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THE STATE, THE IMF AND SUDAN'S DEBT CRISIS

by

(C) SAFWAT SOBHI FANOS, B.Sc.(Hon.), M.Sc., M.A.

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of
Doctor of Philosophy

Department of Political Science

Carleton University
Ottawa, Ontario
January 1987

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ABSTRACT

The purpose of this study is to analyze the origins and the deepening of the Sudanese debt crisis that emerged in 1978 and continued thereafter. It will be argued that the political ascendancy of the comprador and parasitic bourgeoisies in 1972 led to wide-scale mismanagement and corruption in the selection and implementation of new state-owned schemes which were financed through external borrowing. The result was the failure of these schemes to service their debts which in turn led to Sudan's loss of credit worthiness. The Sudanese state was forced then to implement IMF policies in order to have continued access to foreign financial sources. However, the Sudanese state was unable to implement IMF policies in a consistent way because of strong popular opposition to austerity measures. Thus, liberalization of trade and payments was accompanied by expansionary monetary and fiscal policies which increased demand for imports and foreign exchange, led to a collapse in the value of the Sudanese pound and caused high rates of inflation. In addition, the IMF strategy of increasing export production backfired because of recessionary conditions in the advanced industrial countries between 1980 and 1982. Thus, exports stagnated while imports increased due to the liberalization of trade and payments; the balance of payments deficits widened between 1978 and 1983 and Sudan plunged deeper and deeper into debt.

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INTRODUCTION

Sudan's debt crisis is among the most severe in the world, with debt service obligations exceeding export earnings after 1983.¹ This study explains the origins of the Sudanese debt crisis that emerged in Sudan in 1977 and the worsening of the crisis thereafter. The central argument is that the debt crisis was a result of a new development strategy adopted by the state in 1973 which vigorously encouraged the inflow of foreign loans and investments to Sudan. This open-door strategy, in turn, was a product of a series of significant restructurings of political power which took place between 1969 and 1972. During these years the nationalist fractions of the agrarian and the commercial bourgeoisie lost their political power, while the working class movement witnessed the violent break-up of its party (the Sudanese Communist Party) and the execution of its leadership. Hand in hand with the political defeat of the nationalist bourgeoisie and the working class movement went the political ascendancy of the least nationalist and the least productive fractions of Sudanese capital -- the comprador and the parasitic bourgeoisies.²

Why is this study important? It analyzes the causes and consequences of the unconditional opening-up of

Sudan's political economy to foreign capital between 1973 and 1983. In contrast to many African countries such as Ivory Coast, Nigeria and Kenya, which had strong linkages with foreign capital before and after their independence, Sudan gained its independence in 1956 with almost no direct foreign investment in its two main productive sectors: agriculture and manufacturing. After independence, foreign capital was not allowed to invest in the agricultural sector and was kept to a minimum in manufacturing. In addition, the second part of the 1960s saw the beginnings of an enforced withdrawal of foreign capital from the banking, insurance and foreign trade sectors, ending in 1971 when all foreign banks and companies were nationalized. More significantly, capitalist agricultural expansion in Sudan during the 1960s was almost unique in Africa: it was based on the expansion of food crops for the local mass market rather than that of traditional export crops such as cotton and groundnuts.³ Then in 1973 a complete turnabout in policy took place when Sudan's political economy was opened widely to foreign capital.

Therefore, some of the central questions that this thesis attempts to answer are: why did the Sudanese state adopt an open-door economic strategy after 1973? How and why was this strategy related to the violent socio-political

struggles that took place between May 1969 (when the Nimeiri regime first came to power with an anti-capitalist programme and a pro-Eastern foreign policy) and July 1971 (when the same regime radically changed its policies to pro-capitalist and pro-Western ones? Why did the open-door economic strategy fail to produce an exportable surplus? Why did the state not initiate policies to arrest the deterioration in Sudan's balance of payments that was evident in 1976/77 and why did it accept IMF and World Bank solutions to the debt crisis that emerged in 1978 and continued thereafter? Why did IMF and World Bank policies fail to ease Sudan's debt crisis and what were their political, economic and social consequences?

Structure of the Thesis

The answers to these questions require a focus on both the state-society relationship and the national-international determinants of development strategies and outcomes. This will be presented in Chapter One where we elaborate on the conceptual and theoretical tools that will be used to explain the origins and the deepening of the Sudanese debt crisis. Chapters Two and Three will analyze in historical terms the changing relationships between state and class in Sudan. The argument will be made in Chapter

Two that the politically dominant nationalist agrarian and commercial bourgeoisies faced a number of economic and socio-political crises that they failed to solve and which ultimately led to their overthrow in 1969 by a military coup organized by the Sudanese Communist Party and Arab Nationalist army officers who opposed large foreign and indigenous capital but were in favour of small and medium capital.

However, and as Chapter Three will show, the class interests of these two allies were contradictory: the Communist Party advocated the elimination of capitalist relations of production while the Arab nationalists wanted only to narrow the gap between capital and labour. The contradictions between these two allies led to a violent clash between them in which the Communist Party was defeated. At this point, the comprador and the parasitic fractions of the Sudanese bourgeoisie moved in to occupy the power vacuum created by the demise of the working class movement, pushed the Arab nationalists aside and became the dominant fractions inside the state.

The economic consequences of the ascendancy of the comprador and parasitic bourgeoisies will be analyzed in Chapters Four and Five. In Chapter Four we will argue that the corrupt and comprador character of these bourgeoisies

led to bad planning and mismanagement in the implementation of large new state owned schemes that were financed through external borrowing. As a result, these schemes failed to service their debts and plunged the country into a debt crisis.

In looking at the management of the debt crisis in Chapter Five, it will be argued that the government implemented an IMF policy of liberalizing trade and exchange because this policy was supported by the comprador and the parasitic bourgeoisies. However, it failed to follow deflationary monetary and fiscal policies because of political pressures from classes and social groups that were hurt by these policies. This inconsistency in implementing the IMF policies led to an increase in demand for imports and for foreign exchange, which in turn led to a systematic depreciation of the Sudanese pound, increased inflationary pressures and widened the current account deficit. However, before going into the empirical details of Sudan's debt crisis, it is necessary to outline first the conceptual and theoretical tools that will be used in this research.

FOOTNOTES

1. IMF, Sudah: Request for Stand-By Arrangement, January 7, 1983, pp. 30-31.
2. The concepts of the comprador and parasitic bourgeoisies are defined in Chapter One.
3. All these developments are documented in Chapter Two.

CHAPTER I.

STATE, CLASS AND THE IMF: THEORETICAL FRAMEWORK

If anything, the most noticeable phenomenon in Sudan between the years 1973 and 1983 was the massive spread of bad planning, mismanagement and corruption which led to a severe debt crisis and an unprecedented economic collapse in that country.¹ Yet we will not attribute Sudan's economic foundering to administrative weaknesses of economic institutions (for example, public corporations, the Bank of Sudan, and the Ministry of Finance and Planning), or lack of trained economists and managers. Rather, it will be argued that this economic deterioration resulted from changes in the class character of the Sudanese state; namely, the ability of the comprador and parasitic bourgeoisies² to defeat the nationalist productive bourgeoisie and the working class and become dominant inside the state. These changing relationships between the Sudanese state and the various classes and class fractions in society will be analyzed at the conceptual and theoretical levels in the first section in this chapter.

The second section will analyse how different local classes and class fractions relate to the IMF and the role the state plays in these relationships. This section

is included because the IMF, in collaboration with the World Bank, played the leading role in managing Sudan's debt crisis between 1978 and 1984. This role indirectly brought the IMF and the World Bank into contact with different indigenous classes and social groups who either benefited or lost from the IMF and World Bank policies. Thus, the second section will analyze the policies recommended by the IMF, the rationale behind these policies, their impact on different local classes and social groups and the response of the different indigenous socio-economic groupings to the IMF and World Bank policies. Let us then turn to the state-society relationship.

The State-Society Relationship

By the early 1930s, as will be seen in chapter two, capitalist relations of production had become the dominant mode of production in Sudan. The resulting relationship between the property-owning bourgeoisie and the propertyless working class was characterized by exploitation and conflict, given systematic attempts by the bourgeoisie to extract as much unpaid surplus-labour as possible from the working class. In addition, Sudan, like most capitalist societies, has had non-class-based forms of conflict such as regional, ethnic and religious conflicts. These ethnic and

religious conflicts resulted from the unequal development of capitalism whereby certain ethnic groups and regions benefited more than others.³ The colonial state restricted capitalist development to Central Sudan and the post-colonial state did little to change the pattern of unequal capitalist development. The undeveloped regions reacted against the more developed one and this reaction turned into two civil wars in Southern Sudan; the first lasted from 1955 to 1972 and the second began in 1983 and continues to the present time.

Any sophisticated analysis of socio-political changes in Sudan must take into consideration the multiplicity of social conflicts (class, ethnic and religious) that have influenced social change. However, as the main political parties have been organized along class lines and since politics has been contested by class-based parties, as will be shown later, class analysis gains primacy because political conflicts and the struggles over the state have aimed at defending and promoting class interests.⁴

Who were the various protagonists in the class conflict in Sudan? First and most important is the bourgeoisie. The Sudanese bourgeoisie may be divided into different fractions according to the various economic

sectors in which it is located - that is, agriculture, manufacturing, commerce, finance, real estate and services. These sectoral interests have given rise to various conflicts between the fractions of the bourgeoisie; for example, local industrialists have favoured protectionist policies to lessen foreign competition while importers have suffered from protectionist policies. Capitalists who have borrowed money to invest in agriculture, manufacturing or trade have supported low interest rates while money lenders have encouraged high interest rates.

In addition to these sectoral struggles, the Sudanese bourgeoisie can be divided into different analytical categories according to whether the fraction in question is nationalist and productive or comprador and parasitic. In introducing these categories, this thesis will depart significantly from the position of scholars such as Fatima Mahmoud who ascribes to the "underdevelopment" approach (that is to say, that capitalism has led to the underdevelopment of Third World countries), and therefore denies the possibility of the existence of a nationalist bourgeoisie in Sudan. Mahmoud asserts that

among the capitalists studied the term 'national' is not applicable. Both the established entrepreneurs and those newly recruited from the state bureaucracy were motivated by capitalist interests rather than national considerations.⁵

Yet Mahmoud does not explicitly say what she means by 'national considerations'; for many capitalists, capital accumulation and the assault against foreign capital has been motivated by nationalism.⁶

Because of her conceptual framework, Mahmoud ignored the conflict between sections of the indigenous bourgeoisie and foreign capital during the second part of the 1960s and after 1973. Contrary to her assertion that the bourgeois parties united to create the Sudanese Socialist Union in alliance with the Nimeiri regime⁷ this thesis will show in chapter four how the conflict between the Nimeiri regime and the bourgeois parties was a violent and a deadly one.

To understand the struggle between the Nimeiri regime and sections of the Sudanese bourgeoisie, this thesis will argue that the category of the nationalist bourgeoisie has existed in Sudan since the 1960s. Unlike the comprador and parasitic bourgeoisies, the nationalist bourgeoisie has remained fairly consistent in its opposition to foreign capital and wide-spread forms of corruption. In contrast,

the categories of the comprador and parasitic bourgeoisies have been more fluid and consisted of people who began as comprador and became parasitic or vice versa.

Some of the important reasons why the Sudanese nationalist bourgeoisie remained fairly consistent and members of this category did not become comprador or parasitic are twofold: first, this nationalist bourgeoisie has large investments in Sudan which tie it to the country and make it difficult to prosper outside Sudan. Thus, the nationalist bourgeoisie has had a strong interest in having a stable economic and political environment with the state pursuing sound fiscal, monetary and balance of payments policies. Second and equally important, those individuals who comprised the nationalist bourgeoisie have had very defined indigenous cultural values (popular Islam) which have induced them to resist the Western influences that have seduced the bourgeoisie in other African countries. Paradoxically, those culturally and economically cohesive individuals who stayed within the category of the nationalist bourgeoisie failed to provide unity and stability to Sudan, for reasons to be explained in chapter two.

In more concrete terms, the category of the nationalist and productive bourgeoisie refers to those

Sudanese bourgeois fractions that have invested their wealth and profits in the productive sectors of the local economy (such as agriculture and manufacturing). In addition, they tend not to have exported their capital and thus have not deprived the local economy of investment opportunities.⁸ They also have produced primarily for local consumption and have used as many local factors of production as possible. Thus they have created jobs, saved foreign exchange and exploited local natural resources to generate more wealth. Finally, the nationalist and productive bourgeoisie has not imitated the lifestyle of the metropolitan bourgeoisie but rather maintained an indigenous style of living.⁹ Economically, this means that the nationalist bourgeoisie has consumed locally produced goods and services which has encouraged local production and saved foreign exchange.

An example of the nationalist productive bourgeoisie in Sudan is the agricultural capitalist who has produced food crops for the local mass market and restricted mechanization to a single operation like plowing. As a result, food security was achieved, jobs were created in rural areas in non-mechanized operations such as weeding and harvesting, foreign exchange was saved and dependency on the import of machinery, spare parts, and fuel did not increase. The owner of a light consumer industry producing edible oil,

soap, footwear, furniture or other household items is another example. Like his agricultural counterpart, he has employed labour-intensive technology and thus created jobs and saved foreign exchange. The nationalist trader also dealt largely in locally produced goods and has had no direct involvement in the export-import sector.

In contrast, the Sudanese comprador bourgeoisie has worked as an agent of foreign firms, thus encouraging and facilitating their penetration into Sudan. As a result, it became dependent on foreign capital for its accumulation and this dependency has limited its willingness and its ability to challenge the interests of foreign capital. The comprador bourgeoisie includes importers and agents of foreign firms who have encouraged the influx of foreign goods into Sudan, exporters who have shared part of their profits with foreign firms and who have kept some of their foreign exchange earnings outside Sudan,¹⁰ partners of foreign companies in the industrial and agricultural sectors and service firms such as car rental and travel agencies that have catered for expatriates.

In contrast to the comprador bourgeoisie, the parasitic bourgeoisie is distinguished by the fact that it resorts to corrupt means in its endeavour to accumulate.¹¹

The concept of corruption used in this thesis is defined as constituting any mode of illegal accumulation of wealth; for example, embezzlement of public resources, acceptance of bribes and commissions in return for illegal services and black marketeering. Theoretically, all large-scale forms of corruption (that is, when accumulation is in the range of thousands of dollars) share one very important causal factor: the necessity for legal and political protection to enable the parasitic elements to expand their activities with little or no fear of apprehension. In Sudan, political protection came about when elements of the parasitic bourgeoisie occupied top positions in the state and used these positions to establish a dictatorial regime in which freedom of expression and organization was severely curtailed and where the judiciary was no longer able to enforce the law.

These parasitic elements form part of the Sudanese bourgeoisie because a portion of their large income has gone into legal investments in real estate and commerce or into savings accounts abroad. The parasitic bourgeoisie is conscious of the fact that accumulation through corruption is immensely insecure because it depends on political and legal protection which can be lost overnight (for example, in the case of a coup). Thus, it has diverted part of its income to legal investment in order to maintain its accumu-

lation if and when it faces a political system that fights corruption. One of the forms of legal investment highly favoured by the parasitic bourgeoisie is foreign bank accounts; given its feeling of insecurity, the parasitic bourgeoisie has hidden and protected its illegally accumulated wealth outside Sudan. In doing so, the parasitic fraction has shared with the comprador bourgeoisie a common interest in having an open door economic policy where capital can move freely in and out of the country.

Although corruption had existed in Sudan under different political regimes prior to 1972, it flourished on an unprecedented scale only under the Nimeiri regime between 1972 and 1985. This can be explained by reference to the different class character of these different regimes. Specifically, the two liberal democratic regimes (1956 to 1958 and 1964 to 1969) and the first military dictatorship (1958 to 1964) predominantly represented the interests of the agrarian bourgeoisie.¹² Most members of the Supreme Military Council which ruled Sudan between 1958 and 1964 were supporters of the People's Democratic Party which represented the interests of the agrarian bourgeoisie. Under these different regimes, corruption was not tolerated as it encouraged capitalists to neglect their productive investment and to turn toward illegal means for accumu-

ation. In contrast, it will be argued that the Nimeiri regime, which represented the class interests of the non-nationalist and non-productive bourgeoisies (the comprador and parasitic fractions, respectively) not only tolerated corruption but became its guardian.

Within the bourgeois class, major conflicts have existed between the nationalist and productive bourgeoisie, and the parasitic and comprador bourgeoisies. First, the nationalist bourgeoisie has viewed foreign capital as a competitor which it has sought to push out of Sudan. Needless to say, the comprador bourgeoisie has seen foreign capital as an ally and thus has had an interest in increasing its presence in Sudan. Second, and unlike the nationalist bourgeoisie, the majority of the comprador bourgeoisie has been involved in the import-export sector and has had little interest in agriculture and manufacturing. It will be argued that this lack of a strong involvement by the comprador bourgeoisie in the productive sectors of the economy was a major factor explaining the state's unwillingness to seek solutions to the problems that impeded agricultural and manufacturing activities during the 1970s and early 1980s (for example, shortages of power, skilled labour, spare parts and raw materials).

A third significant conflict between the nationalist productive bourgeoisie, on the one hand, and the comprador and parasitic bourgeoisies, on the other hand, concerned their respective policies toward the working class (rural and urban workers). The Sudanese nationalist agrarian bourgeoisie which has produced food crops for internal mass consumption has a vital interest in the welfare of the masses who have been its main customers. Thus, a collapse of the purchasing power of the rural and urban workers has represented a setback for the nationalist bourgeoisie which could no longer market its crops internally.¹³ This negative impact has been exacerbated by the fact that exports of internally-destined crops have not compensated for the loss of the internal mass market, either because such crops have not met the taste of foreign consumers or because prices have not been rewarding.

