

EXECUTIVE SECRETARIAT

ROUTING SLIP

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1	DCI				
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14	D/PAO				
15	D/PERS				
16	D/Ex Staff				
17	NIO/AF		X		
18	D/ALANESIA		X		
19	C/AF/DO		X		
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SUSPENSE _____

Date

Remarks

NIO/AF received advance notice of this PCC meeting.

ER 89-2650

Executive Secretary

STAT

28 Jun 89

Date

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ER 89-2650

S/S 8914680

United States Department of State

Washington, D.C. 20520



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June 27, 1989

MEMORANDUM TO:

MR. BRENT SCOWCROFT
National Security Affairs Advisor
The White House

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

MR. FRANK HODSOLL
Executive Associate Director
for National Security and
International Affairs
Office of Management and Budget

COLONEL GEORGE P. COLE
Executive Secretary
Department of Defense

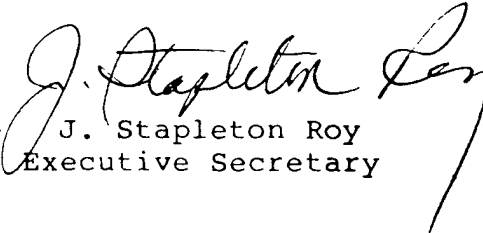
MS. MOLLY HAGEBOECK
Executive Secretary
Agency for International
Development

MS. EMILY WALKER
Executive Secretary
Department of the Treasury

CAPTAIN ANTHONY MANESS
Executive Assistant to the Chairman
Joint Chiefs of Staff

SUBJECT: PCC Meeting on Sudan

Please transmit the attached meeting notification and discussion paper to principals of the Policy Coordinating Committee on Africa.


J. Stapleton Roy
Executive Secretary

Attachments: As stated.

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DECL: OADR



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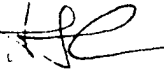


United States Department of State

Washington, D.C. 20520

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TO: PCC PARTICIPANTS

FROM: Herman J. Cohen, Chairman 
PCC on Africa

SUBJECT: PCC Meeting on Sudan

A meeting of the Policy Coordinating Committee on Africa will be held to discuss PCC for Sudan, as follows:

DATE: Wednesday, June 28, 1989

TIME: 3:30 P.M.

LOCATION: Room 3519 (AF Conference Room)

- AGENDA:
- o Review of Key Trends and Developments in Sudan
 - o U.S. Interests and Policy Objectives
 - o Near-Term Decisions on Policy Focus and Assistance Issues

Principals only are invited to attend the meeting. Participants should phone their attendance to Ms. Valis, telephone: 647-5684.

Discussion will be based on the attached paper, which we submit for your review and comments.

Attachment: As stated.

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DECL: OADR

CONFIDENTIALSUDAN POLICY REVIEW

This is a stocktaking exercise to review whether the current set of evolved policies constitutes the most effective mix. The purpose is not necessarily to reach any new policy decisions.

During the past year, Sudan's political dynamics have evolved significantly -- especially related to peace and relief. US domestic considerations have become more important to our Sudan policy due to wide media exposure and strong Congressional interest. At the same time, our non-emergency aid levels are teetering close to zero due to Khartoum's inability to keep up with Brooke payments and PL-480 arrears. Our leverage on Khartoum, limited in recent years in any event, now relies heavily on moral suasion and jawboning.

BACKGROUND FACTORSPeace and Political Dynamics

Sadiq is now into his fifth coalition since coming to power in 1986. He formed the current government with the pro-peace Democratic Unionist Party (DUP) in March under heavy pressure from the military and unions, which threatened to overthrow him unless he took decisive action to end the war, either by seriously engaging in peace negotiations or providing enough backing and supplies to the military to win.

Sadiq went both directions. He reached agreement with Libya -- now Sudan's chief military supplier -- to provide perhaps \$250 million in military assistance. On peace, he endorsed the DUP/SPLA peace accord, took certain steps to implement it and has supported the Government's Peace Committee discussion with the SPLA to implement a cease-fire and prepare for a constitutional conference.

The most promising opening for peace discussions is now. Khartoum and the SPLA met on June 10 - 11 to review substantive issues and set the framework for the constitutional conference. They agreed to follow-up talks on July 4 and to start the Constitutional Conference on September 18, assuming the November accord is first implemented. There was also an informal agreement to let relief operations continue until the July talks, and the SPLA extended its unilateral cease-fire until the end of June. Main hang-ups on substance remain Libyan military supplies to Khartoum and freezing hudud (Islamic corporal punishments) by legislation.

