committee(s)</th>
<th>Mechanism for public participation?</th>
</tr>
</thead>
</table>
| 1         | Cooperation Agreement between the Republic of Sudan and the Republic of South Sudan | • General principles of peaceful cooperation and mutual viability  
• Commitment to implementing other agreements  
• Commitment to establish cooperation mechanisms, including:  
  • Regular Heads of State summit meetings  
  • Ministry-level technical cooperation  
  • Establishment of dispute resolution mechanisms | X | X | X | Yes | No |

Agreements with an economic co-operation focus

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Issues covered</th>
<th>Focus</th>
<th>National committee(s)</th>
<th>Mechanism for public participation?</th>
</tr>
</thead>
</table>
| 2         | Agreement on Oil and Related Economic Matters | • Resumption of South Sudan's oil production  
• Fees and terms for transportation and processing in the Sudan  
• Transitional Financial Arrangement of $3.028bn  
• Joint Cross-Border Cooperation Committee  
• Petroleum Monitoring Committee | X | | Yes | No |
| 3         | Agreement on Trade and Trade Related Issues | • Independent trade policies in the short term  
• Adherence to trade policies of relevant regional and international organizations  
• Fostering of trade relations through joint ministerial and technical committees  
• Immediate drafting of an agreement on customs  
• Future adoption of long-term trade policy for mutual benefit  
• Mechanisms for trade-related data sharing | X | | Yes | No |
| 4         | Agreement on a Framework for Cooperation on Central Banking Issues | • Cooperation in monetary and fiscal policy management, to maintain confidence, control inflation, and avoid destabilizing exchange-rate fluctuations  
• Provisions for cross-border payments and banking relationships  
• Establishment of a Joint Central Banks Committee | X | | Yes | No |
| 5         | Agreement between on Certain Economic Matters | • Territorial assets and liabilities to belong to countries in which they are situated.  
• The Sudan to retain all external debts and assets, assuming debt relief secured within two years; If not, the division of liabilities to be reviewed  
• Joint Archives and Cultural Heritage Property Committee to identify relevant | X | X | Yes | No |
<table>
<thead>
<tr>
<th>Agreement</th>
<th>Issues covered</th>
<th>Focus</th>
<th>National committee(s)</th>
<th>Mechanism for public participation?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>assets and arrange repatriation  &lt;br&gt; • Mutual forgiveness of all “government-to-government” arrears and claims  &lt;br&gt; • Joint approach to the international community to seek debt relief, an end to sanctions, and international financial assistance for both States</td>
<td>Econ Pol. and security Socio-cultural</td>
<td>X</td>
<td>Yes No</td>
</tr>
<tr>
<td>6</td>
<td>Framework Agreement to Facilitate Payment of Post Service Benefits  &lt;br&gt; • Payment of all pensions for eligible current/former public servants  &lt;br&gt; • Joint Ministerial and Technical Committees to oversee</td>
<td>X</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Security and border issues</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>7</td>
<td>Agreement on Security Arrangements  &lt;br&gt; • Implementation of all previously agreed security arrangements  &lt;br&gt; • Withdrawal of forces  &lt;br&gt; • Immediate operationalization of the Joint Border Verification and Monitoring Mission and the Safe Demilitarized Border Zone  &lt;br&gt; • Special arrangements for the “14 Mile Area”  &lt;br&gt; • Preservation of joint tribal mechanisms for resolving disputes  &lt;br&gt; • Opening of ten agreed border crossing points</td>
<td>X X X</td>
<td>Yes</td>
<td>Use of traditional mechanisms for dispute resolution</td>
</tr>
<tr>
<td>8</td>
<td>Agreement on Border Issues  &lt;br&gt; • Principle of the “soft border” allowing passage of people, goods and livestock  &lt;br&gt; • Integrated border management approach  &lt;br&gt; • Oversight by the Joint Border Commission  &lt;br&gt; • Special provisions for pastoralists and nomads  &lt;br&gt; • Commitment to complete boundary demarcation</td>
<td>X X X</td>
<td>Yes</td>
<td>Involvement of local communities in border management</td>
</tr>
<tr>
<td>Citizenship and related issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>9</td>
<td>Framework Agreement on the Status of Nationals of the Other State and Related Matters  &lt;br&gt; • Four Freedoms for citizens of each State in the other: residence, movement, economic activity, right to own and sell property  &lt;br&gt; • Establishment of a Joint High Level Committee to elaborate upon and oversee these</td>
<td>X X X</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>
3.3 Participation in regional blocs

South Sudan and the Sudan are each members of a number of regional and international groupings, including the Common Market for Eastern and Southern Africa (COMESA), the Inter-Governmental Authority on Development (IGAD), the International Monetary Fund (IMF), and the World Bank (see Table 2). It is apparent from a number of studies that mutual membership in a multilateral economic institution can decrease chances of armed conflict between countries, helping them to signal their intentions clearly, and to build trust through ongoing interactions.\(^{18}\) There are also significant potential benefits for bilateral peacebuilding based on enhanced regional integration. For example, on several occasions when national-direct interactions have broken down, the Sudan and South Sudan have cooperated through regional forums using these to re-establish bilateral relations.

In addition to the ones they have already joined, South Sudan and the Sudan may qualify to become members of other regional and international organizations, such as the World Trade Organization (WTO) and the East African Community (EAC). Membership in regional organizations can be especially useful because it allows for equal treatment of countries within a particular bloc. In the short to medium term, the highest potential in terms of economic co-operation may come from their mutual membership of COMESA, which in theory obliges them to eliminate tariffs and non-tariff trade restrictions. Nevertheless, there are limitations in the short term. The general lack of implementation of measures among the member States of COMESA, the unclear timelines for compliance, power asymmetries, and existing poor bilateral relations between the Sudan and South Sudan could have a negative impact on the efficacy of such engagement. There are particular risks for South Sudan, with a less developed economy, from poorly planned integration with any of its regional neighbors, including the Sudan.

Table 2 – Membership of the Republic of the Sudan and the Republic of South Sudan in regional organizations

<table>
<thead>
<tr>
<th>Organization</th>
<th>Member State</th>
<th>Observer State</th>
<th>Applicant</th>
<th>Potentially eligible</th>
<th>Ineligible</th>
<th>Information unavailable</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Free Trade Zone</td>
<td>The Sudan</td>
<td>South Sudan</td>
<td>South</td>
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<td>Common Market for Eastern and Southern Africa (COMESA)</td>
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<td>The Sudan, South Sudan</td>
<td>South Sudan</td>
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<tr>
<td>Commonwealth of Nations</td>
<td>The Sudan, South Sudan</td>
<td>The Sudan, South Sudan</td>
<td>South Sudan</td>
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<td></td>
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<tr>
<td>Community of Sahel-Saharan States</td>
<td>The Sudan</td>
<td>South Sudan</td>
<td>South</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East African Community (EAC)</td>
<td>South Sudan</td>
<td>The Sudan</td>
<td>South</td>
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<td></td>
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</table>


\(^{19}\) South Sudanese membership of the EAC is a prerequisite for the Sudan to be eligible.
### Organizations

<table>
<thead>
<tr>
<th>Organization</th>
<th>Member State</th>
<th>Observer State</th>
<th>Applicant</th>
<th>Potentially eligible</th>
<th>Ineligible</th>
<th>Information unavailable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental Authority on Development (IGAD)</td>
<td>The Sudan, South Sudan</td>
<td>South Sudan</td>
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<tr>
<td>International Conference on the Great Lakes Region</td>
<td>The Sudan, South Sudan</td>
<td>South Sudan</td>
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<tr>
<td>International Monetary Fund (IMF)</td>
<td>The Sudan, South Sudan</td>
<td>South Sudan</td>
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<tr>
<td>League of Arab States</td>
<td>The Sudan</td>
<td>South Sudan</td>
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<tr>
<td>Organization of Islamic Cooperation</td>
<td>The Sudan</td>
<td>South Sudan</td>
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<td></td>
</tr>
<tr>
<td>Organization of Petroleum Exporting Countries</td>
<td>The Sudan</td>
<td>South Sudan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Trade Organization (WTO)</td>
<td>The Sudan</td>
<td>South Sudan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In terms of political and security matters, mutual membership of bodies such as IGAD and the AU is significant, together with participation in regional initiatives relating to the Lords Resistance Army (LRA) and the Great Lakes. These forums offer important opportunities for the States to act in unison in regional matters, as well as providing avenues to help resolve ongoing disputes on outstanding issues and potential future bilateral disagreements.

### 3.4 Identifying interests

Having assessed existing interactions between South Sudan and the Sudan, this section turns to the interests which have emerged from, and may be realized through, those interactions. Interest mapping (Step 2 of the methodology) reveals how different constituencies from each State think about important issues. The exercise highlights where there is consensus, and where there are differences that require bridging. Interest mapping is, therefore, an important step towards identifying fair and agreeable options.

Different from considerations (see Section 5.1 below), interests encompass the needs, views, desires, and aspirations that people wish to realize. Figure 16 and Figure 17 present a sample interest map. This is a partial map, which reflects initial brainstorming amongst a group of Sudanese and South Sudanese academics and policy experts. The interests in this chart and their assignment to specific constituencies derive from this preliminary brainstorming exercise and are purely illustrative. They should not be treated as authoritative or comprehensive. The chart is meant to demonstrate a tool that others can use to capture and analyze interests themselves.
Reflections on interest mapping

During consultations conducted in mid-2013, Sudanese and South Sudanese academics and policy experts offered reflections on how people can adapt the interest mapping tool to answer specific questions:

- Some participants suggested that people could rank the interests in the chart to show which could 'make or break' relations.
- People can adapt the chart to draw links between the interests of different constituencies, showing how the interests of one influence those of another.
- The tool can also be used to map the interests of other constituencies and governments in the region, to show how regional neighbors affect the shape of relations between the Sudan and South Sudan.
- The participants highlighted the importance of identity issues in shaping different constituencies' interests. The chart can be adapted to highlight interests linked to identity.
- People can also use the chart to identify potential spoilers, by examining which constituencies have interests that might motivate them to undermine relations.

Divergence of interests within constituencies

When using this interest map, it is important to note that interests can diverge considerably within specific constituencies. The map, as it stands, does not reflect the many views that can exist within a constituency. Users of the interest map should tailor it as necessary and keep in mind possible variations.

Women are an example of individuals who may have special interests within a constituency – such as women in border communities, who face special livelihoods challenges distinct from men. Since women often face barriers to voicing their views, people engaged in interest mapping will need to consult both men and women within particular constituencies to check if their interests overlap, or if there are internal variations.
NOTE: The constituencies identified in each row are not homogeneous in their interests.
<table>
<thead>
<tr>
<th>Constituency</th>
<th>Core Issues</th>
<th>Sub-issues</th>
<th>Macro Level</th>
<th>Meso Level</th>
<th>Micro Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>National government</td>
<td>Both</td>
<td>Both</td>
<td>Sudan</td>
<td>National government</td>
<td>Both</td>
</tr>
<tr>
<td>Military</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Military</td>
<td>Both</td>
</tr>
<tr>
<td>Ruling party</td>
<td>Both</td>
<td>Both</td>
<td>South Sudan</td>
<td>Sudan</td>
<td>Ruling party</td>
</tr>
<tr>
<td>Ruling individuals</td>
<td>Both</td>
<td>Both</td>
<td>South Sudan</td>
<td>Sudan</td>
<td>Ruling individuals</td>
</tr>
<tr>
<td>Opposition parties</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Opposition parties</td>
<td>Both</td>
</tr>
<tr>
<td>Business</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Business</td>
<td>Both</td>
</tr>
<tr>
<td>Media</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Media</td>
<td>Both</td>
</tr>
<tr>
<td>State government</td>
<td>Both</td>
<td>Both</td>
<td>South Sudan</td>
<td>State government</td>
<td>Both</td>
</tr>
<tr>
<td>Militias</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Militias</td>
<td>Both</td>
</tr>
<tr>
<td>Civil society</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Civil society</td>
<td>Both</td>
</tr>
<tr>
<td>Border population</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Border population</td>
<td>Both</td>
</tr>
<tr>
<td>Regional community</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Regional community</td>
<td>Both</td>
</tr>
<tr>
<td>Internat. community</td>
<td>Both</td>
<td>Both</td>
<td>Both</td>
<td>Internat. community</td>
<td>Both</td>
</tr>
</tbody>
</table>

**NOTE:** The constituencies identified in each row are not homogeneous in their interests.
4. Opportunity areas for interaction

Having defined economic and political interactions and assessed frameworks for relations between the Sudan and South Sudan, this section focuses more specifically on how arrangements for political and economic interaction can contribute to peacebuilding. This section also presents opportunity areas for economic and political interaction between the two countries (Step 3 of the methodology presented in Figure 1).