In contrast, the main section of the comprador bourgeoisie that has an interest in the mass market is composed of industrialists who produce mass consumed commodities such as international soft drinks and cheap varieties of textiles. The majority of the comprador bourgeoisie in the export-import sector has no interest in the welfare of the masses; exporters do not sell in the local market and importers mostly concentrate on expensive

consumer durables and other luxurious items (for example, canned food, alcoholic drinks and expensive cloth). Also the parasitic bourgeoisie is not involved in production but rather derives its incomes from commissions, bribes, smuggling and black marketeering.

In addition to the bourgeoisie, the working class has had an important political role in Sudan. Where capitalist agriculture forms the backbone of the economy as in the case of Sudan, the majority of the working class consists of rural tenants and workers (who share the produce of their labour with capitalist landowners) in addition to industrial workers, generally considered by classical Marxism to constitute the modern proletariat. The position of Sudanese tenants is quite peculiar. On the one hand they do hire a few labourers which supposedly puts them on the side of the petty bourgeoisie. On the other hand they do not own the land or machinery and have to pay the landowner (whether it is the state or private capitalists) approximately fifty percent of their crop. In addition, the average tenancy size in Sudan is around twenty feddans¹⁴ which is not big enough to enable tenants to accumulate. Most of these tenants were organized by the Sudanese Communist party and were part of the labour movement.

A few tenants, however, did join the ranks of the petty bourgeoisie. The crucial variable here was off-farm income; tenants who were involved in village trade, small-scale money lending or even had money from their educated offspring, succeeded in enriching themselves and expanding their agricultural holdings. This study will show that the IMF and the World Bank attempted to widen the gap between rich and poor tenants by initiating policies which aimed at benefiting the former at the expense of the latter (for example, requesting the state to take the land of poor tenants with low productivity and to sell it to rich tenants who could use machinery and fertilizers).

An important feature of the Sudanese petty bourgeoisie has been its lack of an independent political organization to defend its economic interests, namely, the preservation of small-scale private enterprises. This class of medium and small farmers, traders and workshop owners who hire a few labourers but do not make large profits and thus cannot expand their businesses, have always supported the three bourgeois parties (the Umma Party, the National Unionist Party and the People's Democratic Party) and have been part of the 'conservative' forces that opposed the working classes. These political alliances had important implications in that Arab nationalist army officers who came

to power in 1969 and attempted to implement radical policies that favoured the petty bourgeoisie (for example, eliminating competition from big foreign and indigenous capital through nationalizations) failed to have the support of this class. As a result, the Arab nationalists forged an alliance elsewhere with the Sudanese Communist Party to find a base of support in society.

Other important socio-political groups in Sudan that have no political organizations of their own are technocrats, civil servants, intellectuals and professionals (doctors, lawyers and engineers). It will be pointed out that these groups opposed many of the economic policies pursued by the comprador and parasitic bourgeoisie because they did not benefit from them.¹⁵ These social groups do not belong to any of the classes proper (the bourgeoisie, the petty bourgeoisie and the proletariat) because they do not directly produce surplus labour nor do they directly benefit from the exploitation of labour.¹⁶ Because they have not been a direct party to the process of surplus-labour extraction, these social groups have had no independent class position of their own. Rather, they have associated with the class position of various of the classes proper depending upon which of these classes has served their interests in a specific historical conjuncture.

The well defined development of different classes in Sudan (especially the bourgeoisie) created a situation whereby the Sudanese state,¹⁷ for most of the time, was influenced strongly and penetrated by fractions of the dominant class. In fact, we will show throughout this study how the relationship between the Sudanese state and fractions of the bourgeoisie was a direct and a determinist one, especially between 1972 and 1983 when the comprador and parasitic bourgeoisies succeeded in concentrating political power in one state organ, the Presidency, which they dominated.

Thus, the theory of the peripheral state developed by Hamza Alavi and John Saul, which emphasizes the autonomy of the state from local classes,¹⁸ does not explain the Sudanese case. Saul's thesis of 'overdevelopment' is based on the premise that the peripheral state was created by the metropolitan bourgeoisie to serve its interests and to control local classes. Yet, as will be shown in the case of Sudan, the colonial state did clash with the metropolitan bourgeoisie over the issue of allowing the latter to invest directly in Sudanese agriculture. The colonial state prevented direct foreign investment in Sudanese agriculture because it considered that foreign investment would cause local rebellions; and the colonial state preferred law and

order to foreign investment. Moreover, and unlike other African countries, Sudan had an indigenous agrarian capitalist class before independence,¹⁹ and it was this class fraction that spearheaded the movement for independence and dominated the state between 1956 and 1969. Therefore, the close and determinist relationship between fractions of the capitalist class and the state in Sudan was established at independence and continued thereafter when, during the 1970s and early 1980s, the comprador and parasitic bourgeoisies became politically dominant.

Once the direct and determinist relationship between the Sudanese state and dominant class fractions is established, then it is possible to understand the endemic political instability exemplified in frequent changes in the form of the state. It began as a liberal democracy (1956-58), and was followed by the first military regime (1958-64), moving back to liberal democratic institutions (1964-69), and another military dictatorship (1969-85), followed by a one-year transitional military-civilian government, and now a third liberal democratic system. Also political instability was exemplified in the short duration of coalition governments under the liberal democratic state; for example, four different governments were formed between 1964 and 1969.

2

To understand these changes in regime form, we turn to the writings of Nicos Poulantzas and Antonio Gramsci that deal with the conditions of political stability and instability in capitalist societies. Poulantzas defines the state as "the materralization and condensation of class relations",²⁰ the state is both the product and the shaper of class struggle. He further argues that the state reproduces capitalist domination through its relationships to the dominant class and the dominated classes. Specifically, the state organizes and unifies the conflicting interests of the power bloc, which is composed of an alliance between different class fractions and social groups under the leadership of a dominant fraction. Yet the state can only resolve the conflicts between the fractions of the ruling bloc if it enjoys relative autonomy from dominant class fractions. In addition, this Poulantzian notion of relative autonomy is used to explain instances where the capitalist state makes concessions to subordinate classes in order to appease them. These concessions, however, do not threaten the fundamental principle of preserving private property because the state in capitalist society is a capitalist state which reflects class relations and struggles.²¹

In the case of Sudan, the state lacked the relative autonomy from fractions of the Sudanese bourgeoisie which was necessary to achieve the consensus of other classes and social groups within Sudanese society. To have succeeded in achieving stability and continuity, the Sudanese state should have been able to mediate the conflicting interests of dominant class fractions and to make concessions to subordinated classes and social groups to achieve popular consent. By definition, and unlike a dictatorship, a liberal democracy relies more on consent than on coercion because the coercive apparatus of the state is constrained by the division of power between the executive, the legislative branch and the judiciary, and the freedom of speech, organization and movement that groups in civil society enjoy. Surprisingly, even in the brief periods of liberal democratic rule in Sudan, the state failed utterly to become relatively autonomous from dominant class fractions in order to transcend their short term interests in the interest of long term system maintenance and stability. Thus, it will be shown that the failure of the second liberal democratic state (1964-69) to respond to demands of both undeveloped regions and the Sudanese Communist Party led to the escalation of the civil war in the South and the resort by the Communist Party to a military coup to overthrow the regime.

How can the failure of the liberal democratic state in Sudan to be relatively autonomous from dominant class fractions be explained? First, the liberal democratic state in Sudan was established in the mid 1950s and lacked the historical experiences of its counterpart in advanced countries. As a result, those indigenous elements who took over from the British were not aware of the 'rules of the game'; that is to say, that the stability of the liberal democratic state depended on its ability to achieve consent through mediating conflicting interests in society rather than being a captive agent of dominant class fractions. Second, the agrarian and commercial bourgeoisies succeeded in dominating the three main political parties and managed to dominate the state through these parties. Third, the dominant class fractions were not truly hegemonic (see below) and did not tolerate attempts by subordinated classes and social groups to have influence within the state. Thus, when the Communist Party won a few seats in Parliament in 1965, the bourgeois parties used its parliamentary majority to ban the Communist Party and dismiss its elected representatives from the legislature.

Therefore, the stability of a liberal democratic state requires not only that the state be relatively autonomous from ruling class fractions but also it neces-

situates the existence of dominant class hegemony. According to Gramsci, hegemony has two meanings or levels: first, it refers to a process in civil society whereby one fraction of the dominant class can exercise intellectual and ideological leadership over other dominant class fractions. Second, hegemony means that the dominant class can rule through consent by subordinating and integrating values of the subordinated classes into its own view of the world and convincing the dominated classes of the bourgeois vision of the world.²²

A crisis of hegemony, thus, indicates that within the ruling class no one fraction is able to exercise leadership and that the ideology of the dominant class as a whole is being challenged by counter ideologies of subordinated classes and other social groups. That was very much the case in Sudan. The predominantly Muslim-Arab bourgeoisies were divided among themselves along sectarian lines with no one sect able to exercise moral and intellectual leadership. In fact, relations between the two dominant sects, the Khatmiyya and the Mahdiyya, were marked by mistrust and conflict. The crisis of hegemony was reflected also in the failure of the bourgeoisie to Arabize and Islamize non-Muslim and non-Arab masses in Southern and Western Sudan and to prevent the Communist Party from spreading its influence

inside the labour movement and important sections of the students movement and professionals associations.²³

While challenging the ideology of the dominant class, the subordinated classes, however, failed to establish an alternative proletarian hegemony. To use the words of Gramsci, "the old is dying and the new cannot be born".²⁴ Obstacles to such an alternative included the fragmentation of the masses along ethnic and religious lines, the small size of the industrial working class and the banning of the Communist Party.

Having failed to establish a proletarian hegemony and to mobilize the masses, the Communist Party decided to ally with the Arab nationalist army officers and come to power through a coup. The radical Arab nationalists needed the backing of the Communist Party because they could not depend on the Sudanese petty bourgeoisie who, as we said earlier, was mainly conservative and supported the bourgeois parties. However, this alliance was very contradictory because the class interests of the two allies were not compatible. The Arab nationalists were against big foreign and indigenous capital but not against small and medium capital, while the Communist Party wanted to abolish capitalist relations of production. The alliance between

these two forces lasted for less than two years and ended with the violent break-up of the Communist Party and the execution of its leaders in July 1971.

After 1971, the Arab nationalists became isolated not only internally but also externally. They lost the support of Western countries after they had nationalized foreign firms in 1970, and lost the backing of Soviet-bloc countries after they had executed the leaders of the Communist Party. This isolation made the Arab nationalists politically vulnerable and induced some of them, including Nimeiri, to change their political views and move toward the comprador and parasitic bourgeoisies to regain a base of support in society. In other words, some Arab nationalists were Machiavellians to the extent that they wanted to stay in power even if it meant changing their nationalist petty bourgeois ideology.

But why did the comprador and parasitic bourgeoisies decide to co-operate with the Arab nationalist petty bourgeoisie even when other fractions of the bourgeoisie (the nationalist and productive fractions) attempted to overthrow the regime? It will be argued that the nationalist and productive bourgeoisies fought the regime because they insisted on a return to the liberal

democratic state which they had dominated through the three bourgeois parties. In contrast, the comprador and parasitic bourgeoisies had had little influence inside the three bourgeois parties and thus could not exercise power in the liberal democratic state. Hence, they were willing to ally with the Arab nationalist army officers to erect a dictatorial system through which they could become dominant. By doing so, the comprador and parasitic bourgeoisies did wield political power that was disproportional to their socio-economic power and induced the nationalist bourgeoisie and the subordinated classes and social groups to redress this unequal balance of class representation through means that destabilized, and ultimately destroyed, the Nimeiri dictatorship; for example, demonstrations, civil disobedience and military coups.

Thus, this study will explore how the lack of relative autonomy and the inability to establish hegemony in either liberal democratic or - more understandably - dictatorial regimes led not only to political instability but also to economic difficulties and, above all, to vulnerability to foreign capital and multilateral financial institutions such as the IMF and the World Bank. To understand how the IMF did influence the balance of class relations in Sudan and the role the state played in

mediating between indigenous social forces and foreign influences, we introduce the concept of dependency in the following section to deal with these issues.

The National-International Relationship: Financial Dependency

The approach which is used to illuminate the dependency relationship between Sudan and the different external actors is that of Fernando H. Cardoso and Enzo Faletto. These two scholars seek

to explain the interrelationships of classes and nation states at the level of the international scene as well as at the level internal to each country. Dialectical analysis of that complex process includes formulation of concepts linked to the effort to explain how internal and external processes of political domination relate one to the other.²⁵

External and internal domination do not form separate or different patterns but rather form one integral process.

Thus, external domination

reappears as an "internal" force, through the social practices of local groups and classes which try to enforce foreign interests, not precisely because they are foreign, but because they may coincide with values and interests that, these groups pretend are their own.²⁶

In other words, certain indigenous socio-economic groups and classes see their interests as compatible with those of certain external forces and as a result seek an alliance with them. For example, it will be argued that some class fractions and social groups such as the

import-export merchants, currency dealers, wealthy Sudanese expatriates earning foreign exchange and local partners of international banks and companies, supported some of IMF policies because they benefited from them. Specifically, trade and exchange liberalization enabled merchants and currency dealers to expand their activities and devaluation increased the local equivalent for those earning foreign exchange. Similarly, those groups threatened by IMF policies such as workers, civil servants and employees on fixed incomes, formed political alliances to oppose the Fund's austerity policies of cutting subsidies and freezing wages. Thus, debt management is not a simple financial exercise but is a political one: the ability of any state to implement austerity measures depends on its ability to enlist popular support for these measures; or alternately, to suppress popular opposition to austerity policies.

How did the IMF find its way into Sudan, what policies did it recommend and what were their contradictions? To be sure, the IMF was not invited into Sudan but was forced on it by its creditors. The Fund was able to supervise a programme of internal economic adjustment in Sudan because it had the backing of Sudan's creditors who made their loans conditional on Sudan's implementation of IMF policies. The unwillingness of the comprador and

parasitic bourgeoisies to lose the support of their external creditors weakened Sudan's bargaining position vis-à-vis the IMF and led these bourgeois fractions to accept, almost with no resistance, most of the Fund's austerity recommendations. Even though the austerity measures were opposed by the working class, state technocrats, people on fixed incomes and the nationalist bourgeoisie, these social groups were weak politically and could not stop the state from accepting the IMF programme.

Sudan's creditors also sought the intervention of the IMF because its policies served their interests. This can be seen by looking at a standard IMF adjustment programme whose main components were: liberalization of trade, exchange and investment regimes, devaluation of the exchange rate and deflationary monetary and fiscal policies.²⁷ The Fund discouraged Sudan from resorting to exchange and import controls because these measures hurt the interests of creditor countries. Thus, when Sudan had a shortage of foreign exchange, liberalization of trade and payments worked to the interest of creditors who maintained access to Sudan's market.

However, to counterbalance the expansionary effects of trade liberalization, devaluation of the Sudanese

pound was recommended by the IMF to reduce the demand for imports by making them more expensive in Sudanese pounds and to encourage exports by reducing their cost to foreign purchases. Yet, the case of Sudan will show that successive devaluations failed to reduce imports, to increase exports and to decrease the deficit in the balance of payments. First, many of Sudan's imports were necessary ones (for example, fuel, spare parts and intermediate goods) and a reduction in their importation affected production levels. Second, the unequal pattern of income distribution maintained the demand for luxury imports as wealthy families were able and willing to pay higher prices for luxuries such as imported liquor, food, cloth, furniture, electrical durables and private cars. Third, exports did not increase because recessionary conditions in creditor countries between 1980 and 1982 led to sluggish demand for Sudan's primary commodities.

Though it was evident that the devaluation of the pound did not close the gap in Sudan's balance of payments, the IMF did not support alternative policies of imposing exchange controls and reorienting production toward the internal market to lessen dependency on unstable international markets and to achieve self-sufficiency. This was the case because the IMF and the larger Bretton Woods

system (which also includes the World Bank and GATT) were established to prevent the nationalist economic policies that prevailed during the 1930s from emerging again and to secure the free expansion of international trade, payments and investment.²⁸ Thus, thanks to the Fund policy of liberalization of exchange and trade, Sudan had to borrow more money to pay for its imports which in turn increased future interest payments.

In addition to devaluation, the IMF also imposed deflationary monetary and fiscal policies to reduce internal demand and to free resources for export. By attempting to restrict the expansion of the money supply and bank credit and by raising interest rates, credit became dearer, resulting in reduced consumption and investment levels which set a recession in motion. In addition, a tight fiscal policy involved a reduction of government expenditures, an increase in the costs of goods and services provided by the government, and an increase in the levels of direct and indirect taxes. These measures lowered consumption levels and transferred more money from the majority of the population to the government to reduce its recourse to deficit financing. In fact, the tight monetary and fiscal policies were absolutely necessary to counterbalance the expansionary effects of exchange and trade liberalization.²⁹ In other

words, expansionary fiscal and monetary measures would have led to a higher demand for imports which in turn would have increased the pressure on the exchange rate, and contributed to high rates of inflation.

Thus, to implement the IMF programme in an inconsistent way (that is to say, liberalizing trade and exchange without adhering to restrained credit and fiscal policies) would be totally counterproductive. It will be shown that this was indeed the case in Sudan. Thus while the government (supported by the dominant comprador bourgeoisie) implemented all IMF recommendations concerning liberalization of trade and payments and devaluation of the exchange rate, it followed erratic fiscal and monetary policies, expanding in some years, while contracting in others. Strikes by various trade unions, especially in 1979, forced the government to increase wages and salaries of public sector employees which meant increased government expenditures and an expansionary money supply (to cover the deficit in the government budget). In addition, the government was unable politically to hurt the private sector and public corporations by making credit very expensive through high interest rates. So, the lack of consistency in implementing IMF policies led to high rates of inflation, a

high demand for foreign exchange and persistent devaluations of the pound.

