

RELEASE IN PART B5,B6

From: Abedin, Huma <AbedinH@state.gov>
Sent: Friday, August 21, 2009 6:32 PM
To: H
Subject: Fw: For Joe -- Juba Update

Message from scott gration

From: Syed, Zia S
To: Abedin, Huma
Cc: S_SpecialAssistants; Sullivan, Jacob J; Mills, Cheryl D; Macmanus, Joseph E
Sent: Fri Aug 21 18:01:59 2009
Subject: For Joe -- Juba Update

Huma, Special Envoy Gration is asking that this message be passed to the Secretary.

From: Scott Gration [mailto:
Sent: Friday, August 21, 2009 5:51 PM
To: S_SpecialAssistants
Cc: Burns, William J; Steinberg, James B; Carson, Johnnie; Carter, Phillip X; Shortley, Timothy R
Subject: Juba Update

B6

Secretary Clinton, greetings from Juba, Southern Sudan, where we've just held our latest round of trilateral talks between the Southern People's Liberation Movement (SPLM) and National Congress Party (NCP), facilitated by the United States. This update outlines the outcomes of our trilateral and bilateral discussions, and highlights of the some important issues that will influence our planning in the months ahead. In addition, I'll pass on some impressions from my visit to the Kenana Sugar Factory that illustrates why I believe we need smarter sanctions for Sudan.

SPLM and NCP Agreement

Yesterday I witnessed the initialing of a bilateral agreement between the SPLM and NCP, in which the parties laid out points of agreement on ten of the twelve major outstanding issues in the Comprehensive Peace Agreement (CPA). Culminating three months of negotiations, this agreement documents a shared vision for implementing the Abyei arbitration decision, for moving forward on border demarcation, for completing legal reforms, and for resolving other key issues. If the parties match their words with actions, it will bring them closer to full CPA implementation and to peaceful coexistence. To ensure implementation, we have backed up the agreement with timelines and a stoplight chart that we will use to hold both parties accountable to their words.

With this agreement, we can now turn our full attention to resolving the electoral census and the referenda for self-determination. We will resume our trilateral talks in Juba in early September. These two issues are the most controversial and potentially destabilizing challenges facing Sudan. It appears likely that we will ultimately have to raise these politically sensitive issues to the level of the Presidency (President Bashir, Vice President Kiir, and Vice President Taha) to reach final agreement. I will keep you posted on my discussions and the potential for meetings at the Presidency-level in Khartoum or Juba.

Looming NCP-SPLM Dilemma

As the clock ticks down to the April 2010 national elections and the January 2011 referenda on self-determination for Southern Sudan and Abyei, both parties have begun the process of negotiating and defining the path forward to accomplish their highest priorities. The NCP's focus is on holding onto power and controlling the levers of power in Khartoum. In this spirit, the NCP has reached out to the SPLM with an offer of a strategic partnership that would bring the two parties together through the elections (in an electoral alliance that guarantees the election of Bashir in Khartoum and Kiir in Juba). This alliance will also clear the way to implement remaining CPA milestones and to resolve referenda issues. However, the NCP will not let the South go quietly under any scenario. The price of a smooth path to the referenda will be an SPLM commitment to unity, to include Southern Sudan's vocal support for a unified nation.

This puts the SPLM in an extremely difficult position. While the SPLM is united in the view that getting to the referenda is their most important objective, asking them to take a position on unity versus separation accentuates a divide that runs deep within the SPLM. For a small core of SPLM who are loyal to the original "New Sudan" vision of John Garang, unity has always been a more attractive option—but not without the fundamental democratic transformation envisioned by the CPA. For an increasingly large portion of the SPLM, separation has become a more attractive option despite the risks; this side of the party seeks to be in sync with the vast majority of the Southern population who are expected to vote for independence. The path to the referenda will be extremely difficult even under the best case scenario. I believe that separation of the South will require very significant political, economic, and possible security investments by the United States. Providing this assistance proactively will be a lot cheaper and easier than waiting until we must react.