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While this is the best shot at a peace process that has yet developed, odds are slim that it will hold together. There is a pervasive atmosphere of mistrust and both sides have been grudging about meeting. Sadiq remains under heavy pressure from the National Islamic Front (NIF) which strongly opposes the peace accord because of its position on Islamic law. Garang may be right in his analysis that the DUP negotiated peace accord is against Sadiq's interest; its success would help the DUP ride the peace wave to victory in the 1990 elections. Finally, it is doubtful that Sadiq would be willing to cut ties with Libya sufficiently to satisfy the SPLA.

On the other side, the SPLA is flush with military victory, having taken 16 garrisons this year and now controlling nearly all of Eastern Equatoria and much of the other two Southern provinces. The SPLA sees itself gaining international recognition as a result of Garang's recent tour to Europe and the US. Garang is therefore taking a very tough line on the terms of the November peace accord, demanding the legislated freezing of the September Laws (nearly impossible for Khartoum politically) and announcing that the SPLA's bottom line in a constitutional conference is that hudud cannot be part of Sudan's penal code. We find credible the Soviet analysis that it is not in Garang's interest to negotiate seriously any time soon; he cannot match his military success with political success because there is no consensus among the SPLA's half dozen or so factions about the end game for peace.

Relief

The record on relief by both sides has improved significantly over the past year, largely due to international pressure under US leadership. We began pressing both sides in late 1987 to adopt a plan of action to provide relief in approximately equal amounts to non-combatants in need on both sides of the war zone. This is being done through the ICRC program which became operational last December. It started with three relief sites on both sides of the war zone and has since expanded to 10 government-controlled sites and nine SPLA-controlled sites. In March, a UN/GOS emergency relief conference resulted in a comprehensive program under the UN umbrella called Operation Lifeline Sudan (OLS). Both sides agreed to establish nine relief corridors to preposition supplies wherever needed. Despite numerous operational problems resulting in target shortfalls, the program has been successful and still continues. Both sides are on record as supporting relief operations for as long as necessary.

A number of serious operational problems remain which require constant intervention and monitoring. With the exception of the ICRC program, relatively little food has been

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prepositioned from the North because of obstruction by local government authorities. The two most visible examples are the difficulties in getting relief trains to Aweil and the failure to move barges to Malakal. It is unclear whether Khartoum lacks adequate commitment or is unable to exert control. While relatively more relief has moved cross-border into SPLA-held areas, the SPLA's and SRRA's restrictions on PVO movement and activities are also significant impediments.

Economic Conditions

The Sudanese economy continues to deteriorate. Annual inflation has reached triple digits and is accelerating. Foreign debt is \$13 billion -- twice GDP -- and IMF arrears have reached \$1 billion -- nearly a third of the Fund's arrears. Khartoum made a clumsy effort at economic reform in December, sharply raising prices of sensitive, subsidized commodities such as sugar and bread, and offering modest pay raises. Ensuing riots posed the most serious threat to the Government since Nimeiri's ouster, which happened under a similar scenario. Khartoum quickly backed off and plans to stand down on economic reforms until after the 1990 elections. The pay raises were retained, further exacerbating the Government's budget deficit.

Multilateral lending institutions and traditional donors agree that serious reform will not be possible until the war ends. The World Bank, which solicited an economic reform package from donors in late 1987, is holding up its reform-related lending until agreement on an acceptable reform program is reached. It has, however, agreed to support a \$475 million medium term rehabilitation program to repair damages caused by the August floods.

The direct cost of the war is estimated to be about \$1 million a day, not including the disruption of critical inputs such as fuel and the disincentive to invest.

U.S. Assistance

Sudan has suffered from chronic pressure to repay US official debts which are continually escalating. Khartoum struggled to keep up with Brooke and PL-480 payments until this year. But that may have changed since the net cash flow is now turning permanently negative. Current Brooke arrears (almost all of which were generated from old FMS sales) are about \$14 million and will reach \$25 million by year end. Payment would release \$10 million in DFA and \$12 million in ESF. The calculations are similar for PL-480. A \$30 million Title I program has just been signed for FY 89 (\$20 million in wheat and \$10 million transport) after Khartoum reached a settlement on \$14 million in dollar arrears and about \$30 million in local

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currency. (\$6 million in dollar arrears is still due.) Next year's Title I program request is \$20 million. Since repayments will be probably be in excess of \$30 million and will continue to increase in following years, the GOS may well abandon the Title I program next year.