In addition to its policies affecting demand, the IMF, in collaboration with the World Bank, did advocate a number of supply-side policies which aimed at increasing production of export crops, reducing the role of the government in the economy and increasing that of the private sector. The IMF also encouraged foreign investment as a means to maintain investment levels at a time when surpluses from exports were used to service the debt instead of for public investment. The incorporation of supply-side policies in the IMF programme, known as "lending for structural adjustment", was a new approach adopted by the IMF and the World Bank in the late 1970s which tied World Bank lending to IMF efforts to solve balance of payments problems through extending loans to export-oriented sectors.³⁰ In addition to enhancing export production, lending for structural adjustment was used explicitly to support the private sector and to deepen capitalist relations of production in Sudan.

The main problem of this explicit bias of the IMF and the World Bank toward an export-oriented model of economic growth was their inability to guarantee for Sudan a favourable international environment in which there was no

protectionism or recession in the rich countries, stable terms of trade for commodities produced by Sudan and stable prices for necessary imports such as oil and capital goods. Thus, it will be shown that Sudan increased export production when markets were not available. In addition, the increase in export production took place at the expense of productive activities directed toward the internal market. Sudan ended up both unable to market its crops and having to import what it did not produce.

In sum, this thesis will show in detail how and why IMF policies failed to achieve what they were supposed to do, namely, to solve or ease Sudan's balance of payments crisis. In addition, it will be argued that the IMF programme led to increased social tension and state repression. That came about because of the government's attempt to depress the standard of living which was shouldered unequally by different classes and social groups. Those who carried the largest burden were the working class and employees on fixed salaries whose incomes were not increased in proportion to the rising costs of living. The national bourgeoisie, although it suffered from the recession, was relatively well-off because the dismantling of price controls enabled it to raise the prices of its commodities to cope with inflation. Those who became wealthier as a result

of the IMF policies include importers, exporters, Sudanese expatriates earning foreign exchange, currency dealers and speculators. As a result, workers, tenants, people on fixed incomes and the nationalist bourgeoisie fiercely resisted the IMF and its local allies. On their part, the comprador and parasitic bourgeoisies were more concerned with appeasing their external creditors (on whom they depended) and maintaining their links with foreign capital than with the effects of austerity on the workers, salaried people and the national bourgeoisie. Let us turn now to examine the historical origins of Sudan's debt crisis.

FOOTNOTES

1. For details of the extent of corruption and mismanagement and its impact on the economy see chapters four and five.
2. The concepts of the comprador and parasitic bourgeoisie are defined in the first section of this chapter.
3. See Chapter Two for details.
4. These parties are the Umma Party and the Democratic Unionist Party (DUP). The DUP was created in 1968 from the amalgamation of the People's Democratic Party (PDP) and the National Unionist Party (NUP).
5. Fatima B. Mahmoud, The Sudanese Bourgeoisie: Vanguard of Development? (Condon and Khartoum: Zed Books Ltd. in association with Khartoum University Press, 1984), p. 146.
6. Addis Hiwet, "Capitalism and Political Strategy in the Sudan: A Critical Review," Review of African Political Economy, 35 (April 1985), pp. 111-112.
7. Mahmoud, p. 131.
8. Ibrahim Karsany, "The Role of the National Bourgeoisie in the National Democratic Revolution," Review of African Political Economy, 26 (July 1983), p. 120.
9. Loc. cit.
10. The most common method used by exporters to keep capital abroad is under-invoicing: an exporter agrees with his or her foreign trader to undervalue a commodity's price on official documents. The difference between the actual price and the false one recorded on official documents is kept by the Sudanese exporter abroad.
11. El-Wathiq Kamier and Ibrahim Karsany, "Corruption as the 'Fifth' Factor of Production in the Sudan"; Scandinavian Institute of African Studies, Research Report No. 72, Uppsala, 1985, p. 11.
12. See Taisier M. Ali, "The Cultivation of Hunger: Major Determinants of Agricultural Development in the Sudan," Ph.D. Dissertation, University of Toronto, 1982, pp. 180-185.

13. Jay O'Brien "Sowing the Seed of Famine: The Political Economy of Food Deficits in the Sudan", paper presented to the 1984 Review of African Political Economy Conference on the World Recession and the Crisis in Africa, University of Keele, September 1984, p. 3.
14. One feddan equals 1.04 acres.
15. See Chapters Four and Five.
16. Nicos Poulantzas, Classes in Contemporary Capitalism (London: Verso, 1979), p. 23.
17. The concept of the state refers to all public apparatuses concerned with regulating economic, political and social relations in civil society, for example, the government, the legislature, the judiciary, the Central Bank, public corporations, and regional and local administrative organs. Under the Nimeiri regime, when the state was an authoritarian one, the single political party and the media were also part of the state.
18. See Hamza Alavi, "The State in Post-Colonial Societies: Pakistan and Bangladesh," New Left Review, 74 (July-August 1972), pp. 59-81; John Saul, "The State in Post-Colonial societies: Tanzania," Social Register (1974), pp. 349-372.
19. See details in chapter two.
20. Poulantzas, Classes in Contemporary Capitalism, p. 25.
21. Nicos Poulantzas, State, Power, Socialism (London: Verso, 1980), pp. 127-143.
22. See Henry Giroux "Hegemony, Resistance and Educational Reform", in Henry Giroux, Anthony Penna and William Pinar (ed.), Curriculum and Instruction: Alternatives in Education (Berkeley: McCutchan Publishing, 1981), pp. 418-419.
23. See chapter two.
24. Antonio Gramsci, Selection from Prison Notebooks (New York: International Publishers, 1971), pp. 25-26.
25. Fernando H. Cardoso and Enzo Faletto, Dependency and Development in Latin America (Berkeley: University of California Press, 1979) p. XVIII.

26. Ibid., p. IVI.
27. Cheryl Payer, The Debt Trap: The IMF and the Third World (New York: Monthly Review Press, 1974), p. 33-34.
28. Joan Spero, The Politics of International Economic Relations, second edition (New York: St. Martin's Press, 1981), p. 34.
29. Payer, p. 36.
30. E. Peter Wright, "World Bank Lending for Structural Adjustment," Finance and Development, 17, 3 (September 1980), pp. 20-23.

CHAPTER II

HISTORICAL BACKGROUND: THE CONTRADICTIONS OF SUDANESE CAPITALISM, 1956-69

In order to comprehend the political turmoil that followed the 1969 coup d'état, it is necessary to provide first the historical context of the post-1969 period. Thus, in this chapter we illuminate the different contradictions and crises that brought to an end the political and economic hegemony of the agrarian bourgeoisie and opened the way for the emergence of a new power bloc dominated by the least nationalist and the least productive fractions of Sudanese capital, the comprador and parasitic bourgeoisies. The first of these crises was the inability of the agrarian bourgeoisie to achieve sustained economic growth and to lessen its dependence on imports at a time when it was moving away from the production of cotton and moving into the production of sorghum. The result was systematic balance of payments deficits between 1964 and 1969 which were aggravated further by the cut of economic aid from the U.S.A. and Britain after Sudan severed its relations with these two countries in 1967.¹

Second, the agrarian bourgeoisie failed to resolve its problems with the Sudanese Communist Party and used

its parliamentary majority to ban the Communist Party, confiscate its property and dismiss its representatives from Parliament. As a result, the communists were encouraged to resort to subversion. Third, the agrarian bourgeoisie failed to solve the problem of national disintegration caused by economic inequalities between the developed Central Sudan, inhabited mostly by Arab Sudanese, and the undeveloped parts in the South, the West and the East, which are mainly inhabited by non-Arab Sudanese. Finally, the agrarian bourgeoisie lacked political and ideological cohesion due to sectarian and personal rivalry. The resulting political instability was exemplified in the short duration of parliamentary government and the inability of the three dominant political parties (the Umma Party, NUP and PDP) to address the country's political and economic problems.

However, before analyzing the contradictions of Sudanese capitalism prior to 1969, it is necessary to show the dominance of the capitalist mode of production in Sudan and the class character of the Sudanese state between 1956 and 1969. Only then can the different contradictions of Sudanese capitalism be understood.

The Development of Capitalism in Sudan

The emergence and expansion of capitalism in Sudan was quite unique in the African context as it was based on the creation and development of an indigenous capitalist class rather than on the activities of foreign capitalists, as was the case in many African countries (such as Kenya, Zaire, and Nigeria). As a result, Sudan gained its independence in 1956 with very little direct foreign investment, especially in agriculture and industry. As this thesis will show in the next chapter, the penetration of foreign capital into Sudan came only after 1972 (almost sixteen years after independence) following the political demise of both the nationalist bourgeoisie and the working class movement.

The causes for this unique capitalist development can be traced back to the socio-political conditions that the Anglo-Egyptian army encountered when it invaded Sudan in 1898.² Between 1900 and 1920, the colonial state was threatened by periodic local revolts by remnants of the Mahdists who ruled Sudan between 1884 and 1898. Moreover, Sultan Ali Dinar of Dar Fur in Western Sudan was only defeated in 1916 and the three Southern Provinces were not fully subdued until 1928.³ As a result of this fragile

security situation, the colonial state feared the political and social consequences of having a strong foreign landed class and a class of landless peasants. Following "a wave of speculation in agricultural land by foreign traders"⁴ who were motivated by the expectation that the British were going to promote cotton cultivation in Sudan, the colonial administration responded by eliminating private foreign ownership of agricultural land. A law was passed in 1905 which made all "waste, forest and unoccupied land the property of the state until the contrary was proved".⁵ Thus, the colonial state was able to stop foreign capital from buying unoccupied land from indigenous people.

With direct foreign investment excluded from the agricultural sector, the colonial state opened the door for indigenous investment. A number of factors led to the decision by the colonial state to introduce capitalist farming in Sudan. First and foremost was the need to gain the loyalty and support of the indigenous tribal and religious leaders and to ensure that they would not endorse radical action by their followers. As one scholar put it: "the British assumed that a cultivator would be more interested in his crops and his profits than in fermenting religious or political trouble".⁶ Thus, it was not surprising that among the first to be granted land and money

to grow cotton was none other than Abd al-Rahman al-Mahdi, the son of the man who had killed General Gordon in 1884 and had established an independent Sudanese state. In 1935, al-Mahdi had 15,000 feddans under cultivation, employed around 15,000 labourers and earned an income of 30,000 Egyptian pounds per year. Similarly, other religious and tribal leaders (such as al-Mirghanis, al-Hindis and al-Habannia) and prominent indigenous merchants (for example, Osman Salih, Abu al-Ela and Abd al-Moniem) were also granted land and capital to grow cotton.⁷ When Sudan became independent in 1956, there were more than two thousand private cotton schemes covering an area of 800,000 feddans.⁸

The British also opted for the system of large scale capitalist farming using tenants rather than, for example, independent peasant farming, because through the landowner, the government could ensure that a maximum area would be devoted to cotton, that less productive tenants would be replaced by more productive ones, and that by supplying seeds and inputs the quality of fine long-staple cotton would be maintained. Moreover, this form of capitalist farming was favoured by the colonial state because it was not very different from the traditional system of agriculture in riverain parts of Sudan: the crop

sharing system between the suppliers of land and capital (such as the water wheel, the cattle for working the water wheel, the seeds and tools), and the farmers. Under this traditional system, sixty percent of the crop went to capital and forty percent to labour.⁹ Likewise, sixty percent of the profits from capitalist farms went to capital and forty percent to labour.

Needless to say, the development of capitalist farming created a very powerful indigenous agrarian bourgeoisie in Sudan and it was this class fraction that controlled the post colonial state between 1956 and 1969. This control was exercised through two of the three main political parties that dominated political life in Sudan in this period, the Umma Party, controlled by the al-Mahdi family and the People's Democratic Party (PDP), controlled by the al-Mirghani Family. Both the Umma Party and the PDP were the parties of the agrarian bourgeoisie par excellence. The leadership of these two parties came from the religious and tribal leaders who were directly involved in capitalist farming.¹⁰ Moreover, a survey of the political affiliations of one hundred leading Sudanese capitalists found that the Umma Party and the PDP enlisted the support of eighty two percent of the agrarian bourgeoisie while the remaining twelve percent either supported the third main political

party, the National Unionist Party (NUP), led by Ismail al-Azhari, or had no political affiliation.¹¹ The NUP supporters were concentrated in urban areas among the bourgeoisie in commerce and service sectors.¹² The leaders of the party came mainly from the educated urban class and not from rural notables (as was the case with the Umma Party and PDP). Also when industrialization started after independence, fifty percent of the industrial bourgeoisie supported the Umma Party and twenty-two percent supported the PDP.¹³ In brief, it can be said that the Umma Party represented the interests of the agrarian and industrial bourgeoisies, the PDP represented the Khatmiyya (followers of al-Mirghani family) agrarian bourgeoisie and merchants who traded with Egypt; while the NUP represented towns merchants and the bureaucracy.¹⁴

Although the Sudanese agrarian bourgeoisie began with an export orientation, by the early 1960s agricultural expansion was based primarily on the production of sorghum for the local market and not on the production of cotton. For reasons to be explained below, the agrarian bourgeoisie stopped investing in new cotton schemes and in maintaining its existing cotton schemes. As a result, all private cotton schemes deteriorated during the 1960s and in 1968 the agrarian bourgeoisie called upon the state to nationalize

the private cotton schemes and pay compensation to their owners.¹⁵ This the state did and the compensation paid was either invested in sorghum production or in commerce and real estate.

What were the reasons behind this change in development strategy? First, a sharp decline in international demand for cotton in 1957, 1958 and 1963 alerted the agrarian bourgeoisie to the dangers of depending on international markets. Second, and more important was the emergence of a more profitable alternative: mechanized rainfed sorghum production. Unlike irrigated cotton schemes which required large capital investment (for diesel pumps, tractors, maintenance of canals and application of fertilizers), rainfed schemes required only the initial clearing of the land and the purchase of a tractor for plowing and planting. Other agricultural operations such as weeding, harvesting and threshing were carried out manually by hired labour. Fertilizers were not applied because the availability of land (see below) induced scheme owners to move to new plots as soon as yields began to decline on their operating plots.¹⁶ The state rented the land to private capitalists for a period of twenty-five years at a nominal rate of one piaster per feddan per year. The land that came under mechanized rainfed farming was prime pasture land that

was owned by the state, although freely grazed by pastoralists. Between 1960 and 1968 almost three million feddans came under mechanized rainfed farming.¹⁷

The rapid expansion of irrigated cotton schemes between 1945 and 1956 and mechanized rainfed farming between 1959 and 1968 points to the dominance of the capitalist mode of production in Sudan. What this dominance implied was a decline in the importance of the previously existing communal ownership of the means of production in Central and Eastern Sudan.

Another indication of the dominance of the capitalist mode of production was the remarkable emergence and development of the wage-labour force. When the British started their first cotton experimental farm in Sudan in 1906, they could not find indigenous wage-labourers and were forced to import labour from Egypt and the United States (some black Americans were imported).¹⁸ Yet, by the mid 1960s, the rural wage-labour force consisted of about one and a half million labourers. This is a large number considering that Sudan's labour force at the time was around 4.1 million persons of which 3.2 million persons worked in the rural areas.¹⁹ Some of the rural wage labourers were landless peasants from West Africa whom the British

encouraged to migrate and settle in Sudan; others were proletarianized indigenous peasants who lost their land in the process of capitalist expansion; while others were seasonal migrant workers from Southern and Western Sudan who moved to and from their homelands in search of employment.

The shift toward a strategy of inward-oriented capitalist development in the late 1950s and early 1960s had many positive effects such as achieving food self-sufficiency for Sudan, creating employment through limited mechanization and lessening dependency on foreign markets. Yet, this development strategy had its own contradictions, and an analysis of these contradictions is important because they brought to an end the political power of the agrarian bourgeoisie and precipitated the political ascendancy of the comprador and parasitic bourgeoisies whose open-door economic policies plunged the country into its current debt crisis.

The Contradictions of Sudanese Capitalism Prior to 1969

The first weakness of the Sudanese economy during the 1960s was sluggish economic growth and a stagnant GDP per capita. Between 1960 and 1970, real economic growth averaged no more than two percent per year.²⁰ When compared

to other African countries, the increase in Sudan's GDP was among the lowest as shown in Table 1.

TABLE 1.

GDP at 1970 Market Prices, Selected African Countries, 1960-1970 (in Millions U.S. Dollars)

Country	GDP in 1960	GDP in 1970	Percent Change 1960-1970
Nigeria	5184.6	7438.8	43.4
Egypt	4367.1	7295.3	67.0
Morocco	2249.8	3351.8	48.9
Ghana	1915.1	2519.6	31.5
Ethiopia	1096.6	1836.0	67.4
Kenya	763.5	1617.8	111.1
Uganda	598.5	1304.2	111.1
Tanzania	670.6	1281.0	91.0
Sudan	1376.4	1831.1	33.0

SOURCE: United Nations, Economic Commission for Africa, "Statistical and Economic Information Bulletin for Africa," 4, September 1973; cited in Ali M. el-Hassan, "Structure of the Sudan Economy," in Ali M. el-Hassan (ed.), An Introduction to the Sudan Economy (Khartoum: Khartoum University Press), 1976, p. 6.

