

RELEASE IN PART,  
B1,1.4(B),1.4(D)

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Dear Madame Secretary:

You will have received reports from Deputy Secretary Burns about our trip through Africa and meetings at the AU Summit. Here I want to bring developments together and provide some additional perspective.

[Redacted]

1.4(D)  
B1

More attention was given to the oil conflict between Sudan and South Sudan,  
On that issue, much now needs to be done

[Redacted]

**Humanitarian crisis.** Ethiopian Prime Minister Meles pressed President Bashir on this matter,

[Redacted]

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**Oil dispute.** The shutdown is complete and it may have been done without serious damage to the infrastructure

[Redacted]

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B1

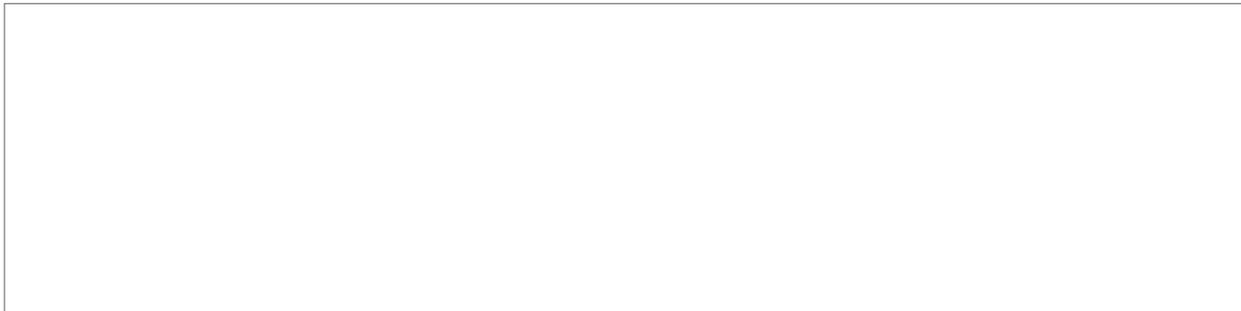
The shutdown was seen as necessary and dramatic to highlight the unreliability of continuing to export through Sudan.

[Redacted]

**Economic Implications of the shutdown.** We are preparing a fuller analysis of these implications for both countries as is the World Bank. The RSS has only three months foreign exchange reserves So it cannot cover its current expenses for long. It is planning an austere budget,

[Redacted]

1.4(D)  
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**Stirrings in Khartoum.** Leading NCP figures, army officers, and Islamist have each in the past few weeks made presentations to the GOs calling for reforms. Most of the reforms relate to better management, ending corruption, and – in the case of the army – arguing against going to war again with South Sudan. While none of these actions necessarily call into question the viability of the current regime, they do demonstrate unease within the key supporters of the regime about the direction of current GOS policies.



**Coming weeks.** We will need to take some hard decisions on our response to the humanitarian crisis.



There will likely be no short term agreement on oil so both sides will steadily be experiencing the consequences of the shutdown and deciding on their reaction –