Domestic Interest in Sudan

US domestic considerations have become significant inputs in our policy deliberations on Sudan due to wide press coverage and related Congressional interest. Public concern focussed first on the perception of government failure (both ours and Sudan's) to address relief needs adequately. When OLS was announced, most of the criticism shifted to the UN's handling of relief operations. Congressional interest has also been stimulated by a stream of congressional visits to both Northern Sudan and SPLA-held areas. The latter have increased stress on our relationship with Sudan and pressured us to become more active in SPLA-held areas. The SPLA has attempted to take advantage of this by trying to engage us and other donors in activities which imply recognition of its de facto government.

We have muted much of the domestic criticism of our Sudan policy with statements on Sudan by the President, Secretaries Shultz and Baker, and other administration officials. The approach has been that neither side is doing enough on peace and relief, and humanitarian concerns should be paramount. The Secretary and Deputy Secretary have also met with Congressional members about Sudan and have received high marks -- even from traditional critics -- for their concern and active approach. There have been a half dozen congressional hearings this year in which Sudan was raised; two were exclusively on Sudan. The focus has been on relief, peace, and human rights.

THE CURRENT BILATERAL RELATIONSHIP

State of Relations

Our longstanding, friendly relationship with Sudan is cooling. We are frustrated with Khartoum's bureaucratic paralysis, the obstruction of peace by bickering among the three Northern parties, and Sadiq's myopic personal agenda which places life and death issues near the bottom. The Sudanese see our relationship worn thin by declining aid levels (in their view a barometer of friendship), our "withholding" aid, our stream of tough public and private messages, Congressional visits to Kapoeta, our support of relief operations in SPLA-held areas and Garang's visit to Washington.

But our relationship is still productive on the key issues of peace and relief, and we continue to enjoy unlimited access

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to all Sudanese political players at the highest levels. Khartoum's acceptance of the ICRC and UN relief operations, and Sadiq's engagement on peace largely resulted from US - led, outside pressure. Our effectiveness is confirmed by the NIF's recently fizzled attempts to break the November peace accord by fanning anti- US sentiment.

Conversely, neither we nor other traditional friends of Sudan have been able in recent years to influence Sudan's foreign relations (especially with Libya), economic reform, or improvement on human rights.

U.S. Interests in Sudan

We have two paramount interests in Sudan: relief for non-combatants and peace. Ideally, it should be formally implemented. In a broad context, we have an interest in Sudan to the extent that it can affect stability of the region, either positively or negatively. Sudan is particularly important to Egypt because of water interests and the potential for expanded Libyan influence and a more volatile strain of Islamic fundamentalism.

Our secondary interests in Sudan -- still important -- include: continued support for democratic institutions, reducing human rights violations, moderating Sudan's foreign policy (especially regarding Libya), promoting economic reform, resolution of Sudan's debt problem and supporting appropriate GOS treatment of refugees and displaced persons.

Direct strategic interests in Sudan are negligible: occasional overflights and small military exercises once or twice a year.

Given the current state of the Sudanese economy, there are minimal US economic or development interests in Sudan. Chevron has a 300 million barrel proven reserve in the South which cannot be exploited until peace returns. Other US oil companies are exploring in the North and in the Red Sea, but they have not yet made commercially important discoveries. With the exception of programs included in the Brooke wind-down plan which should not be shut down abruptly, there are no development programs which require sustained US input.

PROGNOSIS FOR SADIQ'S FUTURE

It is impossible to predict how long Sadiq will remain in power. Despite growing dissatisfaction in Sudan over his failure to deal effectively with any key issues, he has consistently outmaneuvered his political opponents -- even surviving a showdown with the military in February - March and uncovered coup plot in December 1988 and June 1989. It is

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still possible that the military will oust him for failing to restore peace but senior officers appear reluctant to move against him. A junior-level or factionalized coup, as appeared to be in the works in June, is unpredictable.

Another scenario for Sadiq's departure is loss of in the 1990 elections. Sadiq is under political attack from all sides and support is eroding in constituencies which have traditionally backed him. But there are no apparent leaders in other parties with sufficient stature to win. If Sadiq loses, he would probably be replaced by the DUP-led coalition of moderate UMMA members and southerners. If he wins, he could well slip back in league with the NIF.

FUTURE U.S. POLICY

How Should We Relate?

With limited US interests, Sadiq's uncertain future and a myriad of intractable problems, we should limit ourselves to dealing with issues on which we still have some influence. We should continue to operate from the premise of supporting Sudanese democracy. This may be at the expense of meeting specific US objectives since Sudan's democratic system tends to diffuse the Government's energy for effectively dealing with serious issues.