As a result of this sluggish economic growth, GDP per capita (calculated at 1970 prices) increased only very slightly from \$120 in 1960 to \$122 in 1971.²¹ One of the main reasons for this economic sluggishness was an unfavourable political environment for private investment. As detailed below, this was mainly due to the rising power of the Sudanese Communist Party, the civil war in Southern Sudan, and rampant political instability between 1964 and

1969. It was also affected by the reluctance of foreign capital to invest in Sudan because of the anti-foreign investment orientation of the nationalist agrarian bourgeoisie. This genuine nationalist orientation was not the product of the 1960s but can be traced back to the 1940s when the indigenous bourgeoisie spearheaded the struggle for independence. For example, in 1942, the Graduates' Congress (from which the three bourgeois parties sprang) sent a twelve-point memorandum to the Governor General of Sudan asking for the right of self-determination for the Sudanese people. More important however, were items ten and eleven in the memorandum which explicitly asked for Sudanization of the economy:

(10) the Sudanese [are] to be able to exploit the commercial, agricultural and industrial resources of the country; (11) the promulgation of an ordinance imposing on companies and commercial firms the obligation of reserving a reasonable proportion of their posts for the Sudanese.²²

In addition, in the 1960s the government nationalized the import of tea, coffee and salt, and indicated that it was considering nationalizing the import of jute, fertilizers and petroleum products.²³ Moreover, the Minister of Finance said in his 1968/69 budget speech in Parliament:

It is the government's conviction that the private sector is of vital importance to the economy, because it is the sector which can bring about the Sudanization of our economy. It will also be the legal heir to all the concerns which are not yet in the hands of Sudanese, in fields of banking, trade and insurance. (emphasis added).²⁴

Given that anti-foreign investment orientation, external foreign flows to Sudan between 1964 and 1969 averaged no more than one million pounds per year and by 1968, the total cumulative value of all foreign investment in Sudan was estimated to be only £S22.5 million.²⁵ This is a meagre figure considering that indigenous private capital investment in Sudan has been around £S18 million per year during the 1960s.²⁶

At the same time Sudan suffered from chronic deficits in the balance of payments, averaging around £S19 million per year between 1964 and 1969.²⁷ One contributing factor was the rising share of consumer goods at the expense of capital and intermediate goods in Sudanese imports between 1964 and 1968 (Table 2), partly reflecting sluggish GDP. Another factor was the policy of the agrarian bourgeoisie to move out of cotton production and move into sorghum production which led to a small increase of three percent per year in Sudanese exports between 1964 and 1969.²⁸

TABLE 2

Composition of Imports in Percentages, 1964-69

Category	1964	1965	1966	1967	1968	1969
Consumer Goods	49	52	54	52	58	43
Raw Material	36	35	29	34	31	42
Capital Equipment	16	12	16	13	11	14
Other	1	1	1	1	-	1
Total	100	100	100	100	100	100

SOURCE: Ali A. Ali, "Money, Banking and Foreign Trade in Sudan", in Ali M. El-Hassan (ed.) An Introduction to the Sudan Economy, Khartoum, Khartoum University Press, 1978), p. 153.

The balance of payments deficit was further exacerbated by the cut in American aid in 1967. In contrast to the conservative Arab countries such as Saudi Arabia, Kuwait, Morocco, Tunisia and Libya (before Qadaffi came to power), which did not sever their relations with the United States and Britain in 1967, Sudan followed the path of the radical Arab countries such as Egypt, Syria, Iraq and Algeria, who - rightly or wrongly - considered the United States and Britain as partners in the Israeli invasion of Egypt, Syria and Jordan.

Why did Sudan sever its relations with the United States at a time when it was not considered part of Arab radical camp and when it badly needed American aid especially after the decline of cotton prices in 1967? The

answer to this question is primarily found in the strong influence Egypt has had inside Sudan. This influence is manifested even today in many facets: first, and most important is Egypt's educational institutions in Sudan. Specifically, Egypt established a university in Khartoum in the early 1950s and funded and staffed numerous elementary, intermediate and secondary schools in most of Sudan's major towns. Moreover, all the syllabuses and books are the same as those used in Egypt itself. Admission to these schools and the university is free (only nominal fees are required) and non-discriminatory (any Sudanese can enrol). In addition, Egypt offers around three thousand scholarships per year to Sudanese students to go to Egypt for higher education. The legacy of this policy is the emergence of many generations of educated Sudanese who are sympathetic to the Egyptian people and their struggles.

Second, the influence of Egypt is protected at the political level through the political parties that advocated unity with Egypt, the PDP and NUP.²⁹ In addition, the leadership of the PDP (al-Mirghani family) originally moved to Sudan from Egypt in the nineteenth century and continues to maintain links with that country. It was these two parties - under pressures from Nasser's Egypt - that opposed the acceptance of American aid in 1958 even though the PDP

contained some of the export-oriented agrarian bourgeoisie who favoured pro-Western policies.

Third, Egypt has exercised its influence over Sudan through economic pressures and incentives. For example, in 1958 when Sudan failed to sell all of its cotton because of sluggish demand, the Government at that time (which was a coalition of the Umma Party and PDP) sought to compensate the loss of foreign exchange by accepting American aid. However, Egypt threatened to impose a trade boycott if the Sudanese government did so. This threat unleashed a struggle inside the PDP between the cotton-producing bourgeoisie and the commercial bourgeoisie that traded with Egypt.³⁰ The struggle was settled in favour of those who traded with Egypt when the PDP decided to terminate its coalition with the Umma Party and form a new coalition with the NUP - a coalition that would have refused American aid.³¹

Given all these facets of Egyptian influence in Sudan, the position of the Sudanese Government in 1967 to follow the line of Nasser and sever diplomatic and economic relations with the United States was not surprising. Furthermore, the Government was under pressure from the Sudanese Communist Party (with its historical anti-Western

orientation) to follow the path of the radical Arab countries. Finally, the Umma Party, the most pro-Western party in Sudan, was formally split into two factions in 1966 and, as a result, did not have a strong and homogenous policy regarding Sudan's position vis-à-vis the United States.

The second crisis of the agrarian bourgeoisie was its failure to deal democratically with the increasing power of the Sudanese leftist movement. The Sudanese Communist Party was the strongest communist party in Africa in the 1950s and 1960s.

Perhaps uniquely in independent Africa, the Sudan has a revolutionary intelligensia with close links with a vital trade union, as well as students and peasants movement, and a seasoned Marxist Party.³²

The source of that strength was the very close links between the trade union movement and the Communist Party. As one distinguished Sudanese Professor has commented:

The Communist Party ... had contributed more than any other political party to the growth and development of the labour movement. Its close association with the movement from the beginning had enabled it to exert continuing influence especially during the period 1947-54. The Communist Party not only provided the militant leadership which the movement needed, but it also provided the ideological and political orientation which characterized the Sudan labour movement over the years.³³

The organized labour movement started in 1946 when the railway workers formed the Workers Affairs Association. In 1950 they elected a communist, al-Shafi A al-Sheikh, as their leader. In the same year, fourteen trade unions joined together and, led by the railway workers, formed the Sudan Workers Trade Union Federation under the leadership of al-Sheikh. Under communist guidance, the Sudan Workers Trade Union Federation became a militant organization and between 1947 and 1952, labour strikes in Sudan resulted in the loss of 1,750,000 man-days.³⁴

The Communist Party also succeeded in penetrating tenants' organizations. In 1952, a general meeting in Atbara Town was attended by tenants from the Northern Province. The meeting inaugurated the establishment of the 'General Congress for Tenants Unions in the Northern Province', and "brought accusations of a communist conspiracy from the government".³⁵ In 1953, the President of the Sudan Workers Trade Union Federation addressed the first congress held by the Nuba Mountains tenants. Most importantly, the Gezira tenants formed a union in 1954 and in the 1960s a communist, A. M. al-Amin, was elected its president.

Tenants' agitation began as early as 1955 when strikes took place in many of the private cotton schemes around Sennar, El Sheikh Talha, El Massara, El Gomirat and El Sousata.³⁶ The labour-capital conflict in the private cotton schemes reached its peak in early 1956 when some tenants refused to deliver their cotton to the scheme owners; the police were called in to collect the cotton by force and the clashes between tenants and the police resulted in massive violence where more than three hundred tenants lost their lives.³⁷

The struggle of the Communist Party and the Labour movement against the bourgeois parties and their policies continued to escalate after independence. In 1958, the Communist Party opposed the decision of the Umma Party to accept American aid and a strike was organized by twenty-four trade unions which led to an almost total stoppage in public sector corporations.³⁸ The communists also took to the streets and mobbed the American Ambassador.³⁹ When the first military government came to power in 1958, the Sudan Workers Trade Union Federation organized a public demonstration against it and the government responded by arresting sixty trade union leaders. To protest these arrests, the railway workers and university students went on strike in mid 1959 and again in 1961. Moreover, the Gezira tenants

went on strike in 1963 and refused to pick cotton until the government increased their share of the profits and allowed them to hold elections for their union.⁴⁰

The effect of these strikes was to alert the trade union movement to the potential impact of a general strike in bringing down the government. In fact, beginning in 1961 the communists were very active in building up support for a general strike by all working people in Sudan including workers, tenants, professionals, civil servants and intellectuals. This general strike took place in October 1964 and the military government was forced to resign. Because of the important role played by the workers and tenants in overthrowing the military regime, the new Transitional Government formed in November 1964 had five communists in it, including the President of the Gezira Tenants Association and the President of the Sudan Workers Trade Union Federation. The communists in the government called for drastic socio-economic changes such as nationalization of all foreign companies and banks, state monopoly of foreign trade, nationalization of private cotton schemes and fifty percent representation of workers and tenants in the new parliament.⁴¹ The communists also encouraged strikes by many unions to increase their wages with the result that one

group or another opted for work stoppage during every week in the early spring of 1965.⁴²

The political ascendancy of the Communist Party and the radical demands it put forward set the stage for an undemocratic assault against the communists. The aim of the bourgeois parties was to bring down the Transitional Government and hold general elections as soon as possible, which they knew would bring them back to power, given the strong sectarian base of their support among the rural population. Thus, in early 1965 the Umma Party sent around forty thousand of its rural followers to Khartoum to demonstrate violently against the Transitional Government. To avoid the escalation of violence, the non-partisan Prime Minister submitted his government's resignation and the communists lost their representation inside the state.⁴³

Although the communists won only eleven (out of 233 seats) in the Parliamentary elections in April 1965 and did not represent any serious challenge in terms of making legislation, the bourgeois parties were determined to ban the communists from public life. Unable to challenge the political, economic and social programmes of the Communist Party, the bourgeois parties attacked the communists on the basis of atheism. An act was passed by Parliament in 1966

to make the Communist Party illegal, to confiscate its property, to unseat its members in the Parliament and to ban the communist newspaper. The Communist Party challenged the constitutional legality of this ban in front of the High Court, which ruled in its favour. However, the bourgeois parties which controlled the Parliament refused to abide by the decision of the High Court. A crisis developed between the Parliament and the judiciary, and the Chief Justice resigned in protest.⁴⁴

As for the Communist Party, once banned, the party was forced underground, losing faith in the democratic path to attain power. In 1966, the Communist Party was active in recruiting army officers into its ranks - a development that was not unnoticed by the government. A group of army officers was accused of preparing a communist coup in 1967, and were arrested and put on trial.

Thus, the inability of the agrarian bourgeoisie to use the rules of liberal democracy to contain the increasing power of labour and its unwillingness to abide by the ruling of the country's High Court, exposed the undemocratic trend of the agrarian bourgeoisie and encouraged the Communist Party to participate in the 1969 coup d'état.

The third crisis that the agrarian bourgeoisie failed to resolve was the growing dissatisfaction and rebellion among the country's ethnic minorities - a result of the unequal development of Sudanese capitalism. Their rebellion was most intense in Southern Sudan where guerrilla warfare continued throughout the 1960s producing the loss of life, the destruction of the infrastructure, the dislocation of whole villages and communities who sought refuge in neighbouring countries and the burden of money spent on the war. The bourgeois politicians' inability to seek a political solution to the war in the South led to growing dissent among junior and middle army officers who were fighting in the South and who could not themselves justify that war. In fact, a large number of the army officers who took part in the 1969 coup had fought in the South at one time during their careers.⁴⁵

Why did a civil war erupt in Southern Sudan? The origins of the civil war go back to the British policy of 'divide and rule'. A revolution by Sudanese soldiers in the army in 1924, led by a man of Southern origin, partly induced the British Governor General to initiate the 'Southern Policy' whereby the North and South were to develop separately. Arab dress, culture and language were banned in the South and Arabs from Northern Sudan were

prohibited from travelling to the South without a permit.⁴⁶ Missionaries were encouraged to spread English and Christianity among the Southerners to increase the differentiation between them and the predominantly Arab and Muslim Northerners. As a result of the 'Southern Policy', the cultural differences between the North and the South widened sharply between 1930 and 1954 (when the Southern Policy was abolished during the transition to independence).

Another cause for Southerners' rebellion was economic disparities. The British introduced capitalist farming in Central Sudan along the banks of the White and Blue Niles. However, very little economic development took place in other parts of Sudan, including the South. As a result, economic wealth, education and modern infrastructure -roads, telephones and electricity- were mostly concentrated in the areas of capitalist farming predominantly inhabited by Arab Sudanese. Not surprisingly, at independence the Arab Sudanese occupied most of the administrative and political positions vacated in the withdrawal of British and Egyptian personnel.

For educated Southerners, the independence of Sudan meant little as they had limited influence inside the state. Their call for a federal system found no response in

the North. As a result, the Southern corps in the army mutinied in 1955, marking the beginning of the civil war. For their part, the ruling bourgeois parties in the North wanted to enforce Arabic and Islamic culture over the entire country as a means of unifying the masses and preventing the disintegration of the country along ethnic and cultural lines. However, their policy backfired as the Southerners and other ethnic minorities in the West and the East (for example, the Nuba and the Beja, respectively) fought to maintain their ethnic and cultural identities and to struggle against economic inequalities between their regions and Central Sudan. The Sudanese Communist Party was alone in recognizing the diversified character of Sudan, but it lacked the political power to end the civil war.

The three bourgeois parties refused to accede to the political and economic demands of the Southerners and other ethnic minorities due, in part, to the need for the labour power provided by these minorities. As the demand for labour in the capitalist farms exceeded the supply (reflected in the frequent shortages of labour during the harvest of cotton and sorghum), migrant labour was indispensable for maintaining labour supply at adequate levels and for keeping wages low. In addition, migrant labour was indispensable in the low status jobs of household

service and construction - jobs that workers from the North either refused to perform or would do only for higher wages. Thus, any political concession given to ethnic minorities (for example, allowing them to share in political power), or economic support for their regions threatened to interrupt the supply of cheap migrant labour to the capitalist farms and enterprises in Central Sudan. This was the case because a strong regional government controlled by the local population would work to improve the socio-economic conditions in the undeveloped parts of Sudan and lessen the need for migration.

Another reason why the bourgeois parties ignored the civil war in the South was the fact that the war had never spread to North and Central Sudan, and thus the loss of life and destruction caused by the war did not directly threaten the interests of the bourgeoisie who controlled the dominant political parties.

However, the policy adopted by the three bourgeois parties to maintain the unity and cohesion of the Sudanese masses through the enforcement of Arabization and Islamization was a total failure. The resentment of this policy increased among many educated Southerners, most of whom left the country and formed political parties in exile to work

for the separation of the South. In 1963, the Anya Nya military organization was created by Southern soldiers and officers who defected from the army. Violence became rampant as there was little security outside the main towns of the South.⁴⁷ The Southern conflict became international because thousands of Southerners fled the country to resettle in neighbouring countries or to move to Western Europe and North America. Sudan gained the international reputation of having a government of Muslims waging a civil war against Sudanese Christians and Africans. Economically, not only did the country lose millions of pounds because of the destruction caused by the war, but hardly any development took place in the South between 1956 and 1969, and the gap between the North and the South widened even further.

In addition, one of the most destabilizing aspects of the civil war was the growing dissatisfaction inside the army and the partial break-up of its discipline. For example, in 1966 a group of army officers in the South attempted to promote a rebellion against the government in Khartoum. They were subsequently dismissed from the service.⁴⁸ Two years later in 1968, another group of army officers took the Deputy Minister of Defence (who was touring the South) as a hostage. The young army officers were aware that the war in the south was an endless affair

and that they suffered the most since their lives were at stake.

The disintegration of the country along ethnic and regional lines was by no means limited to the South and, as noted above, by the 1960s, secessionist movements had appeared among the Nubas in Western Sudan and the Bejas in the East. Both tribes were non-Arab and, in the case of the Nubas, partly Islamized. The neglect of their areas by the different governments meant that there were no jobs, schools or modern infrastructure in these regions. As a result, the Nubas and the Bejas had to migrate to Central Sudan to find jobs, and because most of them were unskilled and uneducated, they ended up in low-paying jobs. Such inequality in opportunities politicized the Nubas and the Bejas along ethnic lines, and political movements (the Nuba Mountain Federation and the Beja Congress) appeared in the 1960s to work for separation. The Nuba Mountain Federation and the Beja Congress contested the 1965 parliamentary elections and won ten seats each.⁴⁹ This development was a new phenomenon since no parliamentary elections before 1965 were contested by ethnic-based parties⁵⁰ outside Southern Sudan.

