

## **U.S. Urges Sudan, South Sudan to Talk or Face Economic Turmoil**

**By: William Davison, Bloomberg News**

**18 July 2012**

Sudan and South Sudan must build on recent talks between their leaders to resolve disputes that brought them to the brink of war this year or face a “rapid downward economic spiral,” the U.S.’s top Africa diplomat said.

President Salva Kiir’s meeting with Sudanese President Umar al-Bashir on July 14 in Addis Ababa was a “significant” step toward reaching an accord on outstanding issues including oil- transit fees and disputed territory, Assistant Secretary of State for African Affairs Johnnie Carson said in an interview in Ethiopia’s capital yesterday.

“Both of these countries face extremely bleak economic futures if they in fact do not reach political settlements on the differences that divide them,” he said. “Time is running out as the economic clock winds down.”

South Sudan seceded from Sudan in July 2011, taking with it about 75 percent of Sudan’s oil production. In January, South Sudan halted 350,000 barrels a day of crude shipments because of a disagreement on how much it should pay for the fuel to be transported via a pipeline to a Sudanese port on the Red Sea. South Sudan also accused Bashir’s government of stealing \$815 million worth of crude. Sudan said it was confiscated to pay transportation fees.

Sudan’s government has faced protests since June 16, after it raised transportation and fuel prices, boosted taxes and devalued its currency to cope with the loss of oil revenue. Inflation jumped to 37.2 percent amid rising food costs.

South Sudan relies on oil for 98 percent of its government revenue. Inflation in the East African nation surged to 79.5 percent in May.

### **Sanctions Threat**

On May 2, the United Nations Security Council threatened to impose sanctions if the two countries fail to resolve their disputes within three months. African Union-mediated talks are continuing in the Ethiopian city of Bahir Dar. Negotiations will go on until the Aug. 2 deadline, Pagan Amum, the south’s chief negotiator, said on July 14.

Negotiators from both countries were “empowered” by their presidents’ meeting to “make progression on key issues,” Carson said.

Both sides are determined to reach a deal, Amum said. “Both of these countries can in fact do better, but the route remains through political solutions and the will and commitment of both sides to reach political agreements,” he said.

### **Civil War**

South Sudan gained independence after a referendum based on a 2005 peace accord. The agreement was intended to end a civil war that lasted for almost 50 years, except for a cease-fire from 1972 to 1983, between the Muslim north and the south, where Christianity and traditional religions dominate. About 2 million people died in the second phase of the conflict.

The countries almost resumed their conflict in April as the talks collapsed. Sudanese fighter jets launched air strikes inside South Sudanese territory, while the southern army occupied and then withdrew from Heglig, a contested area that accounts for half of Sudan’s oil output.

China National Petroleum Corp., Malaysia’s Petroliam Nasional Bhd. and India’s ONGC Videsh Ltd. operate most of the oil wells in the two countries.

Copyright © 2012, Bloomberg News