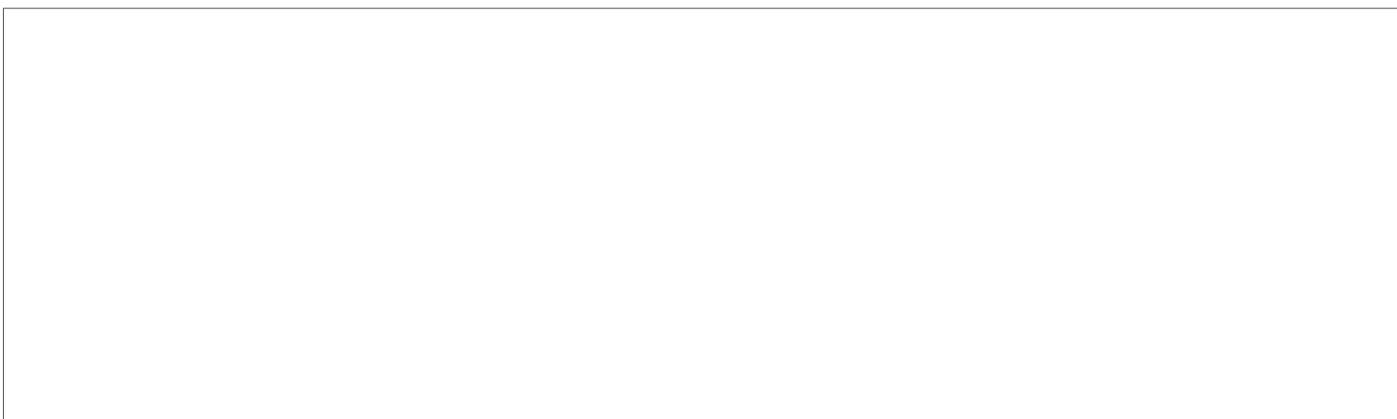
The Future of Southern Sudan

No matter how this strategic dilemma is resolved and which path is taken to the referenda, all indicators suggest that Southerners will vote for independence in January 2011, creating the first new nation in Africa in more than two decades. Unlike other recent examples of independence, such as East Timor and Kosovo, Southern Sudan will not have a long transition period *after* its vote for independence to prepare itself—indeed it could have as little as six months from the referenda to the day independence is declared. During this period, the government would have to undertake milestones such as establishing a central banking system, issuing new national currency, and setting up commercial banking. The new government would also have to determine the division of assets between North and South, and gain membership in the international financial institutions (e.g., IMF and World Bank) to qualify for financial assistance and debt relief. This are just the monetary policy issues! The South will be born facing serious internal and external security threats, weak governance, and a grave financial situation—we must begin now to prepare both Southern Sudan and the United States for this outcome. Our historic relationship with Southern Sudan gives us a special opportunity to help guide the future of this fragile state, but also a unique responsibility to ensure its viability and its success.

To meet these expectations, we have begun to develop a bilateral partnership framework with the SPLM to outline what the United States expects from the Government of Southern Sudan (GoSS) and the SPLM and what they expect of us. In these talks and in my meeting with President of Southern Sudan Salva Kiir, we discussed how the United States could work with the GoSS to help strengthen its governing capacity, assist with internal security and regional stability, and pursue economic development. As part of the bilateral partnership, we expect the GoSS/SPLM to complete its responsibilities under the CPA, to pursue good governance practices and fiscal transparency, and to support the United States and the international community in promoting security and stability in Darfur and the rest of the country. To meet the South's needs, I believe we need to focus on three areas: 1) transitioning from development assistance to large-scale nation building, 2) instituting "smart" sanctions, and 3) strengthening security assistance to the South. While US development and security assistance projects have increased capacity in Southern Sudan, these activities

have not transformed the South enough to ensure its success in the post-referenda period. We will reevaluate the level of assistance that we provide to the South and will review ongoing projects to ensure we're doing everything we can to prepare for the likely independence in 23 months.

The need for smarter sanctions was reinforced during my visit to the Kenana Sugar Company in Northern Sudan, one of the largest integrated sugar companies in the world. I was impressed not only by the scale of sugar production at Kenana, but also by its scope. Kenana engineers use byproducts of the sugar-refining process to produce commercially viable commodities, ranging from animal feed to ethanol. We also visited a school and a hospital catering to Kenana's permanent staff of over 4600. The staff and their families receive free housing, electricity, clean water, medical care, and education. From my perspective, Kenana is a model for securing foreign exchange and stimulating sustainable economic development. This plant provides long-term employment opportunities that could be replicated throughout Sudan. While still maintaining pressure on the Government of Sudan in Khartoum, I believe we could assist the people of Sudan by:



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In addition to these fixes that apply between now and 2011, we must soon begin to undertake a comprehensive review of our legal and policy guidelines regarding foreign assistance spending and economic relationships to ensure that the South is born unencumbered from the restrictions we have placed on Sudan.

My trip will continue in Addis Ababa and Cairo to coordinate efforts to reunify Darfuri rebels and to promote the Darfur peace process. When I return, I would welcome the opportunity to brief you further on these issues prior to the upcoming Principals Committee meeting. I would very much value your insights on the best path forward. Very respectfully, Scott

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