The fourth and final problem that the agrarian bourgeoisie failed to overcome was the sectarian and

personal rivalries and jealousies that divided the three bourgeois parties and prevented them from creating political stability and defending the unified interests of the bourgeoisie as a whole. Their main preoccupation was with political intrigues and manoeuvres to maintain themselves in power rather than to solve the country's economic and political problems. As a result, the parliamentary governments that ruled between 1965 and 1969

were characterized by chaos, intrigue and lack of purpose. The successive governments representing the traditional parties and groups failed to carry out what they set out to do. Crisis followed crisis and their impotence became obvious.⁵¹

Although most of the religious and tribal leaders in Central Sudan were involved in capitalist farming, they were nevertheless deeply divided along sectarian lines following either of the two largest sects in Sudan, the al-Mahdiyya and the al-Khatmiyya. As mentioned earlier, the leaders of the al-Khatmiyya, al-Mirghani family, moved to Sudan during the Turko-Egyptian regime (1821 to 1884) and were staunch supporters of Egypt. In contrast, the founder of the al-Mahdiyya had devoted his life to liberating Sudan from Turko-Egyptian rule and when that was achieved in 1884, the al-Mirghani family fled Sudan for fear of retribution at the hands of the Mahdists. Al-Mirghanists came back to

Sudan in 1889 with the invading Anglo-Egyptian army and contributed to the destruction of the Mahdist state. Since then, the al-Mahdists and the al-Mirghanists had been arch enemies and the possibility that either of them could rule Sudan separately was intolerable to the other. This sectarian fear was accentuated further by the well-known ambition of the late Abd al-Rahman al-Mahdi to become the first President of Sudan.⁵²

What was significant was that this sectarian mistrust and jealousy undermined the capacity of the agrarian bourgeoisie to unite itself politically and thus create political stability. It was only between 1956 and 1958 that the Umma Party and the PDP formed a coalition government and even then they did not cooperate with each other. Ministers from the Umma Party did not show the PDP ministers their policies and vice versa. The Umma Party accused the PDP of serving Egypt's interests while the PDP accused the Umma Party of serving Britain's interests.⁵³ The crisis of mistrust reached a stage where ministers of each of the two parties publicly disagreed concerning coalition policies.⁵⁴

Thus, even though the Umma-PDP coalition represented the rule of the agrarian bourgeoisie par excellence,

this government was unable to agree on a number of issues. First, and given the pro-Egyptian attitude of the PDP, the government failed to reach a consensus regarding the Water Agreement with Egypt, and attempts to increase Sudan's intake of the Nile water did not succeed.⁵⁵ This specific failure was a serious setback to capitalist farming because any future expansion in irrigated agriculture critically depended on renegotiating the Water Agreement.⁵⁶ Second, the Umma Party and the PDP stood on opposite sides when it came to foreign policy: the PDP supported the anti-Western policy of Nasser's Egypt while the Umma Party advocated close ties with the West. In fact, the position of the PDP regarding Sudan's relations with the West and the USA was very contradictory; as noted above, the PDP drew part of its support from the cotton-producing bourgeoisie and thus had an interest in maintaining Sudan's ties with the West, yet it also wanted to preserve its historical ties with Egypt which was the external protector of the Khatmiyya.

This inter-sectarian conflict was compounded by intra-sectarian divisions which emerged inside the Umma Party in the 1960s. During the 1940s and the 1950s, the religious leadership of the Ansar sect and the political leadership of its party (the Umma) were both united under the charismatic leadership of Aw al-Rahman al-Mahdi. How-

ever, the death of Abd al-Rahman, which was followed by the early death of his first son, al-Siddiq, opened the door for conflict within the al-Mahdi family concerning the leadership of the Ansar movement and the Umma Party. The struggle for leadership was between the son of al-Siddiq (al-Sadiq) and his uncle (al-Hadi). The al-Mahdi family attempted to suppress this conflict by making al-Hadi the religious leader (the Imam) and making al-Sadiq the President of the Umma Party.

However, conflict soon erupted between al-Hadi and al-Sadiq. The latter, who was educated at Oxford University, began to transform the Umma Party from a sectarian one in which the followers followed the leader for religious reasons, to a modern political party with specified economic and social programmes to attract its followers. In addition, al-Sadiq began to appoint to the leadership of the Umma Party a number of young and educated people to support him.⁵⁷ These educated people contrasted sharply with the traditional leadership of the Umma Party which was predominantly composed of rural-based tribal and religious notables who had little or no Western education. Not surprisingly, al-Sadiq's attempts to modernize the Umma Party were met with resentment from al-Hadi and the other 'traditional' and rural-based leaders. In 1966, the Umma

Party became formally divided into two wings, one led by al-Sadiq and the other led by al-Hadi.

The split of the Umma Party not only weakened the party, but it directly led to massive political instability as al-Azhari, the leader of the NUP, exploited the divisions within the al-Mahdi family to enhance his own political power and that of his party. More specifically, the NUP frequently changed its coalitions with both wings of the Umma Party in order to prevent any one wing from becoming powerful. Thus, between May 1965 and July 1966 a coalition government was formed between the NUP and al-Hadi's Umma Party, which was followed by another coalition government between the NUP and al-Sadiq's Umma Party that lasted between July 1966, and May 1967. Between May 1967 and February 1968, a third government was formed between the Umma Party (al-Hadi's wing) and the NUP. In February 1968, the leader of the NUP called for early elections to be held in April 1968 to exploit the division within the Umma Party and to increase his party's seats in parliament.⁵⁸ The April 1968 elections were contested by twenty-eight political parties,⁵⁹ another example of the political fragmentation of the country. Although the NUP merged with the PDP and formed the DUP to attempt to gain a majority of the seats in the 1968 elections, they failed to do so and

another coalition government was then formed between the DUP and al-Hadi's Umma Party. This government was in power between April 1968 and May 1969 when the Free Officers' coup brought to an end the liberal state.

Not surprisingly, the continuous changes in the coalition governments between 1965 and 1969 undermined the ability of all of them to address either the country's economic problems or the civil war in the South. The primary preoccupation of the leaders of the main political parties was to maintain themselves in office, which meant that they had little time to devote to Sudan's problems. In the words of one scholar:

Not only did the coalition partners miss golden opportunities to foil their opponents, they actually proceeded to undermine each other so extensively as to render the government incapable of acting on any major issue. In the long run, the inter- and intraparty blood-letting proved so disastrous as to cause the eventual collapse of parliamentary democracy altogether.⁶⁰

Perhaps the best illustration of the political incompetence of the agrarian bourgeoisie and the main bourgeois parties was the fact that the 1969 coup was a bloodless one. The Sudanese people who had gone on a general strike and had taken to the streets in violent demonstrations in 1964 to bring down the first military

dictatorship watched passively as another military dictatorship took over five years later. The continuation of the civil war in the South, the lack of economic progress, the increases in the rates of inflation and unemployment,⁶¹ and the bickering of the politicians, had created a sense of despair among the majority of the population and precipitated the collapse of the liberal state.

In sum, this chapter has focused on the main crises and contradictions that weakened and ultimately brought down the political dominance of the nationalist agrarian bourgeoisie. Thus, it provided the historical background to the political ascendancy of the comprador and parasitic bourgeoisie whose economic policies caused, and later deepened, the Sudanese debt crisis. The next chapter analyzes the way in which the 1969 military regime, which was brought about by army officers who held a 'radical petty-bourgeois ideology' (anti-Western, anti-big capital, and pro strong state regulation of the economy) in collaboration with the Sudanese Communist Party, ended up being totally controlled by the comprador and parasitic bourgeoisie.

FOOTNOTES

1. Relations with Britain were restored in 1968. However, relations with the U.S. were only restored in 1972 following the political ascendancy of the comprador bourgeoisie (see next chapter).
2. The main reason why Sudan was ruled as a Condominium of Britain and Egypt was Britain's unwillingness to antagonize the Egyptians who claimed sovereignty over the Sudan. However, political power was always in the hands of the British administrators.
3. Jay O'Brien, "Agricultural Labour and Development in Sudan," Ph.D. Dissertation, University of Connecticut, 1980, pp. 52-53.
4. Ibid., p. 54.
5. Cited in Loc. cit.
6. Gabriel Warburg, Islam, Nationalism and Communism in a Traditional Society (London: Frank Cass, 1985), p. 32.
7. Taisier M. Ali, "The Cultivation of Hunger: Major Determinants of Agricultural Development in the Sudan," Ph.D. Dissertation, University of Toronto, 1982, p. 185.
8. Taisier M. Ali, "The Road to Jouda," Review of African Political Economy, 26 (July, 1983), p. 5. One feddan equals 1.04 acres.
9. Ibid., p. 68.
10. Ali, "The Cultivation of Hunger," pp. 80-110.
11. Fatima Mahmoud, "The Origin and Development of the Sudanese Private Capitalist Class", Ph.D. Dissertation, University of Hull, 1978, p. 304.
12. Loc. cit.
13. Loc. cit.
14. Ali, "The Cultivation of Hunger," pp. 80-110.

15. Jay O'Brien, "Sowing the Seeds of Famine: The Political Economy of Food Deficits in the Sudan", paper presented to the 1984 Review of African Political Economy Conference on the World Recession and the Crisis in Africa, University of Keele, September 1984, p. 3.
16. A plot comprised 1,500 feddans.
17. Jay O'Brien, "Sudan: An Arab Breadbasket?" MERIP, 99 (September 1981), p. 26.
18. O'Brien, "Agricultural Labour", p. 64. The British did not recruit Sudanese labour by force because of the fragile security situation between 1900 and 1920.
19. World Bank, Memorandum on the Economy of Sudan, report no. 2652 SU, October 24, 1979, p. 42. The total population of Sudan in mid 1960s was around sixteen million persons.
20. Ali M. el-Hassan, "Structure of the Sudanese Economy," in Ali M. el-Hassan (ed.), An Introduction to the Sudan Economy (Khartoum: Khartoum University Press, 1976), p. 6.
21. Ibid., p. 7.
22. Cited in Mohammed O. Beshir, Revolution and Nationalism in the Sudan (London: Rex Collings, 1974), p. 161
23. Oluwadare Aguda, "The State and the Economy in the Sudan: From a Political Scientist's Point of View", The Journal of Developing Area, 7 (April 1973), p. 438.
24. Loc. cit.
25. Ibid., p. 435.
26. Loc. cit.
27. Ali A. Ali, "Money, Banking and Foreign Trade in Sudan," Ali el-Hassan (ed.), p. 160.
28. Ibid., p. 156.
29. Beshir, p. 168.
30. Ali, "The Cultivation of Hunger", pp. 82-85.

31. This PDP-NUP coalition was never formed. The Umma Party acted first and asked the leaders of the army to take power in November 1958.
32. Ruth First, The Barrel of a Gun: Political Power in Africa and the Coup d'Etat (London: Penguin Press, 1970), p. 251.
33. Beshir, p. 198.
34. Manfred Halpern, The Politics of Social Change in the Middle East and Africa (Princeton: Princeton University Press, 1963), p. 327.
35. Ali, "The Road to Joula", p. 9.
36. Ibid., p. 12.
37. Ibid., p. 4.
38. First, p. 142.
39. Loc. cit.
40. First, pp. 246-248.
41. Ibid., p. 265.
42. Peter Bechtold, Politics in the Sudan: Parliamentary and Military Rule in an Emerging African Nation (New York, Praeger Publishers, 1976), p. 227.
43. Ibid., pp. 261-265.
44. The Chief Justice was not a communist but was known as a Nasserist. Nasserism has many differences with communism; for example, Nasserism is not against the petty bourgeoisie and the national capitalists, does not encourage the class struggle or believes in the dictatorship of the proletariat.
45. It is a well known fact in Sudan that Nimeiri, Abu al-Qasum M. Ibrahim, Zein al-Abdien Ahmed and other members of the Free Officers who led the 1969 coup, fought in Southern Sudan during the 1960s.
46. Dunstan Wai, The African-Arab Conflict in the Sudan (New York: Africana Publishing Company, 1981), pp. 35-39.

47. Beshir, p. 215.
48. Ibid., p. 227.
49. Ibid., p. 224.
50. Although the three main bourgeois parties (the Umma Party, the PDP and the NUP) are predominantly controlled by Arab Sudanese, these are not ethnic-based parties because they do not promote regional goals, they have non-Arab members and they have branches all over Sudan, including the South.
51. Beshir, p. 226
52. Ibid., p. 179.
53. P.M. Holt, A Modern History of the Sudan (London: Weidenfeld and Nicolson, 1961), p. 174.
54. Bechtold, p. 196.
55. P.M. Holt and M.W. Daly, The History of the Sudan from the Coming of Islam to the Present Day, 3rd ed. (London: Weidenfeld and Nicolson, 1979), p. 168.
56. The 1929 Agreement gave Sudan four billion cubic meters per year while Egypt's share was forty eight billion cubic meters per year. As a colonizer of Sudan, Egypt was able to ratify this unfavourable division of water with the colonial state.
57. Bechtold, p. 245.
58. Ibid., pp. 244-246.
59. Ibid., pp. 246.
60. Beshir, p. 226.
61. Bechtold, p. 240.

CHAPTER III

THE RESTRUCTURING OF THE STATE: THE POLITICAL ASCENDANCY OF THE COMPRADOR AND PARASITIC BOURGEOISIES

The political and economic crises of the liberal-democratic state led to its overthrow in May 1969 by a military coup d'état. The coup was carried out by sections of the Sudanese Communist Party and Arab nationalists in the army. The new leaders promised to benefit the underprivileged classes such as workers and tenants. However, in less than two years, the contradictions between the Communist Party and the Arab nationalists brought their alliance to an end. Also, sections of the comprador and parasitic bourgeoisies exploited these contradictions to defeat this alliance and to exclude it from state power. An analysis of these contradictions is important because it will be argued later that the open-door economic policies pursued by the comprador and parasitic bourgeoisies caused and then deepened the Sudanese debt crisis.

The first section in this chapter will show how the Communist Party and the Arab nationalists clashed over domestic and foreign policies. Each group wanted to

implement its own socio-economic programme and to use the support of the other for its purposes. The ensuing struggle between the Communist Party and the Arab nationalists was settled in favour of the latter for two main reasons: first, the Communist Party was divided internally and some of its members co-operated with the Arab nationalists which weakened the Communist Party. Second, Libya and Egypt - motivated by their antagonism to the Communist Party - supported the Arab nationalists in their conflict with the Communist Party.

The second section will show how and why the comprador and parasitic bourgeoisies succeeded in dominating the Sudanese state after 1972. This section will start by arguing that the political demise of the working class movement created a power vacuum which was filled by the comprador and parasitic bourgeoisies. However, the new alliance between the Arab nationalists and the comprador and parasitic bourgeoisies was a very contradictory one and lasted less than a year. The comprador and parasitic bourgeoisies wanted to move Sudan away from Libya and Egypt, to increase Sudan's cooperation with pro-Western oil-producing Arab countries, to restore Sudan's relations with the United States, to encourage foreign investment in the country and to seek a quick solution to the Southern problem by

acceding to the Southerners' demand for regional autonomy. On each of these policies the Arab nationalists took the opposite side. The struggle between the two allies was won by the comprador and parasitic bourgeoisies.

The demise of the Arab nationalists prepared the ground for the emergence of a new power bloc which included (besides the comprador and parasitic bourgeoisies), luxury real estate owners and educated Southerners who benefited from regional rule and the new jobs it created. To protect their economic interests, the comprador and parasitic bourgeoisies created a dictatorial state system where political power was concentrated in one office, the Presidency, which they dominated. But before analyzing the ascendancy of the comprador and parasitic bourgeoisies, it is important to understand why the radical forces that brought about the 1969 coup failed to remain in power.

The Rise and Demise of the Radical Forces

The May 1969 coup was carried out by a secret organization known as the Free Officers' Movement that was formed during the 1960s by junior army officers who were dissatisfied with the continuation of the civil war, the rampant political instability and the stagnant economic

situation. By 1969, the Free Officers' Movement had sixty-seven officers (mostly of the rank of Major) spread among different army units.¹ The success of the coup can be attributed to many reasons: first, May is the peak of the summer season in Sudan and many senior army officers, including the Commander of Military Intelligence, were on vacation outside the country. Second, the relatively large number of Free Officers and their distribution among many army units facilitated the success of the coup. In fact, one of them, Major Mamun Abu Zeid, used his key position of Deputy Commander of Military Intelligence to cover up for his colleagues. Thus, even though Military Intelligence had collected information of 'suspicious' movements in Khartoum some days before the coup took place, Major Abu Zeid did not pass this information to his superiors.² Third, public opinion was prepared for a coup because of the failure of the ruling parties to end the civil war and to solve the country's economic problems.

The Free Officers Movement was influenced by two sources of radical political thought: communism and Arab nationalism. Three of the nine army officers who formed the Revolutionary Command Council after May 1969, and some of the other sixty seven Free Officers were members of the Communist Party.³ However, the majority of the Free

Officers were influenced by the ideas of Arab nationalism that were developed by the late Egyptian President Gamal Abd al-Nasser. Nasser's charismatic leadership had spread beyond Egypt's borders and influenced a large number of intellectuals, politicians and army officers. The basic ideas of Nasserism were: unity of Arab countries; liberation from Western domination; suppression of the class struggle and an emphasis on the unity of all classes; expansion of education and social services to narrow the gap between the rich and the poor; and state control of the leading sectors of the economy such as heavy industry, foreign and wholesale trade, banking and insurance.

