



THE ECONOMY

Sudan's primary resources are agricultural, but oil production and export are taking on greater importance since October 2000. Although the country is trying to diversify its cash crops, cotton and gum Arabic remain its major agricultural exports. Grain sorghum (dura) is the principal food crop, and wheat is grown for domestic consumption. Sesame seeds and peanuts are cultivated for domestic consumption and increasingly for export. Livestock production has vast potential, and many animals, particularly camels and sheep, are exported to Egypt, Saudi Arabia, and other Arab countries. However, Sudan remains a net importer of food. Problems of irrigation and transportation remain the greatest constraints to a more dynamic agricultural economy.

The country's transport facilities consist of one 4,800-kilometer (2,748-mi.), single-track railroad with a feeder line, supplemented by limited river steamers, Sudan airways, and about 1,900 km. (1,200 mi.) of paved and gravel road—primarily in greater Khartoum, Port Sudan, and the north. Some north-south roads that serve the oil fields of central/south Sudan have been built; and a 1,400 km. (840 mi.) oil pipeline goes from the oil fields via the Nuba Mountains and Khartoum to the oil export terminal in Port Sudan on the Red Sea.

Sudan's limited industrial development consists of agricultural processing and various light industries located in Khartoum North. In recent years, the GIAD industrial complex introduced the assembly of small autos and trucks, and some heavy military equipment such as armored personnel carriers and the proposed "Bashir" main battle tank. Although Sudan is reputed to have great mineral resources, exploration has been quite limited, and the country's real potential is unknown. Small quantities of asbestos, chromium, and mica are exploited commercially.

Extensive petroleum exploration began in the mid-1970s and might produce all of Sudan's needs. Significant finds were made in the Upper Nile region and commercial quantities of oil began to be exported in October 2000, reducing Sudan's outflow of foreign exchange for imported petroleum products. There are indications of significant potential reserves of oil and natural gas in southern Sudan, the Kordofan region and the Red Sea province.

Sudan is seeking to expand its installed capacity of electrical generation of around 300000 megawatts—of which 180 MW is hydroelectric and the rest, thermal. European investors, considering the continuing U.S. economic, trade, and financial sanctions regime, are the most likely providers of technology for this purpose. More than 70% of Sudan's hydropower comes from the Roseires Dam on the Blue Nile grid. Various projects are proposed to expand hydropower, thermal generation, and other sources of energy, but so far the government has had difficulty arranging sufficient financing.

Historically, the U.S., the Netherlands, Italy, Germany, Saudi Arabia, Kuwait, and other Organization of Petroleum Exporting Countries (OPEC) national traditionally have supplied most of Sudan's economic assistance. Sudan's role as an economic link between Arab and African countries is reflected by the presence in Khartoum of the Arab Bank for African development. The World Bank had been the largest source of development loans.

Until the early 1970s Sudan's agricultural output was mostly dedicated to internal consumption. In 1972 the Sudanese government became more pro-Western, and made plans to export food and cash crops. However, commodity prices declined throughout the 1970s causing economic problems for Sudan. At the same time, debt servicing costs, from the money spent mechanizing agriculture, rose. In 1978 the International Monetary Fund (IMF) negotiated a Structural Adjustment Program with the government. This further promoted the mechanized export agriculture sector. This caused great economic problems for the pastoralists of Sudan.



THE ECONOMY CONTINUED

Sudan will require extraordinary levels of program assistance and debt relief to manage a foreign debt which exceeds US \$17 billion as at 2004/2005, more than the country's entire annual GDP, and one of the world's largest foreign debts. During the late 1970s and 1980s, the IMF, World Bank, and key donors worked closely to promote reforms to counter the effect of inefficient economic policies and practices. By 1984, a combination of factors, including drought, inflation, and confused application of Islamic law, reduced donor disbursements and capital flight led to a serious foreign-exchange crisis and increased shortages of imported inputs and commodities. More significantly, the 1989 revolution caused many donors in Europe, the U.S., and Canada to suspend official development assistance, but not humanitarian aid.

However, as Sudan became the world's largest debtor to the World Bank and International Monetary Fund by 1993, its relationship with the international financial institutions soured in the mid-1990s and has yet to be fully rehabilitated. The government fell out of compliance with an IMF standby program and accumulated substantial arrearages on repurchase obligations. A 4-year economic reform plan was announced in 1988 but was not pursued. An economic reform plan was announced in 1989 and began implementing a 3-year economic restructuring program designed to reduce the public sector deficit, end subsidies, privatize state enterprises, and encourage new foreign and domestic investment. In 1993, the IMF suspended Sudan's voting rights and the World Bank suspended Sudan's right to make withdrawals under effective and fully disbursed loans and credits. Lome Funds and EU agricultural credits, totaling more than one billion Euros, also were suspended.

As a result of oil export earnings around \$500 million in 2000–01, Sudan's current account entered surplus for the first time since independence. In 1993, currency controls were imposed, making it illegal to possess foreign exchange without approval. In 1999, liberalization of foreign exchange markets ameliorated this constraint somewhat. Exports other than oil are largely stagnant. The small industrial sector remains in the doldrums, spending for the war continues to preempt other social investments, and Sudan's inadequate and declining infrastructure inhibits economic growth.

ECONOMY – OVERVIEW:

Sudan is buffeted by civil war, chronic political instability, adverse weather, weak world commodity prices, a drop in remittances from abroad, and counterproductive economic policies. The private sector's main areas of activity are agriculture and trading, with most private industrial investment predating 1980. Agriculture employs 80% of the work force. Industry mainly processes agricultural items. Sluggish economic performance over the past decade, attributable largely to declining annual rainfall, has kept per capita income at low levels. A large foreign debt and huge arrears continue to cause difficulties. In 1990 the IMF took the unusual step of declaring Sudan noncooperative because of its nonpayment of arrears to the Fund. After Sudan backtracked on promised reforms in 1992–93, the IMF threatened to expel Sudan from the Fund. To avoid expulsion, Khartoum agreed to make token payments on its arrears to the Fund, liberalize exchange rates, and reduce subsidies, measures it has partially implemented. The government's continued prosecution of the civil war and its growing international isolation continued to inhibit growth in the nonagricultural sectors of the economy during 1999. The government has worked with foreign partners to develop the oil sector, and the country is producing approximately 150,000 barrels per day.