While issues related to ethnic, cultural, religious, and linguistic diversity were drivers of conflict between the North and South in the former Sudan, the two States continue to have important historic, linguistic, and cultural ties. Their common experience as a troubled single nation has produced a legacy of mistrust. This feeds opportunistic behavior on both sides, which can increase the risk of conflict. Certain types of political interactions can assist the people of the Sudan and South Sudan in achieving mutual conciliation of their political interests and thus reestablish trust and contribute to peace between the two States. Political interactions bring direct benefits, as well as providing a supportive security and policy environment for effective economic interactions.

The Sudan and South Sudan have many opportunities for effective economic interaction. They share one of the longest common borders in the world, as well as the Nile River, two export pipelines from South Sudan’s oil fields to Port Sudan, and a border population that interacts closely through local cross-border trade and seasonal migration. The economies of the two countries depend on oil revenues for macroeconomic stability and for both internal and external balances. As a result, they are in a position to make significant gains from many forms of economic and political interaction. This point is underlined by the heavy costs of the interruptions of existing interactions witnessed since 2011.

It is useful to consider opportunities for economic and political interaction as lying across three levels:

- **Local-direct interactions**, in the form of cross-border relationships between the populations living in the border areas.
- **National-direct interactions**, in the form of bilateral relations between the two governments.
- **National-indirect interactions**, through regional institutions and international organizations of which the Sudan and South Sudan are both members and through which they have committed to common provisions.
It is possible to find simultaneous opportunities for interaction across these levels, which can be identified and assessed using the strands outlined above. Table 3 summarizes perspectives from Sudanese and South Sudanese interlocutors on the opportunities for interaction through the strands.
<table>
<thead>
<tr>
<th></th>
<th>Local-direct relations</th>
<th>National-direct relations</th>
<th>National-indirect relations</th>
</tr>
</thead>
</table>
| **Political      | • Multiple strands of political interaction are important at the local level to address the special interests of border populations. There are significant opportunities for public participation by local communities, and for linkages between traditional authorities, whilst decentralized local authorities have a key role to play on both sides of the border in supporting the interests of border populations. | • Intergovernmental relations need not only be between executive officials, but can also involve interactions between national legislatures.  
• Significant national-direct interactions also take place between non-State actors (such as traditional authorities) – these must be recognized and supported. | • National-indirect relations represent a significant opportunity area, working in co-operation where there is a shared agenda for engagement on political and security issues within the sub-region. |
| interaction      |                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                         |
| Economic         | • Economic interactions are a huge opportunity area at the cross-border level. Key opportunity areas include trade, natural resource management, and joint infrastructure projects. Cross-border economic relations can best be built and managed through the involvement of local authorities and local populations. | • Whilst there are concerns about the risks of economic co-operation, it is considered that the potential benefits outweigh these. At the national-direct level, all six strands of economic interaction are considered important, with some particular priority areas:  
• (i) Macro-economic policy: a joint approach to debt relief is a high priority for both States, while removal of sanctions is a high priority for the Sudan. Any degree of harmonization of macro-economic policies will however remain a longer-term agenda and ambition.  
• (ii) Trade, infrastructure, and natural resource management are the other areas of economic interaction which are generally considered to be the main priority areas. | • Shared membership of COMESA provides an opportunity to pursue a mutually beneficial regional economic co-operation agenda.  
• Natural resource management issues can be addressed through a range of regional bodies and forums, including the Nile River Basin Initiative and the Ramsar Convention on Wetlands of International Importance. |
| interaction      |                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                         |

Table 3 – Summary of perspectives on opportunity areas by Sudanese and South Sudanese interlocutors
4.1 Local–direct interactions

On the local level, the 2012 border agreement has a number of provisions relevant to local-level political and economic interaction between the Sudan and South Sudan. The agreement commits the countries to maintaining a ‘soft border’, defined as “a peaceful, safe and secure border, along which economic activity and social interactions can flourish and across which people can move, and goods and services can flow easily” (Art. 2). The Sudan and South Sudan will need to agree more specifically on how a soft border will operate. If effectively implemented, a soft border could provide an important area for economic and political interaction cutting across many of the strands discussed below. The provisions of the agreement are viewed by some border experts as a potential model for other regions in Africa, enabling the long border to become a bridge between neighboring communities and a gateway to effective cooperation.

Table 4 summarizes opportunity areas at the local-direct level, and highlights issues linked to creating a soft border.

Table 4 – Summary of local-direct opportunity areas

<table>
<thead>
<tr>
<th>Economic interactions</th>
<th>Political interactions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Macro-economic policy</strong></td>
<td>• Development and implementation of framework for structured interactions at the border</td>
</tr>
<tr>
<td>• Coordinated monetary and fiscal regimes, enabling cross-border trade and local economic development</td>
<td>1. Political structure</td>
</tr>
<tr>
<td><strong>2. Trade</strong></td>
<td>• Systems of election/appointment to border management and cross-border trade bodies</td>
</tr>
<tr>
<td>• Stimulation of local cross-border trade</td>
<td>2. Election</td>
</tr>
<tr>
<td>• Establishment of free trade border zone</td>
<td><strong>3. Financial sector</strong></td>
</tr>
<tr>
<td>• Local banking arrangements to facilitate trade, currency exchange, and money transfers</td>
<td>• Re-establishment of border governors and county commissioners forums</td>
</tr>
<tr>
<td>• Cross-border micro-finance projects</td>
<td>3. Executive</td>
</tr>
<tr>
<td><strong>4. PSD and investment</strong></td>
<td>• Information exchange and consultation between border state legislative assemblies</td>
</tr>
<tr>
<td>• Expansion of cross-border operations by entrepreneurs</td>
<td>4. Legislative branch</td>
</tr>
<tr>
<td>• Joint cross-border ventures</td>
<td>• Public participation in border management arrangements</td>
</tr>
<tr>
<td>• Free movement of labor</td>
<td>5. Public participation</td>
</tr>
<tr>
<td><strong>5. Infrastructure</strong></td>
<td>• Use of traditional dispute resolution mechanisms in solving cross-border issues</td>
</tr>
<tr>
<td>• Building of cross-border feeder roads, electricity transmission lines, and telecommunications facilities</td>
<td>6. Traditional and customary arrangements</td>
</tr>
<tr>
<td>• Refurbishment and promotion of traditional border markets</td>
<td></td>
</tr>
</tbody>
</table>
Political interaction opportunity areas at the local level

■ Political structure

In principle, the constitutions of both the Sudan and South Sudan promote a decentralized system of governance, meaning that prime responsibility for economic and political interactions and for building cooperation, together with the availability of resources required to support such initiatives, should be at the level of state and local governments. In practice, the constitutional powers of local government are underdeveloped and the level of resources transferred from the national level remains relatively low. For local-direct interactions to become the lynchpin of co-operation, state and local authorities on both sides of the border will need to be empowered both politically and economically. In this context, it is important to consider not only the remit of local authorities, but also their actual capacities.

Both countries could gain from structured interaction at the border, such as through forums bringing together state governors or county commissioners from both sides of the border. One opportunity area is the Border States Governors’ (Tamazuj) Forum, which the border agreement calls upon both countries to reestablish. If reestablished, this forum could help subnational government institutions address causes of conflict and coordinate policy to enhance local trade and cross-border movements. This political interaction could thus support economic interaction and protect the livelihoods of border populations. The proposed integrated border management approach provides another opportunity area for local-level political interaction through cooperation between the Joint Border Commission, national and state authorities, and local communities on both sides of the border.

■ Systems of election and appointment

As at the national level, transparency about how people are chosen for positions in joint local-level bodies could help build support for the 2012 cooperation agreements. These bodies include local border management arrangements, which could gain credibility if the Sudan and South Sudan consult border communities on the systems for election or appointment that determine their membership. The election of special bodies with responsibility for cross-border issues could present another opportunity area for political interaction related to the establishment of the soft border.

■ Executive

As mentioned above, the reestablishment of the Border States Governors’ (Tamazuj) Forum would provide an important opportunity for direct local-level interaction at the executive level. This forum, based on a long history of mingling between communities in the border zone between the North and South, or Tamazuj, would bring together the governors of the...
11 states lying along the border between the Sudan and South Sudan. The forum could be jointly chaired by a high-level representative from the executive of each State, and its meetings could rotate among the border states. Similar forums for county commissioners of border counties could further enhance interaction. Such interaction is particularly important considering the lack of an overarching policy framework for implementing the soft border, both within and between the two countries. For example, three border states in South Sudan are supportive of cross-border migration, while two states are opposed. These forums could allow local-level executives from both sides of the border to work toward harmonizing border policy. They could also facilitate local-level cooperation agreements, similar to the tripartite agreement signed by the governors of South Sudan’s Central and Western Equatoria states and leaders of the Democratic Republic of the Congo’s Kisangani province in June 2013.

The Tamazuj Zone

In Arabic, ‘Tamazuj’ means ‘blend’, ‘intermingling’ or ‘mixing’. The ‘Tamazuj Zone’ refers to the melting pot of cultures and languages that spans the border states of the Sudan and South Sudan. Tamazuj reflects an African concept of borders as buffer zones where people meet and interact, rather than borders as hard lines.

Significant economic and political interaction takes place in the Tamazuj Zone, supported by intermingling of diverse cultures and tribes, and the fact that the border populations share common socio-economic and ecological challenges. Communities cooperate through all sorts of informal arrangements, including through relationships between traditional authority structures. Therefore, the concept of Tamazuj is critical to understanding the enormous potential for cross-border economic and political interaction.

 Legislative branch

As at the national level, interactions and the exchange of information between legislative assemblies of border states in the Sudan and South Sudan offer the potential for policy harmonization. In conjunction with the Border States Governors’ Forum and a potential Border County Commissioners’ Forum, cross-border interaction between border state legislative assemblies could facilitate development of a common approach toward implementing the soft border.

20 These are: South Darfur, East Darfur, West Kordofan, South Kordofan, Blue Nile, and Sennar States in the Sudan; and Western Bahr El Ghazal, Northern Bahr El Ghazal, Warrap, Unity, and Upper Nile States in South Sudan.
23 Dr. Lual A. Deng. The Tamazuj Zone: A framework for two viable Sudanese States at peace with each other and within themselves. Presentation delivered at “Shaping the Future: a forward-looking discussion between leading policy thinkers from the two countries,” Nairobi, Kenya, 5 – 6 July 2013.
Public participation

Public engagement in border management, including dissemination of information about border arrangements, public hearings on border issues, and civic engagement in cross-border initiatives, is critical to realizing the benefits of political interaction. Unlike the other agreements between the Sudan and South Sudan, the 2012 Agreement on Border Issues mentions a specific role for public participation. One of the “key pillars” for the integrated border management approach is local stakeholder participation. The border agreement specifies that the Sudan and South Sudan “shall ensure that residents of the border and other affected persons have access to information concerning any decisions and developments relevant to the border, such as: legislation, official policies and agreements” (Art. 27). As mentioned above, President Kiir delegated civic education related to the 2012 agreements to the state governors, and responsibility for providing information on border policies may also fall to local-level authorities in the Sudan and South Sudan. Providing access to information on these policies could create a foundation for broader public engagement.

To promote broader engagement, the agreement also requires that the Joint Boundary Commission “give due consideration to the views of the host communities, border communities as well as to the interests and views of other affected groups” (Art. 15) and “coordinate its activities with the various stakeholders, including national authorities and local communities” (Art. 18). If implemented, these provisions in the border agreement could promote broad engagement between the Joint Boundary Commission and people living along the border in formulating and implementing border policy. This engagement represents an important opportunity area for building public trust in both local- and national-level political interaction.

Traditional and customary arrangements

Traditional and customary arrangements can play a powerful role in local dispute resolution. As mentioned above, the Sudan and South Sudan recognized this role in the 2012 security agreement by committing to “[maintain] the status quo of the joint tribal mechanisms for the resolution of disputes” (Art. 3). These tribal mechanisms have a long history in the border region and have resulted in a number of ongoing cross-border agreements. For example, agreements among tribes have resulted in grazing and trading arrangements between nomadic tribes in the Sudan and pastoralist communities in South Sudan in several border states.24

Furthermore, in many areas – especially in the border zone – traditional authorities are the most visible (or the only visible) form of authority. In this respect, collaboration between

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traditional authorities at the border could help implement the soft border and protect the livelihoods of communities who live in border areas or migrate across the border seasonally. To support such efforts, a unified curriculum for general education in the Tamazuj Zone has been proposed.

**Economic interaction opportunity areas at the local level**

- **Macroeconomic policy**

  Macroeconomic policy is, almost by definition, not managed at the local level. However, properly coordinated monetary and fiscal regimes constitute an important element of the enabling framework for cross-border trade and local economic development.