The anti-capitalist and radical orientation of the new regime was reflected in the policies advocated by the new government and the way it dealt with the three dominant bourgeois parties. More than two thirds of the new ministers were communists, independent leftists or Arab nationalists. The Prime Minister, an Arab nationalist himself, stated that the government would be "leftist, socialist but not extremist or fanatic".⁴ All foreign banks and companies were nationalized in May 1970 and the properties of more than thirty indigenous capitalists, mostly associated with the bourgeois parties, were confiscated. The regime also recognized the Communist governments of East

Germany and Vietnam, and relations with the Soviet Union increased significantly as that country became Sudan's largest trade partner during 1969 and 1970. Moreover, an estimated two thousand Soviet and East European advisors arrived in Sudan to help the new government in economic planning, internal security and military training.⁵

In addition, the regime began a campaign to destroy the three dominant bourgeois parties. These parties were outlawed, their properties confiscated, and their leaders arrested. The system of native administration which gave judicial and financial powers to tribal leaders was abolished to undermine rural support for the Umma Party and PDP. Most senior ranks of the civil service, security forces and judiciary were purged of supporters of the bourgeois parties. In the army alone, three hundred officers were either dismissed or arrested.⁶

The Umma Party suffered the most because it attempted to destabilize the new regime. The spiritual leader of the party, Iman al-Hadi, had gone to his rural stronghold at Aba Island and had begun collecting weapons and training his followers. In March 1970 when Nimeiri announced that he intended to visit Aba Island, Iman al-Hadi warned of a bloodbath if Nimeiri set foot on Aba. That

threat was used as an excuse to attack the island. A full scale military confrontation took place between the Ansar and the army in which the latter used MIG fighters and tanks. Thousands of Ansar were killed along with their leader who died while attempting to escape. The extended properties of the al-Mahdi family were confiscated and al-Sadiq al-Mahdi, Ahmed al-Mahdi (the brother of al-Hadi) and other members of al-Mahdi family were sent into exile.⁷

After defeating the Umma Party, the government coalition began to pay more attention to their internal differences. In fact, right from the first day of the 1969 coup, the Communist Party issued a statement characterizing the Free Officers as representing the 'progressive' petty bourgeoisie. By 'progressive', the Communist Party referred to the anti-capitalist and anti-Western aspects of the Arab nationalists' programme and their emphasis on improving the conditions of the poor through expanding free education and controlling prices of basic commodities. The Communist Party went on to say that the new regime was only a transitory stage and that it was the duty of the Communist Party to lead the regime toward the 'real' revolution.⁸

What the Communist Party opposed in the socio-economic programme of the Arab nationalists was the policies

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of suppressing the class struggle, recognizing the role, albeit a subordinate one, of the private sector in the economy, and refusing the dictatorship of the proletariat. Needless to say, the socio-economic programme of the Communist Party was aimed at intensifying the class struggle to achieve that dictatorship and to socialize the means of production.

In light of these ideological differences, the question of the leadership of the new regime was of paramount importance precisely because it determined which programme was to be implemented: that of the Communist party or that of the Arab nationalists. On their side, the Arab nationalists needed the help of the communists to provide the necessary cadres and policies to carry out a transformation of Sudan's political economy. It is axiomatic that any regime which wants to successfully implement radical socio-economic changes must have the committed socialist personnel to plan and implement these policies. In Sudan, most of the leftist people and organizations, such as the trade unions, youth and women's organizations, were associated with the Communist Party.⁹ Thus, the plan of the Arab nationalists, like those of Nasser before them, was to dissolve the Communist Party and to incorporate and subordinate its members in a state-con-

trolled party. However, unlike their counterparts in Egypt, the Sudanese Arab nationalists failed to subordinate and dissolve the Sudanese Communist Party, as it was better organized and had a stronger leadership than the Egyptian Communist Party.

For their part, the Communists recognized that they lacked the political, organizational and ideological power to carry out a popular revolution and thus needed the alliance with the Free Officers. To protect its independence, the Communist Party proposed the formula of a 'National Democratic Front': an alliance between all progressive organizations in Sudan which would ensure that each organization would maintain its autonomy. However, this formula was rejected by the Arab nationalists who went on to undermine the leadership of the Communist Party using various methods: first, communist ministers were appointed without prior consultation with the party leadership. Second, the leadership of the Communist Party was frequently attacked by the Arab nationalists for being 'non-democratic' and 'dogmatic'. Third, the regime sent the Secretary-General of the Communist Party into exile in March 1970. In addition, many of the leading communists who refused to cooperate with the regime were arrested. Finally, the trade unions, students' and women's organizations that were

controlled by the Communist Party were dissolved.¹⁰ In fact, it is safe to assert that the Arab nationalists used the communists to make the coup and to defeat the bourgeois parties, but did not intend to allow them to share in political power.

Besides the conflict over domestic policies, the Arab nationalists and the Communist Party also clashed over Sudan's relations with Egypt, and Libya. In December 1969, the Arab nationalists, without consulting their communist allies, signed the Tripoli Charter which aimed at coordinating the policies of Sudan, Egypt and Libya to prepare the way for the formation of the Federation of Arab Republics.¹¹ Undoubtedly, the Tripoli Charter represented a serious threat to the Communist Party because it increased the power of the Arab nationalists in Sudan. For example, an Egyptian army unit estimated at around three thousand soldiers was stationed at Wadi Seidna and Gebel Awhiyah on the outskirts of Khartoum following the signing of the Tripoli Charter.¹² These forces later played a decisive role in defeating the communists in their violent confrontation with the Arab nationalists in July 1971.

The Communist Party also opposed the Tripoli Charter because it meant an end to any hope of solving the

Southern problem. Historically, Sudanese Southerners considered Sudan an African as well as an Arab country and were never in favour of a strong relationship, let alone a unity, between Sudan and its Arab neighbours. Because the Communist Party recognized the ethnic and cultural diversity of Sudan, it advocated a balanced foreign policy that would not jeopardize the interests of any ethnic-cultural group in the country.

These various contradictions between the Communist Party and the Arab nationalists led to a violent confrontation in July 1971 when the communist officers engineered a short-lived coup d'état. After three days, the Arab nationalists were reinstated and their reaction against the Communist Party was very bloody: the Secretary-General of the Communist Party, the President of the Sudan Workers Trade Union Federation, and the most prominent Southern Communist were executed immediately in addition to the army officers who carried out the coup. Thousands of communists were also arrested. As a result, the Communist Party was severely weakened.

The stunning defeat of the Communist Party had three causes: first, the coup itself was badly organized and did not match the well-known organizational skills of

the Communist Party. In fact, there were some indications that it was carried out in haste without prior approval of the Communist Party Central Committee, as most of its members were under arrest. Moreover, a period of five hours lapsed between the time when the success of the coup was announced on the radio and the first statement from the coup leader outlining the policies of the new regime.¹³ This time lapse suggests that the coup leaders did not have a statement ready for broadcast and had to wait for one to be prepared belatedly by members of the Central Committee. In addition, the formation of a new government was not announced during the three days of the coup and it seems that a cabinet was never formed. Finally, two senior communist army officers, Babiker al-Nur and Farouq Hamadalla, were in exile in London and did not return to Sudan until the third (and last) day of the coup and took a commercial flight rather than returning immediately on a special plane.¹⁴ This delay left the coup leaders in Sudan without the active support of two of their most senior colleagues.

The second reason for the failure of the communist coup was the split inside the Communist Party which took place in late 1970 and which had weakened that party. The direct cause for the split was the question of whether the Communist Party should dissolve and join the one-party

system proposed by the Arab nationalists. A large majority of the members of the Communist Party Central Committee voted with Secretary-General Abd al-Khaliq Mahjoub against the liquidation of the party. However, twelve well-known members of the Central Committee, led by Muawiya Ibrahim, refused the majority's decision and broke away from the party. The Ibrahim faction called for unconditional support for the Arab nationalists and accused Mahjoub of dictatorship.¹⁵ More important than its blow to party unity, the splinter group gave the Arab nationalists the names and addresses of the secret cadres of the Communist Party, which made it very easy to arrest them. The Ibrahim faction was fearful for the lives of its members in case of a takeover by the original Communist Party and as a result, tried to destroy it.

The third and final cause of the defeat of the Communist Party was the political, economic and military support that Libya and Egypt extended to the Arab nationalists. The leaders of Egypt and Libya, Nasser and Qaddafi, were against communism per se and did not approve of the alliance between the Sudanese Arab nationalists and the Communist Party. Moreover, when Anwar Sadat came to power in Egypt in September 1970 (after Nasser's death), Egypt's opposition to the Sudanese communists increased as Sadat

was known to be even more anti-communist than Nasser. In addition, these two countries opposed the Sudanese Communist Party because it was against their proposed unity with Sudan.

Egypt and Libya played a decisive role in helping the Arab nationalists defeat the communist coup. The Sudanese Ministers of Defense and Finance were on a state visit to Yugoslavia when the coup took place. As soon as they heard of the news they immediately flew to Tripoli (Libya) where they met with Libyan and Egyptian military personnel to draw up a plan to overthrow the new communist regime.¹⁶ The Minister of Defense spoke on radio from Libya urging his loyal troops in Sudan to fight the communists. In addition, Egyptian troops stationed near Khartoum were ordered to seize Khartoum airport and another military airport (Wadi Seidna) near the capital. Once that was achieved, Sudanese troops stationed on the Suez Canal were flown back to Khartoum on special Egyptian airplanes. In addition, Libya, intercepted the plane flying al-Nur (the new head of state) and Hamadalla back to Khartoum, forced it to land in Libya and arrested the two officers. So well-planned was the Egyptian-Libyan operation that the Times of London suggested the involvement of Western intelligence: "the speed of the operation and the forcing down of the BOAC

plane has suggested to many that Western Intelligence agencies were involved".¹⁷

It was expected that the defeat of the Communist Party would have cleared the way for the Arab nationalists to pursue the Nasserist path of Pan-Arabism, anti-Westernism and state directed economic policies. However, beginning in early 1972, the state began opening Sudan's economy to private foreign capital, returned indigenous private properties confiscated in May 1970, paid compensation for nationalized foreign firms and started encouraging private investment. Why and how did this radical change come about? Two broad explanations lie behind this transformation: first, the Arab nationalists were unable to pursue Nasserist policies and, second, the comprador and parasitic bourgeoisie occupied the power vacuum created by the defeat of the working class and pushed the regime toward pro-capitalist economic policies, as we shall see below.

Adopting Nasserist policies in the conditions of Sudan after 1971 was very difficult for internal and external reasons. Internally, the failure of the communist coup led to a massive purge of all communists and other socialist elements inside the state apparatuses. As a result, there

was an insufficient number of personnel to implement anti-capitalist policies. As one scholar put it:

To create a political structure within which radical elements would play a central role required a large number of committed socialists prepared to play this role, and the political developments during 1969-71 had made it very difficult to find enough of these Outside of those who were associated in some way with the Communist Party, and who largely were not prepared to play a role within the proposed political structure, there were simply not enough committed radicals to create or maintain the desired system.¹⁸

Externally, the Sudanese Arab nationalists lost the support of Soviet-bloc countries which, combined with the loss of support of Western countries after the nationalization of all foreign firms, isolated Sudan internationally. The Arab nationalists publicly accused Soviet-bloc countries of complicity in the coup while the Soviet Union sharply denounced the execution of the Communist Party leaders and accused Nimeiri of "attempting to liquidate the SCP, its leadership and rank, and file communists".¹⁹ This deterioration in Soviet-Sudanese relations stalled any chance of indigenous industrialization which was necessary to lessen dependence on the Western countries. Unlike Libya or Algeria which were oil-producing rich countries and could buy industrial technology from the market, Sudan was a poor country and needed massive Soviet economic aid to develop its economy.

The Arab nationalists attempted to compensate for the lack of Soviet and Western aid by turning toward China. As the Sudanese Communist Party was a pro-Soviet one, China did not support the coup nor condemn the violent reaction against the Sudanese communists. In 1972, China gave Sudan around forty million dollars in economic aid.²⁰ However, China was not a rich country and there was a limit to the amount of economic aid it could give when compared to Western countries or the Soviet Union.

These internal and external weaknesses of the Arab nationalists prepared the ground for their political descent. But how was it that the Arab nationalists lost power? Some Arab nationalist officers in the Revolutionary Command Council such as Nimeiri, Abu al-Qasim Ibrahim and Zein al-Abdien Abd al-Qadir, were opportunists and willing to change their ideas for the sake of political survival. Thus, having realized that the Arab Nationalist Movement was isolated internally after clashing first with the bourgeois parties and then the Communist Party, these opportunist elements started seeking new alliances with other social groups such as the comprador and parasitic bourgeoisies and Southerners who had little in common with the Arab nationalists. In so doing, they weakened the position of their committed colleagues and prepared the way for the

political ascendancy of the comprador and parasitic bourgeoisies.

The Political Ascendancy of the Comprador and Parasitic Bourgeoisies

The comprador and the parasitic bourgeoisies became dominant politically by creating new state institutions and regulations which enabled them to increase their influence inside the state. In fact, it was ironical that the dictatorial state system laid down by radical forces between 1969 and 1971 was effectively used by the comprador and parasitic bourgeoisies to reach and maintain political power. Because the May 1969 coup had aimed at instigating a revolution from 'above' rather than through popular mobilization, a non-democratic Presidential system had been devised to "give the President ... the ability to undertake the desired programme".²¹ This system, which was implemented after July 1971, gave the President unchecked powers. The President was the head of the executive and had the power to appoint and dismiss all ministers and public servants. By definition, the President was the leader of the single state party (the Sudanese Socialist Union) as the party leader was automatically nominated for the Presidency. The President was also the Commander-in-Chief of the Armed

Forces and the leader of all public organizations, including the judiciary and the universities.

In addition, the President had the power to declare a state of emergency and suspend, in whole or in part, the freedoms enshrined in the constitution. The President also had legislative powers to draft laws and send them to the People's Assembly (the legislative body) and could veto any law passed by the Assembly which itself could be dismissed the President. In other words, in case of a conflict between the President and the People's Assembly, the President could dissolve the Assembly and call for new elections. Finally, the President could not be put on trial except for the crime of treason.²²

Such sweeping powers led to an extremely strong Presidency vis-à-vis other state institutions such as the Sudanese Socialist Union, the People's Assembly, the President's ministers and even the army. Nimeiri, who was 'elected' president in October 1971 and remained in that office until his regime was toppled in April 1985, used these constitutional powers to eliminate all potential political rivals and to establish a personal style of rule, largely through systematic changes in the personnel of state institutions. For example, during Nimeiri's Presidency, no

less than nine Vice-Presidents were appointed and dismissed.²³ Similarly, the Ministry of Finance had seven ministers, the Ministry of Agriculture had eight ministers, the Ministry of Industry had six ministers and the Attorney General's Office had eight ministers.²⁴ Even inside the army, regulations were introduced whereby all senior army officers were either promoted or retired (often prematurely) after a limited duration in office. A General had two years of service, a Lieutenant-General three years and a Major-General four years.²⁵ Thus, all senior officers were systematically changed to prevent any one of them from creating a power base for himself. Nnamdi was above this arrangement as he had appointed himself a Field-Marshal.

In addition, the coercive apparatus of the post-state system was strengthened significantly. The National Security Organization, the political police which was independent from the regular police and the army, had around forty-five thousand persons in its ranks.²⁶ Some senior security officers were trained by the CIA, which also supplied the organization with sophisticated weapons that included anti-tank rockets. In addition, the Security Organization secretly stockpiled weapons and kept its own communications network, and radio and television broadcasting facilities.²⁷ The law gave the security force

the right to detain people without charging them for a three-month period which could be extended indefinitely. In other words, the security officers could detain people whom they suspected but had no evidence against. Torture was used to get information from prisoners.²⁸ In fact, the National Security Organization was so hated that the first thing demonstrators did after the overthrow of Nimeiri was to attack its headquarters.

With the deepening economic crisis²⁹ and the increasing socio-political unrest in the early 1980s, state repression took a new twist: harsh Islamic penalties such as flogging, limb amputation and crucifixion were introduced in 1983. The penalty for stealing ~~more~~ than one hundred pounds was hand amputation and for criticizing the state the penalty was hanging. These laws had three purposes: first, to protect private property by intimidating thieves. The rate of crime had become very high in the early 1980s because of the increase in rural and urban poverty that resulted from the rising costs of living. According to official statistics, a robbery took place every half hour between January and September 1983 and the number of murders and assaults during the same period was more than 120,000.³⁰ Public flogging was carried out almost on a daily basis and an average of five to seven persons per month had a limb

amputated in public. There were also a few cases of hanging of armed robbers.³¹

The second purpose of Islamic laws was to crack down on political activists who opposed the regime. The regime claimed that the source of legislation and authority in the Islamic state was the Koran, and that criticism of the state was also directed against God and the Koran. An old religious scholar, Mahmoud M. Taha, who criticized the use of Islam to protect Nimeiri's corrupt and unpopular regime, was hanged. A number of leftists were put on trial for following what the state claimed to be an anti-Islamic ideology: Baathism. Even the well known Islamicist, al-Sadiq al-Mahdi, was put in jail for opposing the use of Islam to protect the regime.

Finally, these laws were intended to give the regime some legitimacy by appealing to the rising Islamic sentiments in Sudan and the Middle East. In September 1984, an Islamic Conference was held in Sudan and was attended by dignitaries from most Islamic countries. Among those who came were the well known boxer Mohammed Ali and the leader of the Afghanistan Mujahideen. The Conference praised Sudan's implementation of Islamic laws and called upon other states to follow suit. As expected, the Conference made no

criticism of Nimeiri's dictatorial system which in fact ran contrary to the Islamic principle of Shura (political consultation).

It was precisely this dictatorial state system, with the President enjoying overwhelming powers, that facilitated the political ascendancy of the comprador and parasitic bourgeoisies. As explained below, a pattern was initiated whereby international businessmen and their local allies dealt directly with the President rather than with the specialized ministers and other public institutions. For his part, Nimeiri was willing to use the power of his office to serve the interests of those businessmen in return for financial rewards for himself, his family and some of his aides. As a matter of fact, the comprador bourgeoisie and its external allies attempted to gain influence inside the state even when the radical forces were still in power. The strongest illustration of such attempts came from a trio composed of a Sudanese multimillionaire, Dr. Khalil Osman, the Kuwaiti Royal family and a British company, Lonrho. Osman is a major partner and the executive director of a private Kuwaiti-based conglomerate, Gulf International, largely owned by members of the Kuwaiti Royal family. In addition, Osman and his Kuwaiti partners have large investments in Sudan in textiles, glass, matches,

pharmaceuticals and insecticides.³² The relationship between Osman and 'Tiny' Rowland of Lonrho was first established during the 1960s when both men were doing business in West Africa. Osman also introduced Lonrho to the Kuwaiti Royal family, who became the largest shareholders in Lonrho in 1974 - with shares exceeding those of Rowland or any other single subscriber.³³

Lonrho's first deal with Sudan in 1971 was to help the regime regain access to British aid and credit which had been cut off after the nationalization of British banks and companies. Lonrho's ability to secure an export credit of ten million pounds sterling for Sudan in June 1971 and the political terms of that credit were described by one source in the following words:

A credit of £10 million seemed large by comparison with Britain's exports to the country, which were running at about £12 million a year. It was also out of keeping with British policy, particularly under a conservative government, to be so helpful to a country which had nationalized British assets and not yet offered acceptable compensation terms.³⁴

Osman's other partner, the Kuwaiti Royal family, also tried to win influence with the new regime. The Government of Kuwait promised economic aid to the Sudanese regime if it dropped some of its leftist policies. The/

Sudanese government was in the process of drafting a new Labour Law in 1971 which "made unprecedented concessions to organized labour".³⁵ However, the Kuwaitis succeeded in having this law rescinded by promising Sudan, through Osman, a grant of eight and a half million dollars,³⁶ in addition to private Kuwaiti investment in the sectors of transportation, construction and agriculture³⁷ if the Sudanese government withdrew its concessionary Labour Law. What was interesting about these attempts by Osman and the Kuwaitis was that they took place while some communist ministers were still in power. The economic isolation of Sudan and its need for foreign exchange were effectively used by Osman and his partners to woo the leftist regime.