Our principal goals in Sudan should remain peace and relief. Since peace has been so elusive for the more than three decades of Sudan's independence, we should break out sub-objectives to work toward, such as: establishing and preserving a formal cease-fire, a sustained peace dialogue between the two sides, disarming the militias and taking prompt and effective action in response to human rights violations. On relief, we should press for progress on specific components of Operation Lifeline Sudan: the ICRC program, PVO's, a high-level, effective UN coordinating role, and -- even more specific -- moving barges to Malakal, relief trains to Aweil, etc.

On the political front, we should continue to encourage neighboring states such as Kenya, Uganda and Chad to remain neutral and not to supply military support to either side which fuels the war. (There remains no practical possibility of working with Libya or Ethiopia in this regard; and Egypt is already firmly committed to withholding military support.) We should also consider the UK suggestion that the permanent members of the Security Council consult on ways to reduce tension in the Horn.

The best strategy for implementing this approach is to continue to win acceptance from the GOS and SPLA/SPLM for

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specific, attainable items in which performance or non-performance is clear. These objectives would be extension of the de facto cease-fire, continued commitment to a peace dialogue, movement on relief, etc. We should publicize the commitments both sides make on these issues in order to set relatively unambiguous, achievable performance benchmarks under the eye of international public opinion. We should also continue to work behind the scenes to cajole, reassure and work toward new agreements/points of consensus which can be surfaced publicly as performance benchmarks.

There is no practical way to influence effectively the outcome of the secondary issues of relations with Libya, economic reform or debt until peace is restored. While we should continue to complain about Libya, Sadiq won't be talked away from his Libyan relationship until another country steps into Libya's shoes to provide needed arms and economic assistance. That is unlikely until peace is restored. On the economic front, there is general recognition that any effort to resolve Sudan's economic problems would be useless while the war continues.

With regard to economic assistance, we should make it clear to Khartoum that our continued support will be mainly relief-oriented until peace is restored. A decision which must be made is whether the US would offer appreciable assistance for economic rehabilitation if a durable peace accord is reached. Absent payments owed on Brooke, a Presidential waiver would be required to continue program assistance. (There has never been a Presidential waiver on Brooke.) We must also decide whether/how much economic conditionality should be attached.

Leverage for relief, peace and economic reform could be multiplied by enlisting other friends of Sudan -- especially donors -- to work toward these limited objectives in a coordinated approach.

This focus on limited, key objectives with multilateral support would likely be acceptable to Congress. This would further mute Congressional criticism and send a clear signal to Sudanese on both sides of the war.

Assistance Problems

It is important to keep our aid program alive to work this approach effectively. If either Brooke payments or PL-480 arrears fall behind for another year, Khartoum is likely to go so far in the hole we will be unable to restore these programs without taking unprecedented steps: a Brooke waiver and debt relief.

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For the moment, we should extend the Brooke wind-down plan for as long as possible to keep our basic aid infrastructure in place. We should also consider the possibility of disbursing FY85 ESF (which has already been obligated) for essential commodities to facilitate Khartoum's repayment of Brooke. Sudan would then be in a better position to take advantage of program assistance in 1990 if political conditions are more favorable. The coming year is especially critical due current peace discussions and the 1990 Sudanese elections.

We should also attempt to keep Khartoum up on PL-480 repayments to keep the Title I program intact. Wheat is the most effective leverage point we have on Khartoum in terms of assistance.

Military Assistance

There is currently \$12.4 in programmable MAP expenditures. This includes \$4.6 million in recoupable funds, \$2.2 in MAP balance and \$5.6 million in uncommitted FMS credits. Of the \$12.4 million, \$6.6 million remains uncommitted and \$5.8 million is in pending cases, most of which relate to spares for vehicles. There is also \$1.3 million for aircraft maintenance, and \$765,000 is for ammunition. We are currently withholding lethal equipment shipments on grounds that would be used against the SPLA. Use of the uncommitted \$6.6 million has been a moot issue because of Brooke requirements have prevented its expenditure. We should continue to withhold lethal equipment even if Sudan overcomes Brooke until the war ends. IMET programs should be continued to maintain access and influence with the military.

The SPLA

Our objectives with the SPLA are to keep it focussed on cooperation on relief, preserve the cease-fire and continue talking on peace. There is also need to enhance the effectiveness of SRRA relief activities and improve monitoring capability in SPLA-held areas. We need to consider if this can be accomplished best through visits to SPLA-held areas by AID officials or hiring contractors to work with the SRRA in SPLA-held territory, specifically Kapoeta, to help it become a more effective relief organization. The use of such options should be based on minimal security risk to personnel involved, and continued avoidance of any activity which implies our recognition of the SPLA as a de facto government.

We have no effective leverage on the SPLA. We should press the SPLA publicly not to be the first to falter on peace and relief.

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