- **Trade**

  Local-level cross-border trade is vital to the livelihoods of many inhabitants of border states who depend on low-value exchange and barter with their neighbors. This trade presents a key opportunity for interaction that requires little more than ending interference, as the trade proceeds according to longstanding patterns.

  People inhabiting the border areas also have opportunities, by virtue of their location, to profit from national-level trade. The 2012 Agreement on Border Issues acknowledges this opportunity by committing the two countries to “facilitate cross border trade and establish customs posts and enclosures at the designated official crossing points” (Art. 26). Establishing free-trade zones on the border presents a longer-term opportunity to enhance local economic activity. See Table 6 in Section 4.2 for more on the potential benefits of enhancing cross-border trade, and how improvement of local-direct and national-direct interactions is interlinked.

- **Financial sector**

  As with macroeconomic policy, financial sector operations tend to be concentrated in the national capitals. Nonetheless, local banking arrangements can support local-level economic interaction by facilitating trade, currency exchange, and money transfers. Microfinance projects could also operate across the border. The commitment in the border agreement to “promote investment along the border and… promote and facilitate the access of border communities to commercial banking, telecommunications, and currency exchange facilities” (Art. 26) presents a useful opening.

- **Natural resource management**

  Natural resources are probably the most significant area for local-level economic interaction between the Sudan and South Sudan, presenting significant challenges as well as opportunities. Pastoralists from the Sudan depend on crossing the border to South Sudan during dry seasons to access water and pastures for their herds. The 2012 border agreement states that the two countries will “regulate, protect and promote the livelihoods of border communities… in particular those of the nomadic and pastoral communities especially their seasonal customary right to cross, with their livestock, the international boundary between the Parties for access to pasture and water” (Art. 14).

  Local-level cooperation is also necessary to avoid environmental problems. These environmental problems include not only degradation of the grassland and overuse of limited water resources but also unsustainable harvesting of the many other natural
resources that span the border, including forest products from South Sudan such as timber, gum Arabic, and honey. The agreement thus commits the countries to “adopt a comprehensive border management policy for the management of resources, including: rangelands, watersheds, stock routes and grazing areas” (Art. 14). Such interaction presents an important opportunity area, as it would benefit populations on both sides of the border and is strongly linked to ongoing traditional arrangements.

- **Private sector development and investment**

Like traders, entrepreneurs have experience with cross-border operations between the Sudan and South Sudan. Sudanese providers have opportunities to make effective use of their comparative advantage in South Sudan. From a South Sudanese perspective, increased cross-border private sector activity from the Sudan not only enables local consumers to access cheaper goods but may also contribute to broader economic growth. Sudanese and South Sudanese could also engage in joint ventures in a wide range of sectors. In addition, easy cross-border labor movement would increase economic efficiency and livelihood opportunities.

- **Infrastructure**

Good infrastructure is less an opportunity area than a vital precondition for cross-border economic interaction. An increase in trade could catalyze new infrastructure projects, including feeder roads, electricity transmission lines, and telecommunications facilities, that could significantly boost prosperity in border areas. In the more immediate term, the revival, refurbishment, and promotion of traditional border markets between the North and South, which flourished even at the height of the civil conflict, could be a relatively quick and low-cost way of fostering positive local-level economic interactions.

One challenge to infrastructure development is the risk that military contingents have laid mines during recent border disputes, which are yet to be cleared. An important first step will be for both States to confirm the border zone is adequately demined.

**Priorities and interests**

Local communities on both sides of the border share significant common interests and priorities regarding cross-border economic and political interactions. The two most important areas for local livelihoods in the Sudan and South Sudan are cross-border trade and natural resource management, particularly of water and grassland. These are closely related to cross-border traditional and customary arrangements, as the breakdown of these traditional systems could contribute to conflicts of interest in these areas. The resumption of normal economic interactions is urgent for communities on both sides of the border, some of whom had to seek alternative livelihood strategies when historic patterns of trade and migration were disrupted. Local border communities also face mutual hardships linked to the return and movement of refugees, whom they must host. Cross-border cooperation between local authorities offers one avenue for communities to manage the associated challenges.
Abyei Area as a special zone

The traditional mechanisms for interaction between the Ngok Dinka Paramount Chiefs and Misseriya Chiefs in the Abyei Area offer an historical example of traditional authority cooperation to manage cross-border natural resources. The dispute over the Abyei Area at the national level interlinks with the local level conflict, and has contributed to a breakdown in these traditional mechanisms and disruption of the Misseriya migrations. Amongst other conflict outcomes, this has led to acute suffering for the local population. Some commentators have highlighted the potential for the Abyei Area to be designated as a ‘special zone’ (which could lie in either country or be held in condominium) with special provisions for local governance, trade and natural resource management. Abyei could hence act as a bridge between the Sudan and South Sudan, reviving micro-level cooperation arrangements.

The Brčko District within the Republic of Bosnia Herzegovina offers an example of such a ‘special zone’ or bridge. During the civil war that followed its secession from the Socialist Federal Republic of Yugoslavia, the Republic of Bosnia Herzegovina was divided into two entities: the Federation of Bosnia and Herzegovina (FBH) and the Republika Srpska (RS). The Brčko area was a contested pocket of land, whose location made it a strategic double corridor, vital to the interests of both FBH and RS. While Brčko was FBH’s main connection to European markets, it formed the only territorial link between two halves of RS. Unable to resolve the status of Brčko through peace negotiations, the parties to the conflict referred the issue to arbitration. This resulted in the creation of the Brčko District, a multi-ethnic administrative unit with its own system of self-government. The arbitration did not assign the Brčko District to either FBH or RS – instead, it provided that Brčko should be held in condominium between them. As of July 2013, there had been no violent conflict in the area for the 17 years since arbitration began.

Structures and processes

Civic engagement in cross-border initiatives offers another avenue for supporting local-level interactions. At the time of writing, civil society constituencies had initiated several such initiatives. These include a program of collaborative research on the border areas between academics in the Sudan and South Sudan.

Formal arrangements for political interaction largely consist of linkages between high-level executive officials and bodies (e.g. the Border States Governors’ Forum). The two States can also construct linkages between local authorities and state assemblies on both sides of the border, which could provide a route to increasing more formal forms of public participation.

It should also be noted that stakeholders from both countries have expressed a view that the role to date of national actors in local-level cross-border relations has been more negative than positive. Some constituencies perceive national politicians and security agencies to have meddled in border affairs, to have frequently misunderstood key issues, and

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26 This would entail implementing provisions under existing agreements on the administration of the Abyei Area, as well as agreeing on new provisions.
undermined local interests. This issue may require national leaders to entrust local-level actors with more authority to make decisions about how to engage with and support public participation in cross-border collaboration arrangements.

4.2 National–direct interactions

The 2012 cooperation agreements focus primarily, although not exclusively, on direct national-level interactions (see Section 2.2). These agreements provide for direct interaction between a range of national-level government officials through various joint committees and mechanisms. Political interactions present opportunities for direct national-level coordination of economic policy that could also lead to enhanced economic interaction. Table 5 summarizes opportunity areas at the national-direct level.

Table 5 – Summary of national-direct opportunity areas

<table>
<thead>
<tr>
<th>Economic interactions</th>
<th>Political interactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Macroeconomic policy</td>
<td>• Development of comprehensive framework for bilateral cooperation</td>
</tr>
<tr>
<td>• Monetary policy coordination at Central Bank level</td>
<td>• Political structure</td>
</tr>
<tr>
<td>• Fiscal policy harmonization</td>
<td>• Transparency about appointments to bilateral committees and bodies</td>
</tr>
<tr>
<td>2. Trade</td>
<td>• Inclusion of women in all cooperation committees</td>
</tr>
<tr>
<td>• Open border and resumption of formal trade relations.</td>
<td>• Formalization and continuation of presidential summits</td>
</tr>
<tr>
<td>• Creation of free-trade zones in the border areas</td>
<td>• Coordination and information-sharing between joint ministerial committees</td>
</tr>
<tr>
<td>3. Financial sector</td>
<td>• Exchange of information, consultation and coordination of policy between national legislatures</td>
</tr>
<tr>
<td>• Full currency convertibility</td>
<td>• Dissemination of information on bilateral arrangements</td>
</tr>
<tr>
<td>• Cross-border financing and operation of banks</td>
<td>• Public hearings and/or a joint public watchdog to monitor interactions</td>
</tr>
<tr>
<td>4. PSD and investment</td>
<td>• Joint national civic reconciliation initiatives</td>
</tr>
<tr>
<td>• Cross-border operation of corporations (e.g. in</td>
<td>• Collaboration between national Councils of Traditional Authority Leaders (if these are developed)</td>
</tr>
<tr>
<td>telecommunications).</td>
<td>• Dissemination of information on bilateral arrangements</td>
</tr>
<tr>
<td>• Higher education cooperation</td>
<td>• Public hearings and/or a joint public watchdog to monitor interactions</td>
</tr>
<tr>
<td>• Implementation of Four Freedoms</td>
<td>• Joint national civic reconciliation initiatives</td>
</tr>
<tr>
<td>5. Infrastructure</td>
<td>• Collaboration between national Councils of Traditional Authority Leaders (if these are developed)</td>
</tr>
<tr>
<td>• Joint hydroelectricity production</td>
<td>• Dissemination of information on bilateral arrangements</td>
</tr>
<tr>
<td>• Expand cross-border transport network – Nile, roads,</td>
<td>• Public hearings and/or a joint public watchdog to monitor interactions</td>
</tr>
<tr>
<td>railways</td>
<td>• Joint national civic reconciliation initiatives</td>
</tr>
<tr>
<td>6. Natural resource management</td>
<td>• Collaboration between national Councils of Traditional Authority Leaders (if these are developed)</td>
</tr>
<tr>
<td>• Joint investments in natural resource management</td>
<td>• Dissemination of information on bilateral arrangements</td>
</tr>
<tr>
<td>• Structured co-management of oil and water (Nile and</td>
<td>• Public hearings and/or a joint public watchdog to monitor interactions</td>
</tr>
<tr>
<td>groundwater)</td>
<td>• Joint national civic reconciliation initiatives</td>
</tr>
<tr>
<td></td>
<td>• Collaboration between national Councils of Traditional Authority Leaders (if these are developed)</td>
</tr>
</tbody>
</table>
Political interaction opportunity areas at the national-direct level

- **Political structure**

As discussed in Section 2.2, the 2012 cooperation agreements provide the basis for more structured political interaction. Whether these arrangements develop to form a structured framework will depend in part on how the different committees and other arrangements coordinate with each other and share information.

- **Systems of election and appointment**

Arrangements for political interaction can build mutual trust provided they are broadly accepted by all political actors, some of whom might have divergent interests. Transparency about how people are chosen for positions in joint committees and mechanisms could help build this acceptance among diverse constituencies in both countries. For example, the JPSM is a bilateral body that has met frequently since its formation in 2011, suggesting that its membership arrangements have cultivated mutual commitment by both countries. The Sudan and South Sudan have equal membership in the JPSM, with some seats automatically held by key government officials in the security sector and others appointed by each State.29 The cooperation agreements specify the membership arrangements of several other joint committees in the same way, but the membership of some committees is not specified. Making the selection of members of all joint committees transparent could build trust and enhance political interaction. In addition, implementing a 25% quota of women members in all inter-State committees, consistent with Article 16 of the Transitional Constitution of the Republic of South Sudan (2011), is an important opportunity for both States to accommodate women’s interests and strengthen the quality of cooperation arrangements more broadly.

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29 Seats on the JPSM are held by: the two ministers of defense of each State; two chiefs of general staff; two director generals of the national intelligence and security services; commissioner of police of the Sudan and inspector general of police of South Sudan; two chiefs of military intelligence; a high-ranking legal advisor from each of the two States; a senior officer from each of the Sudan Armed Forces (SAF) and Sudan People’s Liberation Army (SPLA); two senior police officers from each State; and two senior national security officers from each State. See Section IV(2), Joint Position Paper on Border Security, Post-Referendum Negotiations Security Cluster, 30 May 2011.
Executive

In spite of obstacles to other forms of interaction, the two countries have maintained the practice of presidential summits since South Sudan’s independence. These provide an open-ended forum for addressing many issues and thus offer significant benefits as a channel for reestablishing trust and reaching agreement to break deadlock. The 2012 cooperation agreements call for the continuation of regular presidential summits. The presidential summit in April 2013 was particularly notable, as it represented the first time President Bashir traveled to South Sudan since its secession. Formalization and continuation of these presidential summits would provide an opportunity area for increased political interaction that could also lead to cooperation on economic issues. However, it should be noted that summits are not a sustainable solution as the only mechanism for interaction in the absence of arrangements that can support progress between summit meetings.