In addition, Lonrho played a small but important role in supporting the Arab nationalists' defeat of the communist coup when it put its executive jet at the disposal of Sudan's Minister of Defense who was on a state visit to Yugoslavia.³⁸ In addition, Osman appeared on Sudan Television a few days after the failure of the coup "to congratulate all concerned for triumphing over the red menace".³⁹

As a reward, in 1972 Lonrho was appointed as Sudan's 'sole agent' for all state purchases from the United

Kingdom and other countries - a function traditionally performed by the commercial section of the Sudanese embassies. Indeed, Rowland became very involved in Sudan and made more than seventy trips to the country between 1971 and 1976 and, together with Osman, was part of a handful of people who could see Nimeiri without an appointment.⁴⁰ The first deal Lonrho made for the Sudanese government was with Massey-Ferguson for agricultural machinery valued at two million pounds.⁴¹ However, Massey-Ferguson had been dealing with the Sudanese government since 1949 and Lonrho's commission could hardly have been justified especially as it was set at two percent of the value of the deal whereas the commercial section of the Sudanese embassy in London had charged only 0.2 percent of the value.⁴²

As a sign of Osman's increasing political influence after July 1971, two of the executive directors of his companies (Ibrahim M. Mansour and Dafalla H. Yousif) were appointed ministers in Nimeiri's new administration. Mansour got the important portfolio of Minister of Economy and Trade and Yousif was appointed to a high position in the Sudanese Socialist Union (the party) where he played a key role in drafting various investment laws to attract foreign capital.⁴³

Besides Osman, another Sudanese industrialist who became politically visible in late 1971 was Fath al-Rahman al-Beshir who has strong American linkages. Al-Beshir became the President of the Sudanese Businessmen's Association and was instrumental in the formation of the Sudan-United States Business Council whose chairman he became. In 1972, al-Beshir organized a large gathering between Nimeiri and the business community. In addressing the meeting, Nimeiri made very explicit the new pro-capitalist orientation of his regime:

I myself, do not believe that there is anything called national capitalism or businessmen or the like. You all fall under the terminology of private sector or private business. The private sector ... is the sector that builds up the nation ... It is for your benefit, aspiration and power that I draw up my decisions. So long as you support me, I shall go along the road. If you object to my acts and tell me that I am wrong, I shall revise my acts.⁴⁴

It was also through foreign businessmen that corruption entered the system. One of the most well-known examples of international businessmen who used illegal means in their dealings with Sudan was the Saudi Arabian multimillionaire Adnan Khashoggi who accumulated most of his wealth from the arms trade in the Middle East. In 1974, he put together a Eurodollar loan for Sudan worth \$200 million, the largest for any African country in that year. However, the

loan carried unfavourable terms: the interest rate was floating rather than fixed and was set three quarters of a percentage point above LIBOR.⁴⁵ Moreover, the period of grace was three years and the repayment period was seven years. Finally, the Government of Sudan received only \$190 million.⁴⁶ The remaining ten million dollars is assumed to have been the commission which Khashoggi split with the President and some of his aides who pushed the deal through.⁴⁷

How and why was this loan accepted by the Government of Sudan? First, the official financial experts at the Ministry of Finance and the Bank of Sudan were not asked for their advice. The whole deal was arranged between Khashoggi and one of Nimeiri's top aides, Dr. Baha el-Din Idris,⁴⁸ who was trained in zoology and had no financial expertise. In other words, the regular procedures of consulting and seeking the approval of experts at the Ministry of Finance and the Bank of Sudan were not followed, reflecting the fact that Sudanese technocrats in these two institutions were nationalists and opposed the parasitic bourgeoisie. Thus, the main reason why this loan was accepted was because it involved a large personal fortune for the President and Dr. Idris (who shared the ten million dollars with Khashoggi).

Another example of Khashoggi's questionable dealings with Nimeiri was the formation in 1984 of the National Oil Company of Sudan which was owned equally by the Government of Sudan and Khashoggi's company, Sigma International. The National Oil Company was given a total monopoly over all of Sudan's oil resources. As an owner of fifty percent of the National Oil Company, Khashoggi was thus given the right over fifty percent of Sudan's oil resources in exchange for promising to arrange letters of credit and export guarantees worth \$400 million for the National Oil Company which were to be guaranteed by the Sudan Government. In addition, the new oil company was given indefinite exemption from all customs duties and taxes and the terms of the agreement were to have "supremacy" over all present and future laws of Sudan.⁴⁹ Naturally, it was Khashoggi's lawyers who prepared the draft of the agreement without consulting with Sudanese officials.⁵⁰ Little wonder that General Swar al-Dahab, who led the coup that overthrew Nimeiri, described the National Oil Company "as a visible personification and a concrete presentation of political and administrative corruption".⁵¹

In fact, the President and some of his aides became heavily involved in illegal practices and turned the Presidency into an instrument for the private enrichment of

the parasitic bourgeoisie. Nimeiri and members of his family formed a company (Wad Nimeiri Cooperative), directed by Nimeiri's brother (Mustafa), who had been a clerk before 1970. The Wad Nimeiri Cooperative became the agent of Migirus Deutsch which makes buses and trucks and sold a large number of Migirus buses to the army and the Public Transportation Corporation. Mustafa's commission was more than six million pounds.⁵² Moreover, a grant of five million dollars given by Saudi Arabia to the Central Electricity Corporation was transferred to the Wad Nimeiri Cooperative on orders from Dr. Idris.⁵³ In addition, Nimeiri personally benefited from the exodus of Ethiopian Jews to Israel which took place through Sudan in 1984 and 1985. Zionist organizations in the United States were reported to have paid a hefty \$56 million to Nimeiri and the Vice-President, Omer al-Tayeb.⁵⁴

There are many other examples to indicate the close links that developed between the President and elements of the comprador and parasitic bourgeoisies and their external partners. Prince Mohammed al-Faisal (son of the late King Faisal and owner of the Faisal group of banks) was granted a concession by Nimeiri for the Faisal Islamic Bank of Sudan whereby it and its employees were exempted from paying taxes. It is not clear what Nimeiri got in

return; probably political support from al-Faisal who is a very powerful member of the Saudi Royal Family. A South Korean conglomerate, Daewoo, used government machinery and accommodation without paying for them in return for renovating Nimeiri's private residence and providing it with an electronic security system.⁵⁵

Moreover, some of the abovementioned foreign and indigenous businessmen were entrusted with sensitive political roles. For example, in 1984 Khashoggi arranged a meeting between Nimeiri and some retired CIA agents to discuss dealing with the opposition in exile.⁵⁶ In addition, Khashoggi was sent to Spain in 1978 to prepare for Nimeiri's visit to that country, even though Sudan had an ambassador in Madrid who was supposed to do that job. However, as Sudan had intended to buy weapons from Spain, Khashoggi was asked to arrange the arms deal.⁵⁷ Also Lonrho's Tiny Rowland attempted to mediate between Nimeiri and the Sudanese People's Liberation Army which has been fighting government troops in the South. His efforts included a 1984 visit to Nairobi to ask President Moi to help end the civil war in Sudan.⁵⁸ Among indigenous businessmen, Path al-Rahman al-Bashir and Khidir al-Sharif⁵⁹ frequently mediated between Nimeiri and some of his opponents.

The comprador and parasitic bourgeoisies also formed alliances with other groups to consolidate their rule. One such group was luxury real estate owners who benefited from the inflow of foreign capital after 1973. This inflow created an increasing demand for luxurious Western-style housing and office space to accommodate the new foreign companies and their foreign employees. However, the supply of luxury housing was critically short. The result was an incredible increase in prices and rents for luxury accommodation -- an almost five-fold increase in just one year. Houses that were rented for £\$100-£\$120 per month in 1970-71 were offered for rent at £\$400-£\$500 per month in 1973 and 1974. Similarly, houses that were valued around £\$20,000.00 in 1971 were worth around £\$100,000.00 in 1974.⁶⁰ After 1974, Khartoum saw an explosion in the erection of multi-million pound, multi-storey buildings mostly owned and financed from wealth accumulated by the comprador and parasitic bourgeoisies.⁶¹ Luxury real estate owners were genuine supporters of policies that opened up Sudan's political economy for foreign companies as they were the potential customers who could afford to pay high rents.

Another group that formed part of the new ruling alliance was that of educated Southerners who were integrated into the state after the 1972 Addis Ababa Accord which

ended the civil war. However, educated Southerners had little to gain from the inflow of foreign capital to Sudan. Rather, their support for the comprador and parasitic bourgeoisies was due to the fact that these bourgeois fractions had recognized the Southerners' cultural rights and had given them regional self-rule. In addition, self-rule created a new bureaucracy so that hundreds of Southerners were appointed to the newly created regional ministries such as agriculture, health, transportation, finance and trade. Southern politicians also earned lucrative incomes from the newly created Southern People's Assembly and the Southern Cabinet. Moreover, many highly educated Southerners (those with Masters and Doctorate degrees) were appointed to the central bureaucracy, replacing the communists and Arab nationalists who were dismissed from the civil service during 1971 and 1972.

However, because there were no mutual economic interests between the comprador and parasitic bourgeoisies and the educated Southerners, their alliance came to an end by the late 1970s. The end of the civil war did not bring about social and economic development in the South. Lack of infrastructure in the South discouraged investment by local and foreign capital. The only exception was Chevron which was given a concession to search for oil in Bahr al-Gazal

Province. However, the discovery of oil did not benefit the South because the plan of Chevron and the government was to export the crude oil to earn foreign exchange. The Southerners were unsuccessful in pressuring the government and Chevron to build a refinery in the South to process the oil and stimulate the local economy.

Moreover, the Southerners did not stand to gain from the one major infrastructural project in their area, the Jonglei Canal. The Nimeiri government planned to build an artificial canal in the South to drain the Sudd (a large swamp area in the South) and to deliver the water to the North where it could be used to expand irrigated agriculture. As the strategy of the comprador bourgeoisie was to attract foreign capital to invest in Sudanese agriculture, the Jonglei Canal was indispensable to increase the supply of water. However, the Southerners opposed the Jonglei Canal because they argued that it did not bring benefits to the South, and that it threatened both to undermine the ecological balance in the region and to disrupt the life of the people who depended on fishing from the Sudd. Their protests fell on deaf ears.

This lack of social and economic benefit to the South intensified the discontent among educated Southerners

who came to realize that regional self-rule had not brought an improvement in Southern living conditions. To weaken the opposition of the Southerners, the regime exploited the conflicts between the larger, wealthier and more influential Dinka tribe and the other small tribes in the South. The latter had complained that most of the regional jobs were taken by Dinkas. In 1983, Nimeiri divided the South into three separate regions, a move that was strongly opposed by the Dinka tribe, although welcomed by the smaller tribes of Equatoria Province. Some elements of the educated Dinka formed the nucleus of a renewed guerrilla army, the Sudanese People's Liberation Army, and they were joined later by members of the other tribal groups. Finally, the Islamization of the legal system in September 1983 drove all Southern tribes into opposition and by late 1983 the whole of Southern Sudan was "in turmoil again."⁶²

Although the comprador and parasitic bourgeoisies lost the support of the southerners by the early 1980, they compensated for that loss by getting the backing of the Muslim Brotherhood Movement, led by Dr. Hassan al-Turabi. During the 1970s, the Brotherhood had changed from an organization dominated by intellectuals and professionals to one increasingly dominated by segments of the comprador bourgeoisie who acted as local agents of international

Islamic financial institutions (mostly located in Saudi Arabia and Kuwait). Because of their Islamic convictions, most members of the Muslim Brotherhood who left Sudan after 1969 went to Saudi Arabia and other oil-rich Islamic countries where their education gave them good chances of occupying well-paying jobs. When some international Islamic banks (such as Faisal Islamic Bank and Baraka Bank) opened subsidiaries in Sudan, the Muslim Brothers occupied most of the leading positions in those banks and extended loans to members of their organization.⁶³

However, the activities of these Islamic banks were of a comprador and unproductive nature: they mainly financed foreign and local trade rather than agricultural and industrial investment. For example, Faisal Islamic Bank of Sudan, which started with a capital of ten million Sudanese pounds in 1978 gradually increasing to one hundred million pounds in 1983, had an average allocation of funds in the following ratios: forty percent to imports, ten percent to exports, forty percent to local trade, one percent to artisans and four percent to agriculture and industry.⁶⁴ Because Islamic banks work on the principle of sharing profits and losses with borrowers and depositors, they shy away from investing in long-term and risky

agricultural and industrial investment and concentrate on short-term financing in trade.

Another indication of the comprador character of Faisal Islamic Bank of Sudan is the fact that this bank has kept an average of twenty-five percent of its deposits with foreign banks outside Sudan, totalling more than one hundred million Sudanese pounds in 1983.⁶⁵ Although this practice is rationalized on the grounds that the bank needs money abroad to finance foreign trade, it nevertheless deprives local borrowers of funds. Finally, this bank has a number of local affiliated companies that are involved in largely non-productive activities, for example, the Islamic Company for Trade and Services, the Islamic Currency Exchange Company and the Real Estate Development Company.

Externally, the Nimeiri regime was supported by Egypt, Saudi Arabia and the United States. The relations between Sudan and Egypt were particularly close because the same class fractions that were dominant in Sudan were also dominant in Egypt under Sadat.⁶⁶ Egypt's army units stationed in the outskirts of Khartoum helped save the Nimeiri regime in 1971, 1975 and 1976.⁶⁷ To legalize Egypt's successive rescuing of the Nimeiri regime, a defense agreement was signed between the two countries in 1976. The

agreement gave each country the right to help the other if it was threatened by external or internal 'enemies'. And it was mainly due to Egypt's indispensable support for Nimeiri that he went against the majority of the Arab World and supported the Camp David Accord.⁶⁸

Saudi Arabia also prolonged the regime by giving it economic aid. Foreign exchange shortages during the late 1970s and early 1980s caused chronic shortages in imports of necessities such as fuel and bread. The Saudis gave Sudan free fuel more than once to prevent popular discontent from escalating.⁶⁹ As Saudi Arabia was Sudan's largest creditor (see next chapter), that country had an interest in having a friendly government in Sudan, and Nimeiri's regime (with its pro-capitalist and pro-Western orientation) was seen as an ally. In addition there was close cooperation between Saudi Intelligence and the State Security Organization in Sudan.⁷⁰

Globally, the United States viewed the Nimeiri regime as one of its strongest allies in Africa. Sudan was important because it borders on Libya and Ethiopia whom the United States considers to be under Soviet influence. In addition, the United States was also keen to prevent Libya and Ethiopia from influencing Egypt through Sudan. Finally,

private American investments in Sudan had become considerable; Chevron alone invested around one billion dollars in drilling for oil.⁷¹ As a result, the U.S.A. aid programme to Sudan was the second largest in Africa - surpassed only by the U.S.A. aid programme to Egypt.⁷² American aid to Sudan averaged around \$200 million per year between 1980 and 1984. Half was military aid and fifty percent of that was not to be repaid.⁷³ In addition, Sudan participated with the U.S.A. and Egypt in the Bright Star military maneuvers in 1983 and 1984 which were intended as a show of force and to train these armies to face any military threat from the Soviet Union and its allies in the region.⁷⁴

So vital was this American support to Nimeiri that once it was withheld in December 1984, the regime began to crumble. The U.S.A. was alarmed at Nimeiri's unwillingness to seek a solution to the revived civil war in the South, to contain the fanaticism of some Muslim Brothers who were brought in to implement the Islamization programme and to reach an agreement with the IMF in 1984. To put pressure on Nimeiri, the U.S.A. suspended its economic aid in December 1984. Other countries such as West Germany and Saudi Arabia did the same thing mainly to pressure the regime to reach an agreement with the Fund.⁷⁵ The result was chronic shortages

of fuel and other imports in February 1985. Gas rations were reduced to two gallons per car per week. In fact, the shortage of fuel brought life in Sudan to a standstill. In March and April 1985, the regime faced civil disobedience which pushed the commanders of the army to overthrow Nimeiri's regime.

Who were the opponents of the regime? These were the bourgeois parties, the Communist Party and nationalist technocrats. The Umma Party, NUP-PDP and the Communist Party formed a National Front in 1973 under the leadership of al-Sadiq al-Mahdi.⁷⁶ The National Front attempted to create civil disobedience in September 1973 through the student movement which had organized thousands of students to take to the streets of Sudan's main cities. Their demonstrations were supposed to be followed by a general strike, but it was stopped by swift action from the state. A state of emergency was declared and the army was sent to the streets to suppress the demonstrations and to arrest student leaders.

