South Sudan will officially become a new state on July 9th, shifting the dynamics in the Great Lakes Region. The relationship between North and South Sudan will likely be strained, so South Sudan may need to look increasingly to its southern neighbors. South Sudan will need partners for trade and sources for technical and labor skills. There will be tricky issues such as water disputes, refugees and displaced people, the LRA, and the complicated issue of oil and if the South will find new routes and resources rather than remain dependent on the North.

Water Rights
The Nile River is the most important source of water for Sudan and some of its neighbors. The White Nile starts in Uganda and goes through Southern Sudan. The Blue Nile goes through North Sudan and the two meet in Khartoum before continuing through Egypt. Egypt considers water to be a major national security issue and 90% of its population relies on water from the Nile. Egypt’s needs might outstrip the supply by 2017. The flow of the Nile is governed by two colonial era treaties. The first was signed in 1929 by the British and gives Egypt veto power on any plans for the Nile that might restrict
water. Sudan has the right to use about 22% of the water and Egypt gets about 66% of the water. This adds up to about 90% of the water, but 95% of the water originates from other countries. In 1999 there was a Nile Basin Initiative launched by the World Bank to talk about discrepancies and develop the region in a cooperative way. The negotiations included nine countries: Egypt, Sudan, Ethiopia, Uganda, Kenya, Tanzania, Burundi, Rwanda, and the Democratic Republic of Congo (DRC). After ten years of negotiations, the new framework was released in May of 2010. In March, Burundi became the 6th country to sign, bringing the agreement into effect. Egypt, Sudan and the DRC have not signed. The new agreement allows countries upstream from Egypt to have hydro projects. Ethiopia is already building the Great Millennium Dam and is planning other hydro projects. Other projects are planned in Tanzania. There is talk of restarting a canal project started in the jungles of Southern Sudan before the last war between North and South. However, there are concerns about the impact it will have on climate, migration, and those living in the state where the canal would be.

When the South succeeds in July it might impact the Nile Basin agreement. North and South Sudan agreed that they would reach an agreement on how to split water. Before the referendum, Egypt supported unity in Sudan because it did not want more countries upstream on the Nile. Egypt is now trying to build a relationship with Juba to protect its water interests. In the short term, South Sudan says it will respect the agreement. However, it is possible that South Sudan will side with its Eastern neighbors, Ethiopia and Uganda, who have supported it in its struggle. It is unclear what Egypt will do if its water rights are threatened.

**Oil**

While most of Sudan’s oil reserves are in the South, the infrastructure for refining oil is in the North. If the South does not have a good relationship with North Sudan, it may choose to look to its southern neighbors to get oil to market.

Infrastructure is a real problem in South Sudan. Conflict, confusion, and poor management have deprived Sudan of opportunities. Not just pipelines, but transportation facilities need greater control and transparency. South Sudan has to learn to manage its petroleum sector, not just revenues. Oversight mechanisms and relationships matter. There is a lot of attention on revenues from oil and not a lot of focus on how the sector is managed. Although South Sudan has significant oil deposits, it will require increased technological and entrepreneurial expertise to take advantage of it. How they allocate oil resources will demonstrate if this is a government for all.

If South Sudan is able to create a stable state it will have the opportunity to collaborate with its neighbors. Uganda and the Democratic Republic of Congo both have their own oil deposits and will need to build a pipeline to Kenya that will cost billions of dollars. If South Sudan wanted an alternative route for exporting oil, collaborating on this pipeline would be cheaper and more effective than finding a separate route. Ethiopia gets most of its crude oil from Sudan. Ethiopia and South Sudan have discussed the possibility of trading oil for electricity. This negotiation will need to be carefully worked out to maximize benefits to South Sudan without creating conflict with North Sudan. As West Africa develops, it could an important trading partner for South Sudan’s oil deposits. However, if South Sudan is not able to create a stable state then the same pattern of the past 20 years will continue. There will not be a lot of international investment in infrastructure and technology.
Most sanctions against Sudan will be removed from the new state of South Sudan. This will have a positive impact on the oil industry. However, Western companies are not chomping at the bit to jump into Sudan. There are still serious concerns on political stability. Chevron was in Sudan for a while and it did not end well. There are significant challenges for large companies to get involved in South Sudan’s petroleum industry and South Sudan will need to prove that it can create a stable environment before it will attract significant investment.