The 2012 cooperation agreements called for the establishment of several joint committees and mechanisms that would provide for direct interaction between other members of the executive branch from both countries. Effective cooperation through these committees will require information-sharing between ministries in each country, and coordination among the different committees. Without this, the committees risk working at cross purposes. Therefore, an important opportunity area is the development of an overarching framework for coordination of the committees. The High Level Committee chaired by the two Vice Presidents could play an important oversight role and drive development of this coordination framework.

Legislative branch

Interactions and the exchange of information between the national legislatures of the Sudan and South Sudan offer the potential for policy harmonization. For example, exchange of information could ensure that both legislatures develop consistent laws that give equal protection to their respective citizens, so that they can live, migrate, own property, and gain employment in both countries. In March 2013, the speaker of the Sudanese National Assembly acknowledged these potential benefits by calling for communication between parliamentarians in the Sudan and South Sudan through mutual visits at the parliamentary level. Again in July 2013, a member of the Sudanese National Assembly called for the Sudan to send a parliamentary delegation to South Sudan to strengthen peace. Regular parliamentary exchanges would help extend national-level political interaction beyond the executive.

Case Study: Czech Republic and Slovak Republic (Slovakia)

Although the Czech Republic and Slovakia separated in 1993, they have maintained a tradition of cooperation, including at the executive level. The two countries held a joint cabinet meeting for the first time since separation in 2012, and their presidents have a tradition of making their first and last visits to the other country.

Footnotes:
Public participation

Sustainable peace requires not only the creation of trust between governments but also the cultivation of friendly relations between citizens, and citizens’ confidence in their respective governments’ mutual engagement. Therefore, the dissemination of information and public hearings about political interactions are critical to reaping the benefits of interaction. In addition, public sensitization and joint national reconciliation initiatives could help constituencies overcome hatred and resistance to engaging with the other State. So far, little public participation has taken place at the national level. For example, President Kiir delegated the task of educating citizens on the benefits of the 2012 cooperation agreements to state governors. National efforts to engage the public or coordinate state- and local-level efforts could further bolster trust and enhance political interaction.

Whilst there have been limited government-sponsored initiatives promoting Sudan-South Sudan civic engagement and reconciliation, a series of initiatives have been launched by civil society activists as well as by non-governmental, religious, and academic organizations.

Traditional and customary arrangements

Traditional and customary arrangements can play a powerful role in local dispute resolution but generally play a more limited role at the national level. Coordination of traditional dispute resolution mechanisms at the national level could provide an opportunity for increased interaction. However, national interference in local-level disputes could also disrupt existing mechanisms. As such, the 2012 security agreement between the Sudan and South Sudan provides for "maintaining the status quo of the joint tribal mechanisms for the resolution of disputes" rather than greater national-level engagement (Art. 3). Collaboration between future national councils of traditional leaders from both countries – including South Sudan’s proposed Council of Traditional Authority Leaders – would provide an opportunity for enhanced political interaction.

33 These include: the “North-South Brotherhood Initiative” led by Mahjoub Saleh and others; the “Sudan-South Sudan Dialogue Group” convened by Ebony Center for Strategic Studies, Future Studies Center and the Carter Center; and a range of initiatives that have brought Sudanese and South Sudanese women civil society leaders into dialogue.
Economic interaction opportunity areas at the national-direct level

■ Macroeconomic policy

The high probability of the Sudan and South Sudan benefiting from economic interdependence will likely create a demand for broad macroeconomic coordination. Countries with mutual trade need to coordinate monetary policy to some extent, at least at the level of their Central Banks. As bilateral trade increases, the two countries could find it useful to align their respective monetary policies in order to avoid destabilizing exchange rate fluctuations, which would have a negative impact on trade and therefore on growth. The Joint Central Banks Committee, overseen by the governor of each State’s Central Bank and created under the 2012 Agreement on a Framework for Cooperation on Central Banking Issues between the Sudan and South Sudan, presents an opportunity for cooperation in the area of monetary policy. This committee has already met and promoted amicable interaction, based in part on historic professional relationships.

In addition to monetary policy harmonization, in the much longer term, if the two economies become more interdependent, fiscal policy harmonization could help maintain stability and manage external pressures (for instance, if there is an exogenous shock when the price of an important export commodity such as oil or livestock suddenly fluctuates). Fiscal policy harmonization would also help avoid distortions resulting from poorly aligned subsidy policies. Interdependence without such constructive consultation could become a cause of conflict.

■ Trade

Historic linkages make trade a particularly important opportunity area for interaction between the two countries at the national level. The Chambers of Commerce in both countries are pressing to reopen the border and resume formal trade relations. The 2012 agreement on trade commits the two countries to consider “the desirability of a preferential trade regime.” The two countries have also discussed the possible creation of free-trade zones in the border areas, although this would depend on improved security. Estimates put the potential value of bilateral trade at up to $2 billion per year.34

Therefore, resolution of the border disputes and the creation of a soft border have the potential to deliver huge economic benefits for both States – both at the national and local level. While it is difficult to calculate the economic cost of cessation of trade linked to current border disputes, the comparative cases in Table 6 illustrate what might be a stake.

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Table 6 – Estimated effects of territorial disputes on trade 1950-1995 (millions of $USD)

<table>
<thead>
<tr>
<th>Country pairs</th>
<th>Years of territorial dispute</th>
<th>Estimated cumulative impact of dispute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina-Uruguay</td>
<td>1950-1973</td>
<td>981</td>
</tr>
<tr>
<td>Chile-Argentina</td>
<td>1950-1995</td>
<td>32,897</td>
</tr>
<tr>
<td>Cyprus-Turkey</td>
<td>1974-1995</td>
<td>782</td>
</tr>
<tr>
<td>USSR-Japan</td>
<td>1952-1995</td>
<td>534,879</td>
</tr>
<tr>
<td>Chad-Libya</td>
<td>1960-1994</td>
<td>32</td>
</tr>
<tr>
<td>Ethiopia-Kenya</td>
<td>1963-1970</td>
<td>44</td>
</tr>
<tr>
<td>China-Vietnam</td>
<td>1976-1995</td>
<td>397</td>
</tr>
<tr>
<td>Malaysia-Indonesia</td>
<td>1980-1995</td>
<td>11,511</td>
</tr>
<tr>
<td>Iraq-Iran</td>
<td>1950-1995</td>
<td>52</td>
</tr>
<tr>
<td>Egypt-Israel</td>
<td>1950-1988</td>
<td>103</td>
</tr>
</tbody>
</table>


**Border crossings**

Although local-level trade continues to some extent even in a hostile environment, the resumption of national-level trade and other economic interactions depends almost entirely on the successful opening of some of the planned official border crossings between the two countries. The locations of ten of these were originally agreed by the JPSM in 2012. However, efforts to open even a reduced number have been slow due to political considerations – though it is also important not to under-estimate the logistical difficulties of putting in place a full customs and immigration infrastructure in such remote and in some cases conflict-prone areas.

**Border crossing points**

1. *White Nile State (RoS) and Upper Nile (RoSS): Kosti – El Renk*
2. *South Kordofan State (RoS) and Unity State (RoSS): Heglig – Bentiu*
3. *South Kordofan State (RoS) and Upper Nile State (RoSS): Tolodi – Tonja*
4. *South Kordofan State (RoS) and Warrap State (RoSS): El Muglad - Abyei Toralei*
5. *South Kordofan State (RoS) and Northern Bahr-el Ghazal (RoSS): El Muglad – Meiram – Aweil*
6. *South Kordofan State (RoS) and Northern Bahr-el Ghazal (RoSS): Babanusa – Aweil*
7. *South Darfur State (RoS) and Western Bahr-el Ghazal (RoSS): El Rodom el Buram – Kafia Kingi – Raja*
8. *South Darfur (RoS) and Western Bahr-el Ghazal (RoSS): Raja – Timsa – Nyala*
10. *Blue Nile State (RoS) and Upper Nile State (RoSS): Kurmuk – Bunj - Maban*
South Sudan is rich in resources, which it had previously marketed largely through companies and structures based in the North. While South Sudan will wish to improve the terms of trade, the Sudan’s access to the sea and relatively good transport infrastructure provide a rationale for ongoing connections between the two States (although these connections may need to be supplemented by new trade routes through other countries). Similarly, the purchase of food, fuel, and manufactured goods from the North has helped stabilize prices across South Sudan while also benefitting Sudanese businesses.

- **Financial sector**

As a small open economy, South Sudan could in theory have benefitted significantly from maintaining a common currency with the Sudan through economies of scale. Similarly, ongoing trade in a common currency with South Sudan could have helped stabilize the Sudanese economy. These considerations are no longer relevant, but the two countries can achieve similar benefits with separate currencies if they seek full convertibility and set up appropriate banking relationships. The South Sudanese Ivory Bank’s launch of operations in Khartoum presents one such opportunity.

Free flow of capital between the two countries may also offer benefits by helping attract external investment to both (for instance, the Sudan's traditional investors from the Gulf States may extend their interest to South Sudan, and Kenyan and Ugandan money flowing into Juba may find economies of scale by extending further north). Moreover, the Sudan's banks, insurance companies, and other financial firms could extend much-needed financing into South Sudan following the resolution of legal issues related to Islamic and conventional financing. As South Sudan's economy grows, this relationship could become more reciprocal.

- **Natural resource management**

Many of the opportunities for natural resource management exist at the local rather than the national level. Nonetheless, both countries would benefit from suitable taxation and sustainable management of products crossing the border. The Sudan needs a number of natural resources amply available in South Sudan (particularly timber, which the South has exported in significant volumes to Khartoum in recent years due to the Sudan’s large fuel wood deficit). A lack of urgent national-level interaction and planning on these issues could result in conflict. In the longer term, the two countries could also be partners in the search for joint investments and research and development in agriculture, livestock, and fisheries. Cooperation in the area of wildlife conservation could promote tourism in both countries.

The oil and water sectors, which both countries manage largely at the national level, present additional opportunities for enhanced interaction. Oil companies operating in the region are adamant that cross-border cooperation is vital for efficient production: Sudan has the refineries; South Sudan has more crude oil. Water is an even more significant area for
cooperation. Together with the other Nile Basin countries, the Sudan and South Sudan have a shared interest in the Nile River. Structured co-management, not only of the Nile waters but also of other cross-border rivers and groundwater resources, is essential to achieving policy goals in both countries, including further mechanized agricultural production.

Private-sector development and investment

In the business arena, Sudanese traders and service providers have a potential comparative advantage in South Sudan based on historic links, competitive prices, and use of the Arabic language. For this reason, several large corporations (such as mobile-telecommunications companies) have retained a presence in both the Sudan and South Sudan. Sudanese investment in the South is an important opportunity area, as the right enabling legislation could help these corporations benefit from economies of scale and support research and development in key sectors.

That many South Sudanese students were educated in Khartoum and have Sudanese qualifications also presents an opportunity for further interaction. These relationships could ground not only ongoing higher education cooperation but also future private-sector linkages in terms of technology transfer, private-sector investment, and labor mobility. Many South Sudanese previously worked in the Sudan and have professional connections there. If implemented, the Four Freedoms agreed between the two countries – freedom of residence, freedom of movement, freedom to undertake economic activity, and freedom to acquire and dispose of property – could serve as another opportunity area for private-sector interaction.

Infrastructure

The fields of energy, transport, and communications infrastructure present important opportunity areas for the two countries. The Nile is a potential source of hydroelectricity that could benefit both countries. For example, some parts of South Sudan could obtain electricity produced by the Sudan’s Roseires Dam. Moreover, the Nile is the cheapest option for transportation between the two countries, allowing easier movement of goods into the landlocked South. There is a railway line from Babanusa to Wau and also some relatively good roads across

Case Study: Russian Federation and Ukraine

Since Ukraine declared its independence from the Soviet Union in 1990, the Russian Federation (Russia) and Ukraine have maintained significant bilateral economic interaction, particularly in the private sector. Russian and Ukrainian leaders discussed reciprocal investment at interregional economic forums in 2010 and 2012, resulting in an interregional economic plan for 2011–2016. This plan includes provisions for investment in multiple private sector industries. For example, 170 Russian and Ukrainian companies have committed to cooperate in the military technology sector.

Case Study: Republic of Chad and Republic of Cameroon

Chad and Cameroon are neighboring countries but had limited political or economic interactions prior to the Chad-Cameroon Petroleum Development and Pipeline Project, the planning for which began in 1988. This project was undertaken jointly by both governments and a consortium of oil companies with support from the World Bank and International Finance Corporation. Although the project greatly increased the revenues of Chad and Cameroon, it did not significantly increase their interaction in other areas aside from small cross-border infrastructure projects.
the border between the two countries. If the countries expand these networks, they could provide the northern areas of South Sudan with access to the Red Sea and even the Mediterranean through Egypt.

The revenues accruing from oil are essential for fiscal and balance of payments purposes for both the Sudan and South Sudan, and the only currently available pipeline to market South Sudan’s oil runs through the territory of the Sudan. Building a new pipeline would be extremely expensive for South Sudan and would reduce the value of the existing pipeline for the Sudan. At the same time, the Khartoum refinery could provide South Sudan with cheaper fuel, in the short term, than South Sudan is able to import from elsewhere.

**Priorities and interests**

The Sudan and South Sudan have both overlapping and convergent interests related to direct economic and political interaction at the national level. Economically, South Sudan's priority in the short term is access to oil export infrastructure. The 2012 cooperation agreements give the Sudan a reciprocal benefit, which makes this issue an important focus for both countries. Both countries also have a strong economic interest in the resumption and enhancement of trade links. Trade is an area where immediate action could produce greater long-term benefits, as the longer trade remains halted, the greater incentives the two countries face to build new infrastructure and align themselves in different directions. While oil and trade are the most high-profile areas for interaction, the two countries should not neglect other possible focuses of interaction, such as joint natural resource management and macroeconomic cooperation, as these could enable broader, functional collaboration.

Conflicting political interests, however, often obscure shared economic interests. One priority for the Sudan is restoring security in its border areas, including Southern Kordofan and Blue Nile. The GoS has repeatedly insisted that South Sudan stop supporting armed opposition groups in these regions as a precondition for implementation of the 2012 cooperation agreements. The resulting political tension has manifested itself in threats from the Sudan to shut off its oil pipelines to the South, which continued as of July 2013.

**Structures and processes**

Considering the level of political tension, high-level political consultations at the ministerial level or above are necessary to create an enabling environment for economic interaction. However, technical discussions will also be important. The 2012 cooperation agreements established committees on trade, banking, oil, and other issues to begin this work, but these committees need to be supplemented by sustained bilateral interaction at other levels. For example, the two countries’ Chambers of Commerce could consider organizing regular joint meetings. Educational institutions, local economic and environmental non-governmental organizations, and leading companies and banks, among others, are also possible forums for interaction. In addition, the legislative branch plays an important role in macroeconomic policy, and greater interaction between the two countries' parliaments could expand political interaction beyond the executive and provide an additional forum for economic interaction.
Economic peace dividends: The case of the Republic of Cyprus

Cyprus has been divided between its Greek south and Turkish north since Turkey invaded and occupied the northern part of the island in 1974. The north unilaterally declared independence in 1983 but is only recognized by Turkey. Repeated attempts to reunite the island through negotiations have made little progress. Despite the opening of several crossings along the fenced border in 2003, economic interaction across these border crossings is decreasing.

However, analysis has revealed that resolving the dispute would bring substantial economic benefits to all parties involved. One group of researchers estimates that the increased economic interaction resulting from a solution would raise the real GDP growth rate by three percentage points per year and create more than 33,000 jobs in the first five years. This economic growth – known as a ‘peace dividend’ – would result particularly from the return of refugees and resulting construction of new houses and infrastructure.\(^{35}\)

Although the peace dividend for Cyprus is a hypothetical estimate, it is based on the very real peace dividend that resulted from the normalization of relations between Greece and Turkey in 1999. From 2000–2006, trade between Greece and Turkey increased at an average rate of 25 percent per year, while the tourism market increased at an average rate of 275 percent per year demonstrating the potential for political agreements to yield mutual economic benefits.\(^{36}\)

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\(^{36}\) Özem Oğuz Çilsal, Praxoula Antoniadou Kyriacou, and Fiona Mullen, The Day After: Commercial Opportunities Following a Solution to the Cyprus Problem, International Peace Research Institute, Oslo, 2008.
4.3 National–indirect interactions

Especially in cases such as the Sudan and South Sudan, where there is a long and emotive legacy of conflict, regional and international multilateral organizations can provide a useful mechanism to enhance economic and political interactions in a neutral forum. Some of the focal strands are more relevant than others in this context.

Table 7 summarizes opportunity areas at the national-indirect level.

<table>
<thead>
<tr>
<th>Economic interactions</th>
<th>Political interactions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Macro-economic policy</strong></td>
<td>• Policy coordination through joint membership of COMESA</td>
</tr>
<tr>
<td></td>
<td>• Pursuit of joint interests through African Development Bank (ADB), IMF, World Bank</td>
</tr>
<tr>
<td></td>
<td>• Pursuit of joint international assistance</td>
</tr>
<tr>
<td><strong>2. Trade</strong></td>
<td>• Implementation of Most Favored Nation principle</td>
</tr>
<tr>
<td></td>
<td>• Joint accession to WTO</td>
</tr>
<tr>
<td><strong>3. Financial sector</strong></td>
<td>• Pursuit of IMF and World Bank commitments</td>
</tr>
<tr>
<td><strong>4. PSD and investment</strong></td>
<td>• Joint accession to multilateral regimes that promote cooperation in areas such as education, quality standards, labor migration, business rules, and registration</td>
</tr>
<tr>
<td><strong>5. Infrastructure</strong></td>
<td>• Promotion of cross-border infrastructural development through ADB and World Bank (after resolution of Sudan’s debt arrears)</td>
</tr>
<tr>
<td><strong>6. Natural resource management</strong></td>
<td>• Cooperation through Nile Basin Initiative and other regional and international natural resource management initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Political interaction opportunity areas**

- **Political structure**

The Sudan and South Sudan share membership in several regional and international organizations, including the AU, IGAD, COMESA, IMF, World Bank, and ADB. These joint memberships evidence mutual agreement on core economic and political principles, and
therefore provide a foundation for the two States to explore stronger bilateral cooperation arrangements. In situations of deadlock, international and regional organizations also provide forums in which the two States can engage when other avenues are closed, and through which third parties can mediate between them.

- **Systems of election and appointment**

As at the national and local levels, the transparency of how representatives to multilateral bodies are appointed could enhance the legitimacy of these bodies as forums for interaction between the Sudan and South Sudan. None of the multilateral bodies of which the Sudan and South Sudan are members currently have directly elected members.

- **Executive**

Multilateral organizations can serve as forums for presidents to interact and communicate. The AU Assembly, IGAD Assembly of Heads of State and Government, and COMESA Authority all bring together members’ heads of State, including the presidents of the Sudan and South Sudan. For example, Presidents Bashir and Kiir held talks on the sidelines of the AU summit in Addis Ababa in May 2013. In addition, both the AU (via its High Level Implementation Panel) and IGAD have mediated talks between the two presidents. Multilateral organizations can also promote political interaction at the ministerial level. The AU Executive Council and IGAD Council of Ministers are both composed of ministers appointed by member States.

- **Legislative branch**

Although most multilateral organizations serve as forums for interaction primarily at the executive level, the AU’s Pan-African Parliament brings together representatives elected by the legislatures of AU member States. The Pan-African Parliament could serve as a forum for interaction among these legislators. If both countries were to be admitted to the EAC, they would also concurrently elect members to the East African Assembly.

- **Public participation**

Disseminating information to the public about joint membership in multilateral organizations could build trust in these organizations as forums for political interaction. Women’s groups from Sudan and South Sudan have already joined together to engage with and feed their views into the work of the AU High Level Implementation Panel for Sudan.

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37 South Sudan would have to gain membership to the EAC before the Sudan could be considered.
38 This included a dialogue convened by the Institute of Inclusive Security in Addis Ababa in January 2013.
Traditional and customary arrangements

Traditional and customary arrangements do not play a significant role in the multilateral organizations of which the Sudan and South Sudan are currently members. However, it is possible that traditional leaders from the two countries could in future work together in various regional initiatives.

Economic interaction opportunity areas

Macroeconomic policy

The Sudan and South Sudan's common membership in COMESA provides an opportunity for them to engage in low-key macroeconomic policy coordination. COMESA commits members to certain macroeconomic targets (even though these are not enforced or widely observed), providing a framework for discussing issues of mutual interest. The IMF, World Bank, and ADB provide additional forums where the two countries could meet to discuss questions of common interest relating to growth and investment.

The two countries' common need for economic development provides an additional opportunity for interaction. In the short term, the two countries' 2012 agreement on a joint approach to the international community, which involves multilateral institutions, presents an opportunity to jointly seek direct assistance on relevant issues. As neighboring aid recipients and with an integrated border population, the two States could also benefit from jointly seeking future international assistance and coordinating strategies.

The issue of debt has been described by some analysts as a “ticking time bomb” which requires the two States to secure firm commitment urgently from international creditors to provide comprehensive relief of the Sudan's external debt in the time periods prescribed by the co-operation agreements. Both the Sudan and South Sudan have therefore agreed to a Joint Creditor Outreach Strategy, acknowledging the importance of adopting a joint approach to the cancellation of their external debt by the relevant international bodies. However, implementation of this had been stalled as of July 2013.

Trade

In recent years, multilateral trade regimes have increasingly overtaken bilateral trade agreements. The 2012 trade agreement, in accordance with COMESA, commits both States to abide by the 'most favored nation' principle, which constitutes a starting point for dialogue. The two countries are also both seeking accession to the WTO, which would provide them with extensive assistance in lifting tariff and non-tariff barriers. Although political barriers remain, this accession presents an important opportunity for improved economic interaction. However, new trade barriers would emerge if South Sudan but not the Sudan were to accede to the EAC.

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39 See Article 3.1 of The Agreement between The Republic of the Sudan and The Republic of South Sudan on Certain Economic Matters, September 2012.
40 See Article 3.1.3 of The Agreement between The Republic of the Sudan and The Republic of South Sudan on Certain Economic Matters, September 2012.
■ Financial sector

Multilateral organizations such as the IMF and World Bank provide an important opportunity for assessing the financial sector, and IMF commitments regarding, for example, capital controls could in some circumstances help increase interaction. For now, however, this area is likely to present more opportunities at a bilateral level.

■ Natural resource management

Most opportunities for joint natural resource management are probably bilateral or local. The main exception is the involvement of both countries in the Nile Basin Initiative, which will provide the opportunity to address important water issues.

■ Private sector development and investment

In the long term, the two countries could use relevant multilateral regimes to promote cooperation in areas such as education, quality standards, labor migration, business rules and registration, and promotion of innovation. For now, however, this is unlikely to be an important opportunity area.

■ Infrastructure

Both the World Bank and ADB focus on promoting cross-border infrastructural development in Africa. If the Sudan were to address its debt arrears, which prevent access to significant new lending from these institutions, they would provide a natural forum to plan and seek funding for new roads, railways, bridges, pipelines, and electricity transmission lines between the two countries.

Priorities and interests

At this point, the Sudan and South Sudan do not appear interested in promoting economic interaction through multilateral arenas. If economic interactions at the national and local levels were to resume, these could create their own demand, suggesting the possibility of a staged approach. The first stage is likely to relate to trade regulation and promotion, where COMESA rules provide a natural and neutral starting point. This first stage could potentially lead to wider macroeconomic policy coordination. While the two countries have interacted politically in multilateral arenas, this interaction has largely been confined to the level of the national executive.

Structures and processes

The various multilateral organizations of which the Sudan and South Sudan are both or might both become members are summarized above in Table 2. Most of these organizations are principally a means for engagement between the executive branch of government at the national level. However, public education could promote civic understanding and participation in advocating for increased interaction at other levels.
4.4 Summary of opportunity areas

Table 8 and Table 9 summarize suggested opportunity areas for promoting economic and political interactions between the Sudan and South Sudan. These opportunities can be pursued simultaneously. It is important to note that these tables are not exhaustive and only provide a guideline to focus initial efforts. Unexpected opportunities can arise, and developments in one area can create a ‘path-dependence’, opening up unforeseen options in others.