There are a lot of potential positive outcomes to South Sudan’s oil revenue, but there are also a lot of potential conflict triggers. South Sudan has a history of poor oil management and general conflict that does not lend itself to peace and security. Sudan has half of the known oil reserves of Angola and 1/6 of the known reserves in Libya. Producing half a million barrels a day, Sudan receives much of its revenues from oil, but it is not a major producer. It will therefore be important that South Sudan does not rely too heavily on its oil revenue.

**Lord’s Resistance Army**

The Lord’s Resistance Army (LRA) continues to be a threat in south western Sudan as well as in the DRC and Central African Republic. However, the SPLA is not well equipped to deal with this threat and, since the LRA moved away from Juba after the 2008 peace talks, the SPLA has not made it a priority. The people living in south western Sudan are an ethnic minority in South Sudan and view the SPLA as an invading army. Because the people in this area have been marginalized within South Sudan, the government has done little to prevent the LRA from preying on them.

**Foreign Workers and Businesses**

There is a significant level of investment coming into Sudan from Kenya, Ethiopia, and Uganda. South Sudan is Uganda’s biggest trading partner. The high level of foreign owned businesses create capital flows out of South Sudan. There are also a lot of non Sudanese workers in South Sudan including skilled and manual labor workers. This is a possible point of tension as South Sudanese people seek employment and come up against foreign workers and foreign owned businesses in their country. Refugees returning from North Sudan are bringing skills and need work. These people have also been working in North Sudan and sending money back to the South. Now that they have returned, these funds will no longer flow into South Sudan.

It will be important for South Sudan to take advantage of the skills that foreign workers have brought into the country. Foreign workers will also enhance relationships with neighboring countries. At the same time, South Sudan needs to find and train its own skilled workers to become more self reliant.

**Refugees**

One quarter of South Sudan’s population of 8.3 million is made up of returned refugees. North Sudan has not assisted in the return of refugees to the South, leaving 22,000 people in very poor living conditions in Northern camps since October 2010. The international community needs to pressure the North to be more helpful in moving people across the border. Overall, there are 400,000 to 500,000 refugees who still need to return to South Sudan. This return will require support from the United Nations and the United States Government.
In the birth of a new country there is a lot of hope, but there will also be a lot of challenges. South Sudan will not just need reconstruction; there is nothing left to rebuild. Everything will need to be built new. There is a huge lack of capacity on the local level and South Sudan will need a lot of technical assistance to build communities and provide opportunities for these people. The development indicators in South Sudan are on par with Somalia and health is a major issue.

**Food Security**

Food security is an immediate priority and South Sudan needs to determine how to feed people. There is no strong data on the food deficit, but estimates suggest that the situation is dire. There are reports of food insecurity in 30-40% of the population. 70% of the population is dependent on farming and animal husbandry. However, farmers face a combination of negative events for food security; many areas flood regularly while other are experiencing increasing drought. Even where people have been able to farm, there have been crop failures. Last year, as humanitarian groups were preparing for violence around referendum, they were able to deal with some of these problems. Post-referendum there is not as much support. Meanwhile, as refugees have returned, there is not enough food for them. More funding is needed for improving agricultural capacity, including the development of mechanized processes to increase production and reduce the labor requirements of farming. The population is young and likely to move towards urban centers, reducing the number of people available for agricultural work. Improving food security will require a coordinated approach between international community and the government.

The lion’s share of South Sudan’s current budget goes towards security and the SPLA. This is a serious concern as food security is a major problem and health indicators are on par with Somalia. Health and education together make up less of the budget than the SPLA. While the SPLA is currently poorly adapted to the current needs of South Sudan, much of its budget goes towards paying salaries of soldiers. Laying soldiers off would cause a serious security problem. There are very few alternative means of employment for those who give up SPLA career. However, the SPLA could develop an engineering branch and begin to engage in providing human security to the people of South Sudan.