Table 8 – Opportunity areas for promoting economic interactions

<table>
<thead>
<tr>
<th></th>
<th>Macro-economic arrangements</th>
<th>Trade</th>
<th>Financial sector</th>
<th>Natural resources</th>
<th>Private sector development and investment</th>
<th>Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>National-direct</td>
<td>High, Long-term, Executive</td>
<td>High, Short-term, Executive Public</td>
<td>Medium, Mid-term, Executive Public</td>
<td>High, Mid-term, Executive Public</td>
<td>Medium, Mid-term, Executive Public</td>
<td>High, Short-term, Executive</td>
</tr>
<tr>
<td>Local-direct</td>
<td>Low, Long-term, Executive</td>
<td>High, Short-term, Executive Public</td>
<td>Medium, Mid-term, Executive Public</td>
<td>High, Short-term, Executive Public</td>
<td>Medium, Mid-term, Executive Public</td>
<td>Medium, Mid-term, Executive</td>
</tr>
<tr>
<td>National-indirect</td>
<td>Medium, Mid-term, Executive</td>
<td>High, Mid-term, Executive Public</td>
<td>Low, Mid-term, Executive Public</td>
<td>Medium, Mid-term, Executive Public</td>
<td>Low, Long-term, Executive Public</td>
<td>High, Long-term, Executive</td>
</tr>
</tbody>
</table>

Table 9 – Opportunity areas for promoting political interactions

<table>
<thead>
<tr>
<th></th>
<th>Political structure</th>
<th>Systems of election and appointment</th>
<th>Executive</th>
<th>Legislative branch</th>
<th>Public participation</th>
<th>Traditional and customary arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>National-direct</td>
<td>High, Mid-term, Executive</td>
<td>Low, Mid-term, Executive Public</td>
<td>High, Short-term, Executive Public</td>
<td>Medium, Mid-term, Executive Public</td>
<td>Medium, Mid-term, Executive Public</td>
<td>Low, Long-term, Traditional leaders</td>
</tr>
<tr>
<td>Local-direct</td>
<td>High, Long-term, Executive</td>
<td>Low, Mid-term, Executive Public</td>
<td>High, Short-term, Executive Public</td>
<td>Medium, Mid-term, Executive Public</td>
<td>High, Short-term, Executive Public</td>
<td>High, Short-term, Traditional leaders</td>
</tr>
<tr>
<td>National-indirect</td>
<td>Low, Long-term, Executive</td>
<td>Low, Mid-term, Executive Public</td>
<td>Medium, Short-term, Executive Public</td>
<td>Low, Long-term, Executive Public</td>
<td>Low, Long-term, Executive Public</td>
<td>Low, Long-term, Traditional leaders</td>
</tr>
</tbody>
</table>
5. Formulating options for economic and political interactions

This Briefing Paper has laid out a framework for assessing and developing arrangements for political and economic interactions, and considered the state of relations between the Sudan and South Sudan as of July 2013. On this basis, the Briefing Paper has examined the possible benefits to the Sudan and South Sudan from increased interactions, both bilateral and multilateral, and concluded that they are potentially significant, particularly in terms of peacebuilding.

The following questions remain: How can these benefits best be achieved? What are the options for interaction between the two countries? And how can policy makers assess their usefulness and appropriateness?

Figure 19 – What might an effective model for cooperation look like?

This section lays out possible pathways for consideration by Sudanese and South Sudanese policy makers, academics and civil society. Following the methodology presented in Section 1.1, this section presents considerations for assessing options for interaction (Step 4 of Figure 1). It then presents a spectrum for considering options (Step 5 of Figure 1), and for thinking about the trajectories the two States might take in shaping their future relations.
5.1 Considerations

Options for economic and political interaction are not context neutral. This acknowledgement is at the core of the methodology, and one of its consequences is that there is a need for a thorough understanding of key actors’ concerns before fully fleshed-out options can be formulated. This is achieved using two tools: first, a mapping of the interests of the respective entities (see Section 2.3); and second, an exploration of the key considerations to be accounted for when options are assessed.

Considerations are informed by, but differ from, interests, in that they are thematic issues rather than ones linked to the views of specific constituencies. Considerations are an important component of options development because they serve as a filter to identify the most appropriate and effective options in a given context.

Through consultations in South Sudan and the Sudan, the following considerations have been identified:

- **Sovereignty**: Arrangements for economic and political interactions should not in any way compromise the sovereignty of the two countries.
- **Security**: Arrangements for economic and political interactions should accommodate the security needs of the two countries.
- **Livelihoods**: Arrangements for economic and political interactions should promote and sustain existing livelihoods (including, but not exclusively, those of the border populations, and their desire to trade and interact whether directly or indirectly).
- **Dispute resolution**: Arrangements for economic and political interactions should include mutually acceptable mechanisms for arbitration of disputes.
- **Perceived fairness**: Arrangements for economic and political interactions should provide for a distribution of consequent gains and costs that is perceived to be fair.
- **Realism**: Arrangements for economic and political interactions should have a plausible chance of successful implementation, meaning that they should, for example:
  - reflect the existing balance of power;
  - be affordable;
  - be internationally acceptable;
  - take into account interests and reactions of third parties (e.g. regional neighbors).
- **Precedent**: Arrangements for economic and political interactions should take into account historical developments and align with traditional mechanisms.
- **Economy**: Arrangements for economic and political interactions should support economic development.
- **Environmental sustainability**: Arrangements for economic and political interactions should not adversely impact the environment or put further pressure on limited resources, such as water.
- **Nation building and statebuilding**: Arrangements for economic and political interactions should support mutually-reinforcing processes of national building and statebuilding in both States.
- **Political leadership**: Effective development and implementation of options requires committed political leadership.
5.2 Options for interaction

Based on these considerations, and on consultations with South Sudanese and Sudanese interlocutors, a spectrum of options for interaction between the Sudan and South Sudan has been developed, and is presented in Table 10.

Table 10 – Options spectrum

<table>
<thead>
<tr>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
<th>Option D</th>
<th>Option E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-cooperation, with hostile interaction at some/all levels</td>
<td>Coexistence with limited, ad hoc interaction</td>
<td>Cooperation through issue-based reciprocity</td>
<td>Cooperation through structured reciprocity</td>
<td>Cooperation under comprehensive framework for economic and political interaction (across levels)</td>
</tr>
</tbody>
</table>

This spectrum is closely related to the range of options formulated in 2010 as part of the pre-independence discussion of the potential relationship between the two countries. However, the spectrum has been updated and simplified to take account of subsequent developments, based on ongoing consultations with policy makers. The spectrum ranges from non-cooperation with hostile interaction at some/all levels (Option A) to cooperation under a comprehensive framework for economic and political interaction (Option E), with a progressive gradation in between. Table 11 lays out how options across the spectrum might be expressed at different levels of interaction, from local-direct (cross-border, at the micro level) to national-indirect (regional, at the macro level). The table shows that non-cooperation at one level does not exclude two States from engaging, at the same time, in ongoing positive interactions at other levels.

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### Table 11 – Spectrum of options

<table>
<thead>
<tr>
<th>MICRO</th>
<th>LOCAL-DIRECT (Cross-border)</th>
<th>NATIONAL-DIRECT (Bilateral)</th>
<th>NATIONAL-INDIRECT (Regional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E – Cooperation under comprehensive framework for economic and political interaction</td>
<td>Structured, open, soft border</td>
<td>Bilateral peace and security pact; defense and security sector collaboration; macroeconomic policy coordination with option of economic union</td>
<td>Coordinated membership and strategic approach to regional and international bodies</td>
</tr>
<tr>
<td>D – Cooperation through structured reciprocity</td>
<td>Cross-border cooperation underpinned by agreements</td>
<td>Coordination on relevant issues (e.g. security, border management, trade, oil, inter-bank relations, rights of nationals) within an overall structure</td>
<td>Some limited coordination on key issues of mutual national interest (e.g. Nile waters)</td>
</tr>
<tr>
<td>C – Cooperation through issue-based reciprocity</td>
<td>Cross-border movement, seasonal migrations</td>
<td>Minimal and ad hoc, September Agreements are functional, including operational JPSM, but with limited broader political or economic co-ordination</td>
<td>Neither side obstructs the other, but no collaboration</td>
</tr>
<tr>
<td>B – Coexistence with limited, ad hoc interaction</td>
<td>Minimal but functioning</td>
<td>Minimal and ad hoc; September Agreements are not functional; JPSM meets but with major tensions over unresolved border and security issues</td>
<td>Minimal/uncoordinated, significant differences of opinion in international forums</td>
</tr>
<tr>
<td>A – Non-cooperation, with hostile interaction at some/all levels</td>
<td>Officially/formally closed border</td>
<td>Outbreaks of cross-border fighting in a context of economic warfare</td>
<td>Actively undermining one another in regional and international relations</td>
</tr>
</tbody>
</table>
At one extreme (non-cooperation with hostile interaction) there is acute isolation and tension in relations, which makes both political and economic interactions a zero-sum game. Immediately prior to South Sudan’s independence, it seemed that the (then) North and South had reached this nadir in April 2011, for example, with the outbreak of fighting in Abyei. The next step up (Option B) would be very limited collaboration on an ad hoc basis. This was the case for the Sudan and South Sudan until mid-March 2013—there were meetings (e.g. the JPSM), but very little active cooperation, as a result of major unresolved tensions. Since the signature of the Implementation Matrix and military withdrawals in March 2013, the Sudan and South Sudan have moved backwards and forwards between Option B and Option C: cooperation through issue-based reciprocity. Durable achievement of Option C would involve full implementation of the September Agreements, and activation of the relevant committees, but not necessarily broader, structural collaboration. It might be considered the basic minimum for a peaceful relationship. As of July 2013, there has been partial implementation of the September Agreements, with progress towards C interrupted by moments of deadlock and ongoing dispute over key issues, including oil.

Options D and E are possibilities only if the two States choose to seek mutual benefits in the future by finding a way of enhancing their political and economic interactions. Cooperation through structured reciprocity would make interactions more efficient by having an overall structure to coordinate relations in relevant fields—oil, the economy, security, border management, the Four Freedoms, etc. Then, at the far end of the spectrum is the enhanced option of more formal linkages through a comprehensive framework, potentially including a security pact or some form of economic union, depending on how the two States come to define their common interests.

### 5.3 Linkages and sequencing

The spectrum can also be used to consider the paths and practical steps required for the two States to move their relations from one point to another. When considering how options can be realized, it is important to keep in mind how the three levels of interaction (from local-direct to national-indirect) shape possibilities.

**Linkages between levels**

The first thing to note is that the three levels are interlinked in important ways. The state of local cross-border linkages and multilateral interactions can have important implications for national-direct relations – and vice versa. As cross-border links improve, and the two States occasionally engage through multilateral forums, these interactions might ‘spill over’ to push relations at the bilateral level from Options B (coexistence) to more active issue-based cooperation at Option C. This, in turn, could feed back to the local-direct level by creating the policy environment for goods and people to cross the border with greater ease, culminating in a fully ‘soft’ border (with a free flow of people, goods and services, untrammeled economic and social interaction, guaranteed security, and full currency convertibility) under Option E. In this respect, causality can work in several directions. It is also possible to remember scenarios where cross-border conflicts have provoked diplomatic crises at the bilateral level, or to imagine how a new opportunity for multilateral cooperation could improve frosty inter-State relations. Therefore, the three levels have the potential to be mutually reinforcing.
Case study: Linkages between national-direct and local-direct interactions in the Koreas

Interactions between ROK and DPRK are an example of how national-direct and local-direct relations shape each other.

ROK and DPRK have had limited political and economic relations since the division of Korea in 1945, and have been officially at war since 1950. Following extensive efforts by the international community to broker cooperation, the situation momentarily eased in 2004. As a symbol of economic cooperation, the two States established the Kaesong Industrial Zone as a special administrative region of DPRK. This local-direct form of interaction meant that ROK companies could employ DPRK laborers at the border.

Since its inception, the Kaesong Industrial zone has eased inter-Korean political relations and supported economic development in DPRK. It is estimated that the complex has generated around $90 million in annual wages that are paid directly to Pyongyang, and then distributed to workers. In 2013, the complex employed approximately 53,000 DPRK citizens, and had operated continuously since its opening in 2004 until the breakdown in relations in 2013, despite periodic tensions between Seoul and Pyongyang.

In April 2013, the complex stopped its production lines as DPRK denied ROK employees access to it. DPRK stated that they had taken these measures in reaction to a South Korean statement that portrayed the complex as a “cash cow for the Pyongyang regime that it can't afford to lose.” On 7 July 2013, delegations from DPRK and ROK reached an agreement to reopen the complex. On 10 July 2013, a delegation from ROK inspected the complex and concluded that production could continue.

The creation and operation of the Kaesong Industrial Zone demonstrates how two States can cooperate productively at the local-direct level, despite hostile bilateral relations. It also shows how dynamics at the national-direct level can obstruct and then re-initiate local-direct interactions.

Trajectories across levels

The second thing to note is that, at any one time, the degree of interaction can be different across levels, and progress may proceed at a different pace across these levels simultaneously.

For example, two States or entities might start in Scenario 1 shown in Table 12: a completely closed border (Option A), with ad hoc bilateral interactions (Option B) and minimal interactions in international forums (Option B).

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43 ibid.
It is conceivable that the two States/entities could move to Scenario 2 (Table 13), if they sign agreements that support an open border (Option D), and they become mutual members of various regional organizations, but maintain ad hoc bilateral relations. Arguably, this second scenario was true for the Sudan and South Sudan in the first half of 2013, as progress was made implementing the September 2012 security and border agreements before other aspects of the relationship progressed, while both countries held mutual membership of several regional organizations.

Table 13 – Pathway to Scenario 2

The second scenario may also prove an important half-way point to Scenario 3. In this case, as border relations improve and interactions through regional organizations gather pace, bilateral relations catch up and progress to issue-base reciprocity. Table 14 shows how two States might move from Scenario 2 to Scenario 3.
How economic and political interactions impact on each other

The interplay between the three different levels or dimensions of interactions is one interesting way to consider the current and potential dynamics of the relationship. Another relevant and useful way to consider the different trajectories for the relationship is to look at the interrelationship between political interactions on the one hand, and economic interactions on the other. As set out in Section 1, Figure 3, there can be an important interplay between these two dimensions, with one potentially catalyzing, or indeed hindering, the other. In the case of the Czech Republic and Slovakia, as well as in the case of Timor Leste’s secession from Indonesia (see Annex), the foundation laid by political agreements enabled the evolution of economic co-operation, whilst in the case of Ethiopia and Eritrea, a downturn in economic relations caused by a currency war led to a serious unraveling of the overall relationship.

In the possible trajectories set out in Figure 20 to Figure 22, it is possible to envisage different pathways for the cooperation relationship between South Sudan and the Sudan in terms of how economic and political interactions impact on one another. In Figure 20, both economic and political interaction progress at a more or less even pace as the co-operation relationship builds over time. There is a scenario here that the relationship could jump straight from one of coexistence with limited interaction (Option B), to one of co-operation through structured reciprocity (Option D).
Another potential scenario (see Figure 21), indeed one deemed likely by a number of commentators, is that economic cooperation between Sudan and South Sudan will take off ahead of political cooperation, driven by economic necessities in both countries, with the economic becoming a catalyst for the political.

The extent of economic cooperation arrangements will in turn be affected by the interplay between the arrangements for national-direct cooperation (bilateral) and those for national-indirect cooperation (multilateral), as shown in Table 12 to Table 14. Currently, there is parity between the two countries in that both belong to COMESA, and neither are members
of the EAC. There is a scenario that South Sudan could be accepted into the EAC, with Sudan not as yet a member, which could create an imbalance in the national-indirect arrangements. This imbalance could in turn be countered by the building of a more structured bilateral economic relationship. This scenario is illustrated in Figure 22.

**Figure 22 - Bilateral economic interaction drives cooperation**

The way forward

There are many more possible scenarios and trajectories for the political and economic relationship between Sudan and South Sudan. It is up to policy makers and citizens in the two countries to define where they are now, and how far they would like or expect the relationship to advance—over the next year, the next five years, and over the next fifty years. The context analysis, interests and considerations provide a basis for this assessment.

Once the current and desired options have been mapped out in detail, Sudanese and South Sudanese policy makers will be in a position to consider when and how it might be desirable and feasible to sequence progression along a trajectory from the former to the latter. Policy makers can decide how to sequence a move towards closer cooperation by identifying key levers and entry points from micro to macro levels. For example, could a stronger policy focus on the border zones and on cross-border cooperation be an effective driver for strengthened economic interactions at the national level? Might enhanced collaboration in regional bodies act to leverage improvements in national political and security relations, in turn having a positive effect on economic relations? Within each of these dimensions and levels, the six strands of economic interaction and the six strands of political interaction offer a range of entry points. Broader conclusions can be reached over whether the most important drivers tend to be at local, national, or multilateral level, or relate to a particular economic interest or political structure. The two States are likely to have different perspectives on some of these issues, creating the possibility of mutually beneficial trade-offs.
6. Conclusion

Consultations with diverse South Sudanese and Sudanese constituencies underscore the fact that as two sovereign independent States, the Sudan and South Sudan, have a dynamic and complex relationship which has many dimensions and levels, and which can be influenced – both positively and negatively - in different directions. This Briefing Paper has sought to set out the different levels and dimensions of the relationship, looking carefully at both political and economic aspects of interaction, and how interactions can in turn be transformed into cooperation.

There are already extensive political, cultural, social and economic interactions taking place daily across the Sudan-South Sudan border. The main challenge is to translate these constructive local-level interactions to the national level, where politicians on both sides have tended to take a very cautious approach. There are opportunities to build on the positive dynamics created by local communities, as well as the constructive efforts of non-governmental actors and independent think tanks at the national level and in regional initiatives. Effort is needed to ensure that policy makers on both sides are on board and that there is political will. The media has an important role to play in transforming negative mindsets, helping to overturn a legacy of mistrust resulting from the troubled history between the two nations. Regional and international actors will also continue to play a central role in encouraging and supporting improvements in economic and political relations between the two former adversaries.

Overall, despite the many challenges, there is reason to believe that the two countries will be able to negotiate a path towards comprehensive economic and political interactions that can meet the aspirations of their citizens and, in turn, bring sustainable peace. The methodology and tools presented in this Briefing Paper are intended to assist Sudanese and South Sudanese policy makers and citizens in working together towards this goal, for the benefit of both countries and their populations.

Areas for further research

This Briefing Paper leaves open some important areas for further research. These include:

- Analysis of the types of socio-cultural interactions that can support peaceful cooperation.
- Participatory appraisal of existing interactions that support peace at the micro-level among populations in the Tamazuj Zone.
- Mapping the modalities for implementing options, such as the sorts of treaty frameworks, types of legislation, and policy processes people might consider to put options into practice.
Annex I. Case studies

A. Czech Republic and Slovak Republic

This short case study sets out some examples of economic and political interaction between the Czech Republic and Slovak Republic (Slovakia) since the dissolution of Czechoslovakia. It also highlights areas where there is a lack of interaction.

Government responsiveness and willingness to dissolve Czechoslovakia contributed to the peaceful separation and successful cooperation of the Czech Republic and Slovakia. Although it took four years to stabilize the Slovak economy, the separation is an important example of peaceful separation. The Czech Republic and Slovakia collaborated to establish two currencies in the context of mutual economic growth.

Though the new currency resulted in a slight decline in trade between the countries and a short economic slump for Slovakia, overall the process was a success. Since 1994 Slovakia has implemented economic reforms and is closing the GDP gap between the two countries. Since EU membership in 2004 the countries have cooperated more closely, with initiation of joint infrastructure projects.

Interactions assessment

*National – direct interactions*

Since the Velvet Revolution, the Czech Republic and Slovakia have followed peaceful and cooperative paths to independence. Both countries recognized the other’s sovereignty and ratified all the agreements signed by the former Czechoslovakia. Both governments made essential political, economic, and foreign policy reforms. Both underwent economic reforms and privatization. This process was largely successful.
National – indirect interactions

Three weeks after Czechoslovakia’s dissolution both countries were accepted to the United Nations (UN). Since then, membership of the European Union (EU) has been central to Slovak and Czech foreign policy. They cooperate closely through EU mechanisms and foreign investments for political and economic development. Growth has been led by exports to the EU, and foreign investment. Both have been part of the Schengen Area since 2004, having abolished border controls.

Local – direct interactions

The Operational Program of Cross-Border Cooperation is funded by the European Regional Development Fund for the period of 2007-2013. The expected outcomes are to have stable networks of co-operation in various fields.

Relationship between economic and political interactions

Political decisions for peaceful transition and neighborly relations were quickly followed by economic arrangements. The latest Cross-Border Cooperation program aims to harmonize local administration and facilitate easier cross-border development. The Czech Republic initially had a larger economy. However, Slovakia caught up due to export of natural resources and a skillful and cheap workforce. Membership of the EU continues to drive economic development. The majority of economic and political arrangements have been established through the agreements which underpin the EU.

The following table illustrates achieved levels of cooperation between the two States with respect to the six political and six economic strands. Further progress in the other aspects of the strands, where there are no interactions or interactions are limited is crucial to continue strengthening this development.
### Political interactions

1. **Political structure and decentralization**
   - The two countries have maintained amicable political relations
   - The two countries re-signed all Czechoslovakia’s treaties after separation
   - The two countries resolved minor border issues through mutual negotiations, financial compensation, and an international treaty
   - Common membership in the Schengen Area has eliminated border controls and resolved any remaining border issues
   - Both countries are members of numerous regional and international organizations, including the EU
   - Common membership in the EU has fostered adoption of similar policies, including immigration policies

2. **Systems of election and appointment**
   - Citizens of both countries directly elect representatives to the European Parliament; through committees in the European Parliament, representatives from the two countries meet to discuss issues related to bilateral cooperation

3. **Executive**
   - A joint cabinet meeting took place for the first time in 2012

4. **Legislative branch**
   - No formal mechanisms for interaction

5. **Public participation**
   - No formal mechanisms for interaction

6. **Traditional and customary arrangements**
   - No notable arrangements for interaction

### Economic interactions

1. **Macroeconomic policy**
   - Common membership in the EU has fostered adoption of similar economic policies, although each country has resisted adoption of some EU economic policies
   - Slovakia has adopted the euro, but the Czech Republic has not

2. **Trade**
   - The two countries are major trading partners, despite a slight drop in trade immediately following separation

3. **Financial sector**
   - Limited interaction in this area

4. **PSD and investment climate**
   - Common membership in the EU and Schengen Area has fostered adoption of similar labor policies and facilitated labor migration between the two countries

5. **Infrastructure**
   - The two countries announced joint infrastructure projects, including closer cooperation between national railways in 2013

6. **Natural resource management**
   - Limited interaction in this area
B. Federal Democratic Republic of Ethiopia and State of Eritrea

This short case study sets out some examples of economic and political interaction between Ethiopia and Eritrea since Eritrea’s independence. It also highlights areas where there is a lack of interaction.

Eritrea gained independence from Ethiopia in 1993 following a military victory that led to the toppling of Ethiopia’s regime. The 1993 Agreements for Friendship and Cooperation and Protocol Agreement on Harmonization of Economic Policies signed between Ethiopia and Eritrea offered a solid basis for peaceful cooperation. The relationship between the two countries subsequently deteriorated, however, leading to the outbreak of war in 1998. Following tens of thousands of deaths, the two countries ended open hostilities through the 2000 Algiers Agreement. Nonetheless, relations remain tense. Ownership of the town of Badme, which contributed to the outbreak of war, remains in dispute, and the two countries have almost no direct interactions. Although both countries’ heads of State have recently signaled their willingness to accept direct talks, these talks have yet to occur.

Interactions assessment

National – direct interactions

With neither country willing to accept boundary demarcation, the conflict between Eritrea and Ethiopia remains open although not presently active. Economic interactions between the countries are limited. The Agreements for Friendship and Cooperation and the Protocol Agreement on Harmonization of Economic Policies signed in 1993 did not themselves exacerbate the conflict, but their ineffective implementation contributed to the 1998 border conflict and ongoing tension. Tension ran high between President Isaias Afwerki of Eritrea and the late Prime Minister Meles Zenawi of Ethiopia. Ethiopia’s new prime minister, Hailemariam Desalegn, says he is willing to talk to the Eritrean president.

National – indirect interactions

Eritrea and Ethiopia share membership in many regional and international organizations, but Eritrea has accused Ethiopia of blocking its application to rejoin the IGAD.

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Background
- Eritrea was federated with Ethiopia upon its independence in 1951 and annexed by Ethiopia in 1962
- Protracted conflict led to independence for Eritrea in 1993 following the overthrow of Ethiopia’s regime
- Eritrea and Ethiopia fought a war from 1998–2000

Sources of tension
- Ongoing border issues
- Support of rebel groups in each other’s territory
- Ethiopia’s opposition to Eritrea reentering IGAD
- Limited collaboration on economic issues

Post-separation cooperation
- Agreements of Friendship and Cooperation and Protocol Agreement on Harmonization of Economic Policies (1993); not currently implemented:
  - Elimination of trade barriers and harmonization of customs policies
  - Establishment of two free ports for Ethiopia in Eritrea
  - Currency union (tensions over currency union led to war)
- Algiers Agreement (2000) ending war
  - Claims Commission issued mutually accepted rulings
  - Boundary Commission ruling not accepted by Ethiopia
- Members in several regional organizations
**Local – direct interactions**

There are no formal local-level interactions between the two countries, although the level of informal local-level interactions is difficult to assess.

**Relationship between economic and political interactions**

The Agreements of Friendship and Cooperation and Protocol Agreement on Harmonization of Economic Policies (1993) had the potential to improve political interactions through removal of trade barriers and harmonization of customs and other economic policies. However, Eritrea’s switch to a new currency in 1997 ultimately exacerbated political tensions, contributing to the outbreak of a border war in 1998. As a result, the 1993 agreements have not been implemented, and both economic and political interactions remain limited.

The following table illustrates achieved levels of cooperation between the two States with respect to the six political and six economic strands.
## Political interactions

1. **Political structure and decentralization**
   - Political interaction remains tense, and both countries have accused each other of supporting rebels in each other’s territory.
   - Algiers Agreement (2000) ending the war established Border Commission and Claims Commission; Ethiopia refused to accept the Border Commission’s ruling, and border disputes remain.
   - Both countries are members of numerous regional and international organizations, including the COMESA and ADB.
   - Eritrea has accused Ethiopia of blocking its bid to join the IGAD.

2. **Systems of election and appointment**
   - No elections to inter-State bodies.

3. **Executive**
   - No formal mechanisms for interaction.
   - Leaders have proposed direct talks, but these have not yet occurred as of July 2013.

4. **Legislative branch**
   - No formal mechanisms for interaction.

5. **Public participation**
   - No formal mechanisms for interaction.

6. **Traditional and customary arrangements**
   - Limited interaction in this area.

## Economic interactions

1. **Macroeconomic policy**
   - Agreements of Friendship and Cooperation and Protocol Agreement on Harmonization of Economic Policies (1993) aimed to coordinate economic policies between the two countries, including establishment of the Ethiopian Birr as a common currency.
   - Common currency created tension, and Eritrea switched to its own currency in 1997, contributing to the outbreak of war.
   - Common membership in ADB may encourage coordination of economic policies.

2. **Trade**
   - Conflict between the countries has prevented successful implementation of these agreements, and trade has declined.
   - Common membership in COMESA may encourage coordination of trade policies.

3. **Financial sector**
   - Limited interaction in this area.

4. **PSD and investment climate**
   - Limited interaction in this area.

5. **Infrastructure**
   - Limited interaction in this area.

6. **Natural resource management**
   - Limited interaction in this area.
C. Republic of Indonesia and Democratic Republic of Timor-Leste

This short case study sets out some examples of economic and political interaction between Indonesia and Timor-Leste since Timor-Leste became independent. It also highlights areas where there is a lack of interaction.

While relations have significantly improved between Timor-Leste and Indonesia, some issues remain unresolved. The reconciliation process has been slow, contributing to the border issues at Oecusse, which has threatened relations between the two countries. However, Indonesia is increasingly supporting Timor-Leste, facilitating trade, coordinating monetary policy decisions, and encouraging membership applications to international organizations. Indonesian leaders stress the importance of establishing ties with the new country to ensure that they have a strong and healthy neighbor. Establishing Free Trade Zones (FTZ) presents an opportunity to strengthen relations between the two States. These zones could boost the economy on both sides of the border, especially at the local level.

Interactions assessment

National – direct interactions

As Timor-Leste progressed towards independence both governments understood the importance of good relations and Indonesia supported the independence of Timor-Leste. Their political interactions have become more cordial. Economic interests, democratic development, and geopolitical realities have helped both countries overcome the past.

National – indirect interactions

Timor-Leste is a member of the Community of Portuguese Language Countries and will soon become a member of the Association of Southeast Asian Nations (ASEAN). These memberships have facilitated political and economic cooperation, resulting in a joint statement to develop a Regional Integrated Economic Plan that will further strengthen ties between the two economies.

Local – direct interactions

Communities from both sides of the border generally interact peacefully. Unresolved border demarcation of Oecusse enclave is still causing friction on the local level.

Background

- Indonesia occupied Timor-Leste when it gained independence from Portugal in 1975
- Long and deadly war led to independence for Timor-Leste in 2003

Sources of tension

- Suspected war criminals not being prosecuted
- Minor border dispute unsettled
- Disputes over managing flow of returning refugees to Timor-Leste

Post-separation cooperation

- Bilateral Commission for Truth and Friendship
  - Additional special justice tribunals on both sides
- Cooperative Economic Plan
  - Streamlined trade between border communities
  - Joint investment and development initiatives
  - Extensive bilateral trade
- Indonesian firms investing in Timorese oil resources
- Indonesia supporting Timor-Leste’s ASEAN bid
- Cooperation in police and military academies, and disarmament, demobilization, and reintegration (DDR) efforts.
Relationship between economic and political interactions

The political decision of the Indonesian government to recognize Timor-Leste’s independence was soon followed by several agreements, such as the Companies Code of 2004, and the recent Private Investment Law in 2011, that facilitate economic development and exchange. Interaction is further facilitated by the fact that the legal system of Timor-Leste rests on a mix of Indonesian laws and regulations that have not yet been replaced. Indonesia is actively seeking business opportunities to enlarge exports to Timor-Leste and expand investments, especially in Timor-Leste’s large oil and gas reserves. In line with this strategy is the Indonesian motivation to support Timor-Leste to become an ASEAN member. Given the recent history of these two States, security is vital to development. Accordingly, both parties have signed a memorandum of understanding between the Indonesian National Police and the National Police of Timor-Leste.

The following table illustrates achieved levels of cooperation between, the two States with respect to the six political and six economic strands. Further progress in the other aspects of the strands, where there are no interactions or interactions are limited is crucial to continue strengthening this development.
### Political interactions

| 1. Political structure and decentralization | • The two countries recognize each other as sovereign States and have normalized diplomatic relations  
• Border disputes remain along the border between Indonesia and Timor-Leste’s exclave of Oecusse  
• Indonesia is supporting Timor-Leste’s bid to join the ASEAN  
• Committee on Truth and Friendship was established in 2005 to promote peaceful relations but has been largely ineffective |
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</thead>
<tbody>
<tr>
<td>2. Systems of election and appointment</td>
<td>• No elections to inter-State bodies</td>
</tr>
</tbody>
</table>
| 3. Executive | • Foreign ministers have discussed facilitating State visits of officials  
• Cooperation in the security sector has included joint police and military trainings, police cooperation on transnational crime, and the symbolic presence of Indonesian officials at a DDR ceremony in Timor-Leste |
| 4. Legislative branch | • No formal mechanisms for interaction |
| 5. Public participation | • No formal mechanisms for interaction |
| 6. Traditional and customary arrangements | • Traditional conflict resolution methods, such as *Pela Gandong* and *Motambu Tana*, are still locally practiced |

### Economic interactions

| 1. Macroeconomic policy | • Timor-Leste switched to the US dollar but reached an agreement with the Bank of Indonesia to repatriate the Indonesian rupiah to smooth the transition |
| 2. Trade | • The two countries are major trading partners; trade increased 109% between 2007 and 2011 and currently stands at $175 million a year  
• Timor-Leste’s membership in ASEAN, which Indonesia supports, would reduce trade barriers and increase trade further  
• Plans for a Regional Integrated Economic Plan between Timor-Leste and the Indonesian province it borders are underway with support from the Asian Development Bank |
| 3. Financial sector | • One of the four banks operating in Timor-Leste is Indonesian, contributing to free capital flow between the countries |
| 4. PSD and investment climate | • Most investment flows in the direction of Timor-Leste, including Indonesian investment in Timor-Leste’s oil resources  
• Citizens of both countries can travel across the border, but there have been obstacles to repatriation of Timor-Lesteese refugees  
• Timor-Leste’s membership in ASEAN would facilitate labor migration |
| 5. Infrastructure | • Indonesia has worked with the Japan International Cooperation Agency to train engineers in Timor-Leste to bolster road and bridge construction |
| 6. Natural resource management | • The Indonesian and Timor-Lesteese State oil and gas companies signed a memorandum of understanding in 2012 to develop oil and gas businesses in Timor-Leste  
• Indonesia has expressed interest in investing in mining in Timor-Leste |
D. Russian Federation and Ukraine

This short case study sets out some examples of economic and political interaction between the Russian Federation (Russia) and Ukraine since the end of the Soviet Union. It also highlights areas where there is a lack of interaction.

Relations between Russia and Ukraine continue to fluctuate according to domestic political currents in both countries. The way the two countries interact through international institutions, as well as bilaterally, depends in large part on the general level of trust between the two administrations. When trust has been lacking, issues such as oil payments culminate in serious tensions between the two countries. When relations have been more trusting, both countries have been willing to cooperate through free trade and mutual investment agreements.

Future relations will be influenced by whether Ukraine chooses full membership of the Commonwealth of Independent States (CIS), EU and the North Atlantic Treaty Organization (NATO). The domestic political climate in Ukraine remains deeply polarized over the issue of relations with Russia. The settling of these issues within Ukraine may have important implications for the future of Russian-Ukrainian relations.

Interactions assessment

National – direct interactions

Despite unresolved issues between Russia and Ukraine following the end of the Soviet Union in 1991, both countries have generally maintained cordial relations. However, issues pertaining to natural gas supply, pricing, and debts have led to serious crises. The first step toward resolution was made after President Putin met with Ukrainian Prime Minister Tymoshenko, and the final agreement was signed in April 2010.

National – indirect interactions

Membership of international organizations has provided a medium for intergovernmental cooperation to address areas such as environment, economic development, energy, education, and civil security to prevent human trafficking. On the other hand, Ukraine’s pursuit of NATO and EU membership has been a source of tension with Russia.
Local – direct interactions

Overall, there have been positive relations at the local level. For example, Belarus, Russia, and Ukraine decided to make the border provinces of Kharkov and Belgorod the permanent headquarters of The United Executive Committee of the Council of Heads of Border Regions of Belarus, Russia, and Ukraine. This has the potential to increase local level cross-border collaboration in the areas, among others, of education and environmental management.

Relationship between economic and political interactions

Mutual economic benefits have helped both sides reduce their political disagreements. Today, Russia remains Ukraine's biggest economic partner, with Ukraine's tourist industry heavily dependent on Russian visitors, while Russia's economy is partially dependent on Ukrainian migrant workers. Joint ventures, such as the one between Naftogaz and Gazprom, are creating a model of future economic cooperation that will foster political and economic relations between Russia and Ukraine.

The following table illustrates achieved levels of cooperation between, the two States with respect to the six political and six economic strands. Further progress in the other aspects of the strands, where there are no interactions or interactions are limited is crucial to continue strengthening this development.
### Political interactions

| 1. Political structure and decentralization | • The two countries signed agreements respecting each other’s sovereignty and declaring the intent for positive relations  
• Both countries participate in the CIS, but Ukraine does not consider itself an official member  
• Ukraine’s attempts to join NATO and integrate economically with the EU have created tension  
• Black Sea Accords (1997) resolved dispute over Crimea, granting Ukraine sovereignty while leasing Russia the port of Sevastopol  
• Common framework agreement (2003) resolved dispute over Straight of Kerch  
• Both presidents agreed to a border demarcation process in 2010 and signed an agreement for managing border checkpoints in 2011 |
| 2. Systems of election and appointment | • A nomination/election process determines leadership of the CIS |
| 3. Executive | • Defense secretaries have signed an agreement for cooperation between their security councils for the period 2013–2014  
• Heads of State meet regularly at the Interregional Economic Forum  
• Heads of State have directly negotiated gas pricing disputes |
| 4. Legislative branch | • The two countries take part in the CIS Inter-Parliamentary Assembly  
• The two countries have established a bilateral inter-parliamentary committee on cooperation in the high-tech industries |
| 5. Public participation | • No formal mechanisms for interaction |
| 6. Traditional and customary arrangements | • No notable mechanisms for interaction |

### Economic interactions

| 1. Macroeconomic policy | • The two countries have common economic development plans and work together on common research and development initiatives  
• Common membership in the CIS has fostered harmonization of economic policies |
| 2. Trade | • Common membership in a Free Trade Area between Ukraine, Russia, and Belarus under the CIS is phasing out duties on traded goods |
| 3. Financial sector | • No formal mechanisms for interaction |
| 4. PSD and investment climate | • The cross-border cooperation and economic plan for 2011–2016 includes provisions for investment in private sector industries  
• The region of Sloboda in Ukraine has benefited from cross-border private sector cooperation |
| 5. Infrastructure | • Russia has invested in building power plants in Ukraine  
• The two countries have discussed building a bridge over the Straight of Kerch |
| 6. Natural resource management | • Ukraine purchases natural gas from Russia and hosts a pipeline that supplies natural gas to Europe  
• Disputes over contracts, pricing, and payment have caused tension that twice resulted in Russia cutting off Ukraine’s gas supply, but the two countries signed a new contract in 2009 |
About Conflict Dynamics International

Conflict Dynamics International is an independent, not-for-profit organization that specializes in mediation, governance and peacebuilding, and humanitarian policy development. The organization works to support development of innovative technical options for peacemaking and peacebuilding in transition contexts through a process of applied research, and an inclusive methodology of iterative consultations and impartial engagement. Founded in 2004, Conflict Dynamics works to fulfill its mission across three program areas: (I) Peacebuilding in Transition States, (II) New Frontiers in Humanitarian Policy, and (III) Pressure Points for Conflict Prevention and Resolution.

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• Building the House of Governance: Political Accommodation in South Sudan (May 2012)

• Envisioning the Future: Options for Political Accommodation between North and South Sudan following the Referendum (September 2010), on which this Briefing Paper builds

• National Elections and Political Accommodation in the Sudan (June 2009)


Conflict Dynamics welcomes feedback and perspectives on the ideas in this Briefing Paper. Readers are invited to share their views by contacting Conflict Dynamics at info@cdint.org.