Following numerous unsuccessful coup attempts in 1974 and 1975, the National Front carried out its most daring attempt to overthrow the regime in 1976. More than three thousand Ansar were trained to use sophisticated

weapons in Libya and were then infiltrated across the desert to Khartoum in small groups. They attempted to exploit Nimeiri's return to Khartoum from the United States in July 1976 to surround the airport, and to kill the leaders of the regime who were at the airport. However, by sheer luck Nimeiri arrived one hour ahead of schedule and that led to the failure of the attempt. The Ansar reached the airport after Nimeiri's plane had landed and he was able to escape. Thousands of people died in the clashes between the army and the Ansar and al-Sadiq al-Mahdi was sentenced to death in absentia.⁷⁷

The Communist Party was also active in opposition. Although the Party was seriously weakened in July 1971, it was not totally destroyed. Some of the leading members of its Central Committee (for example, Mohammed Ibrahim Nugud and al-Tigani al-Tayeb) escaped arrest in 1971 and went underground. The party continued to distribute its literature secretly and to recruit new members especially among students. However, it had lost its leading role within the trade union movement.⁷⁸

Because of its weakened position, the Communist Party tacitly supported the nationalist bourgeoisie, viewing it as contributing to the welfare of the Sudanese by

creating employment, reinvesting its profits in the country and producing for the local market. In 1977, an official Communist Party document stated:

... concerning the national bourgeoisie, we stand for drawing it into the national democratic alliance by a programme which does not jump over the present stage by posing socialism as the immediate goal or advocating prematurely the total liquidation of capitalist social relationships. The programme should oppose the domination of foreign monopolies, invite the participation of the national bourgeoisie in implementing the development plan and direct its investment to productive spheres which serve the interests of the national economy.⁷⁹

Whereas the National Front resorted to covert means to overthrow the regime, the nationalist technocrats were part of the bureaucracy and attempted to use their positions to stop the comprador and parasitic bourgeoisies from selling-out Sudan's interests to foreign business. However, as we will show later, they had little success in influencing state policies for the following reasons: first, they were not organized politically and thus most of their efforts were carried out in isolation (that is to say, the nationalist technocrats at different ministries did not coordinate their activities). Second, they did not co-operate with the bourgeois or communist parties which deprived them of links with the classes in society,

especially the nationalist bourgeoisie, whose interests they were attempting to defend.

To conclude, this period began in 1969 with the failure of the Communist party and the Arab nationalists to carry out their promised transformation of Sudan's political economy. Their contradictory interests were exploited by the comprador and parasitic fractions of the Sudanese bourgeoisie who succeeded in dominating the state in 1973 and restructuring it to protect their interests. A dictatorial political system was established to concentrate political power in the Presidency and to suppress civic freedoms. This restructuring opened the door for the emergence of a new development strategy which aimed at achieving rapid economic growth through massive inflow of foreign loans and investments. However, as the state was controlled by the least nationalist and least productive bourgeoisie, gross mismanagement and corruption in the administration of the development strategy combined with an unfavourable international environment (for example, the increase in oil prices in 1973 and 1979), led to the failure of the strategy and plunged the country into its current debt crisis, the subject of the next chapter.

FOOTNOTES

1. Mohammed O. Beshir, Revolution and Nationalism in the Sudan (London: Rex Collings, 1974), p. 228.
2. Mohammed A. Mahjoub, Democracy on Trial: Reflections on Arab and African Politics (London: Andre Deutsch Ltd., 1974), pp. 224-225.
3. Beshir, p. 228.
4. Quoted in P.M. Holt and M.W. Daly, The History of the Sudan, 3rd ed. (London: Weidenfeld and Nicolson, 1979), p. 194.
5. Peter Bechtold, Politics in the Sudan: Parliamentary and Military Rule in an Emerging African Nation (New York: Praeger Publishers, 1976), p. 318.
6. Ibid., pp. 260-261.
7. Ibid., pp. 262-263.
8. See Gabriel Warburg, Islam, Nationalism and Communism in a Traditional Society (London: Frank Cass, 1978), pp. 160-165.
9. Ibid., pp. 158-160.
10. Ibid., pp. 123-130.
11. Bechtold, p. 319.
12. Ibid., p. 320.
13. Warburg, pp. 130-136.
14. Loc. cit.
15. Ibid., pp. 160-165.
16. Suzanne Cronje, Margaret Ling and Gillian Cronje, Lonrho: Portrait of a Multinational (London: Julian Friedman Books, 1976), p. 180.
17. Cited in ibid., p. 181.
18. Timothy Niblock, "A New Political System in the Sudan," African Affairs, 73 (October 1973), p. 415.

19. Warburg, p. 416.
20. "Sudan: A Communist Conundrum," Africa Confidential, 12, 4 (April 30, 1971), p. 2.
21. Niblock, p. 414.
22. Mohammed Abu Saq, Al Nizam al-Riasi Fial-Sudan (Khartoum: Institute of Socialist Studies, n.d.). pp. 4-10 (in Arabic).
23. These were Babiker Awadallah, Khalid H. Abbas, Mohammed al-Baqir, Abu al-Qasim M. Ibrahim, al-Rashid al-Tahir Bakr, Abd al-Magid H. Khalil, Omer M. al-Tayeb, Abel Alier and Joseph Lago.
24. Mansour Khalid, al-Sudan wa al-Nafa al-Muzlim (London: Aedam Publishing House, 1985), p. 257 (in Arabic).
25. Harold Nelson, Sudan: A Country Study (Washington, D.C.: United States Government, 1983), p. 263.
26. Eric Rouleau, "Sudan's Revolutionary Spring," MERIP Report, 135 (September 1985), p. 5.
27. Loc. cit.
28. In the months following the overthrow of Nimeiri, some security officers were put on trial for torturing prisoners. They were convicted and jailed.
29. See Chapter Five for details.
30. "Everything Done Through Shura," Sudanow, October 1984, p. 10.
31. The Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 3rd Quarter, 1984, p. 9.
32. Cronje, et. al, p. 59.
33. Ibid., p. 52.
34. Ibid., p. 179.
35. "Sudan: Which Way Now?," Africa Confidential, XII, 12(June 11, 1971), p. 8.
36. Loc. cit.

37. In 1972, the Sudanese Kuwaiti Company for Investment was established with a capital of seventeen million dollars. This company had three subsidiaries: the Sudanese Kuwaiti Company for Transportation, the Sudanese Kuwaiti Company for Animal Production and the Sudanese Kuwaiti Company for Construction. Also the Kuwaitis are major partners in the Kenana sugar factory (see Chapter Four) and Sudan's second largest creditor after Saudi Arabia (information obtained from bureau of investment, Ministry of Finance).
38. Cronje, et. al, p. 180.
39. Ibid., p. 181.
40. "Sudan: After the Reshuffle," Africa Confidential, XVI, 3 (February 7, 1975), p. 4.
41. Ibid., p. 182.
42. Loc. cit.
43. John Waterbury, "Sudan in Quest of a Surplus: Part III," American Universities Field Staff Paper, XXI, 2(1976), p. 4.
44. The Sudanese Socialist Union, "Full Text of President Nimeiri's Speech on the Festival Held on His Honour by the Private Sector in Al-Khalifa Mosque in Omdurman on Thursday, August 10, 1972", Khartoum, no date.
45. Khalid, p. 156.
46. al-Sahafa, daily, Khartoum, December 3, 1985, p. 6.
47. Loc. cit.
48. Loc. cit. Dr. Idris was put on trial after the overthrow of the Nimeiri regime and was convicted of misusing his power in the \$200 million loan. That was not the first time Idris was found guilty: in the 1960s he was dismissed from his teaching job at the University of Khartoum because he had leaked an examination to a woman student. Nevertheless, in 1972 Nimeiri appointed him to the Presidential office as a Minister for Special Affairs!
49. "Khashoggi signs resource pact with Sudan," Financial Times, London, 31 October, 1984, pp. 1 and 4.
50. Loc. cit.

51. Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 3rd Quarter 1985, p. 23.
52. For example, between 1972 and 1984, the student union of the University of Khartoum (perhaps the second most important union after the Railway Workers Union) was controlled by the Muslim Brotherhood. That control was achieved through free elections with no state interference.
52. Khalid, p. 295.
53. "Sudan: The diarchy," Africa Confidential, XXVI, 9, 24 April 1985, p. 4.
54. The Globe and Mail, Toronto, April 23, 1985, p. 1 and April 30, 1985, p. 5.
55. Khalid, p. 575.
56. "Sudan: Nimeiri's Oil Slick," Africa Confidential, XXV, 22, 31 October 1984, p. 3.
57. Khalid, p. 567.
58. "Sudan: Over the Abyss," Africa Confidential, XXV, 10, 9 May 1984, p. 2.
59. al-Sharif had exploited his political connections and made millions of dollars from arranging oil imports to Sudan at prices that were higher than market ones. After the overthrow of the Nimeiri regime he agreed to pay twenty five million dollars to the government in return for a pardon. See al-Sahafa, Khartoum, 20 February 1986; p. 1.
60. This information was obtained directly from some luxury home-owners in Khartoum.
61. Most, if not all, of the new high rises in the capital are owned by businessmen who became wealthy after 1973. This information is based on a field survey made in 1984.
62. "Sudan: Allah and the South", Africa Confidential, XXIV, 21, 19 October 1983, pp. 1-7. (This whole issue of Africa Confidential was devoted to the problem of Southern Sudan).

63. The top management of Faisal Islamic Bank and Baraka Bank were among those arrested in February 1985 when Nimeiri broke off with the Muslim Brothers after the latter had attempted to oust him and rule by themselves.
64. "Sudan and the Faisal Islamic Bank," Arabia, November 1985, p. 51.
65. Loc. cit.
66. The National Progressive Unionist Party of Egypt holds the view that foreign capital and "parasitical capitalism" were dominant during Sadat's Presidency (see Joel Beinin, "Egypt's Left Opposition Party Holds Second Congress", MERIP Report, 135 (September 1985), p. 29. Some Egyptian intellectuals also make the same argument; for example, Bahgat Korany, "Development Strategies, Social Classes and the State: Egypt's Regimes 1952-1982," Paper Presented to the XIIIth Congress of IPSA, Paris 15-20 July 1985.
67. Ahmed Baha al-Din, "Hawl al-Alaqat al-Misrya al-Sudania", al-Mustaqbal, 18 May 1985, pp. 8-9, (in Arabic).
68. The only two other Arab countries that supported Camp David were Somalia and Oman, both of whom also depended on military support from Egypt.
69. "Sudan: Saudi Overture," Africa Confidential, XXIII, 7, March 31, 1982, p. 8.
70. Loc. cit.
71. This information was obtained from interviews at the Ministry of Energy in Khartoum in December 1983.
72. "Plenty of Arms, No Money," Africa Confidential, XXIII, 1, January 6, 1982, p. 1.
73. William Parell, "Sudanese Struggling for Stability despite economy, war clouds," The New York Times, March 12, 1982, p. 7.
74. Gayle Smith, "George Bush in Khartoum," MERIP Report, 135 (September 1985), p. 26.
75. "Sudan's Nimeiri on the Ropes," Africa News, XXIV, 5 (March 11, 1985), p. 2.

76. The Muslim Brotherhood organization was part of the National Front from 1973 to 1977. In 1977, however, it withdrew from the Front and started supporting the Nimeiri regime. Also an attempt of reconciliation between the Umma Party and the regime took place in 1977, but with little success. After the failure of numerous attempts to overthrow the regime by violence, al-Sadiq opted for reconciliation with the hope of gaining political power and influencing decision making from within the institutions of the regime. Nimeiri agreed to the reconciliation to avoid the violent subversion of the National Front. However, as the regime was unwilling to follow nationalist economic and political policies, the reconciliation was short-lived. In 1978, al-Sadiq used the regime's support for the Camp David Agreement, renounced by most Arab countries, as a pretext for his break with the regime.
77. Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 3rd. Quarter 1978, pp. 5-9.
78. There is no survey to show the political affiliation of different trade union leaders during the 1970s and early 1980s. However, based on personal knowledge of the political orientation of leading trade unionists during this period, it is safe to assert that many of them were not leftists. For example, the leaders of the Sudan Workers' Trade Union Federation, the Doctors' Association, the lawyers' union and the Student Movement were known to be supporters or sympathizers with the Islamic movement. The clear indication that the Communist Party had little support among the trade union movement was its failure to have any Communist appointed to the Transitional Government (formed mainly by union leaders and headed by the leader of the Doctors' Union, Dr. Jouzoli Dafalla) which ran the country between April 1985 and April 1986. This contrasted sharply with the Transitional Government of October 1964 (formed after the overthrow of General Aboud's regime) which had five communists in it who were selected from among the unions' leaders.

79. The Central Committee of the Communist Party,
"External Questions and Tasks," unpublished
document, Khartoum, 1977, p. 6.

CHAPTER IV

ORIGINS OF THE DEBT CRISIS: THE ECONOMIC POLICIES OF THE COMPRADOR AND PARASITIC BOURGEOISIES

One of the important tasks that faced the Sudanese state in early 1972 was to restore economic growth¹ through regaining the confidence of capital which was shaken badly by political events between 1969 and 1971 (for example, the presence of communists and Arab nationalists inside the state, the clashes between the Ansar and the regime and the 1971 coup attempt). Although the political situation changed in early 1972 with the exclusion of the communists and Arab nationalists from the state and the peaceful settlement of the civil war in the South, the Nimeiri regime continued to face problems with the refusal of the nationalist bourgeoisie to cooperate with it and the hesitation and fear of foreign capital to come back to Sudan.

To overcome this fear, the government embarked on an expansionary public investment programme, financed through external borrowing, which provided funds and contracts to foreign suppliers and contractors, thus

encouraging them to move to Sudan but without risking their own capital. Moreover, the government attempted to exploit the need for food security by oil-rich Arab countries through opening the agricultural sector to direct foreign investment and promising to turn Sudan into the breadbasket of the Arab world.

However, we will argue that these policies did not bring about economic recovery. To the contrary, they led to Sudan's debt crisis. First, the strategy of encouraging food crops took place at the expense of Sudan's main export cash crop (long staple cotton) which led to a decline in export earnings. Second, imports increased sharply because the majority of new state-owned schemes emphasized the use of capital and fuel intensive technology at a time when international prices of oil and capital goods were on the rise. Third and most importantly, the implementation of most of these schemes involved large-scale corruption and mismanagement mainly caused by the debauched and comprador orientation of the dominant bourgeois fractions. The result was their inability to operate profitably and to service their debts.

Given these bungled policies, Sudan's debt servicing obligations almost doubled between 1973 and 1978

and strained the country's foreign exchange earnings. Unfortunately, Sudan's debt burden was worsened also by the fact that around sixty percent of the debt was contracted on hard terms (high interest rates and short maturity periods) which resulted from the abolition of the supervisory role of the Bank of Sudan and the Ministry of Finance over contraction of foreign loans by different government agencies. As these two institutions were influenced by nationalist technocrats, the dominant bourgeois fractions sought to usurp their powers lest they stop the loans contracted on unfavourable terms. However, before going into the details of why the breadbasket strategy caused Sudan's debt crisis, we describe first its main components.

The Breadbasket Strategy

In early 1973, 'development' became the first priority of the state and 1973 was declared 'the Year of Development'. The new development strategy opened Sudan's agricultural sector to foreign capital and was summarized by

Sudan's Minister of Foreign Affairs who said that his country wanted

... to proffer this wealth of land to our friends: those who have the money, and those who have the technological know-how, with a view to financing its utilization and cultivating it with the latest possible tools man has yet discovered. In other words, a tripartite venture between us who have the land and the water; the moneyed who are willing to invest in agriculture; and our friends whose technological abilities we lack.²

The state's plan was given more impetus when the Food and Agriculture Organization (FAO) published a detailed survey of Sudan's agricultural potential in 1973. The survey noted that Sudan had 202 million feddans of forest, forty-nine million feddans of pasture and thirty-nine million feddans of arable land. Yet, only twenty percent of that land was used commercially in the early 1970s.³

The selection of the agricultural sector to be the engine of economic growth can be explained by the following factors. First, it was a response to external demand. The oil-rich Arab countries were heavily dependent on food imports from Western countries. When the Arabs were threatened by the West with food import cuts in retaliation for the 1973 oil embargo, they sought to secure their food supplies by investing directly in Arab countries that had agricultural potential. Realizing this need for food

security, the Sudanese state opened Sudan's agricultural sector to attract Arab capital. Second, agricultural resources were the only natural resources the country possessed; in the early 1970s, Sudan was not known to have large deposits of oil and minerals.⁴ Moreover, the poor infrastructure, the narrowness of the internal market and the absence of a large urban working class did not make large-scale industrial development attractive to foreign capital. Thirdly, the agrarian bourgeoisie that was dominant during the 1960s was no longer powerful politically in 1973 and was not able to stop the comprador bourgeoisie from opening Sudan's agricultural sector to direct foreign investment.

The first change the government made in agricultural policy was to diversify out of long staple cotton (which historically accounted for around fifty percent of total exports) in favour of wheat, sorghum, groundnuts and medium staple cotton. Thus, the area under long staple cotton was decreased from 823,000 feddans in 1974/75 to 548,000 feddans in 1977/78 (Table 3), while the area under wheat was increased from 141,000 feddans in 1971/73 to 690,000 feddans in 1975/76, the area under groundnuts rose from 384,000 feddans in 1974/75 to 553,000 feddans in 1975/76, the area under sorghum rose from 402,000

TABLE 3

AREA UNDER COTTON AND YIELD PER FEDDAN, 1970/71 AND 1974/75-1977/78
(Area in thousands of feddens; yields in kantars per feddan)

	1970/71	1974/75	1975/76	1976/77	1977/78					
Area	Yield	Area	Yield	Area	Yield					
<u>Long and Extra-Long Staples</u>										
	<u>828</u>	<u>5.3</u>	<u>823</u>	<u>4.4</u>	<u>622</u>	<u>2.8</u>	<u>680</u>	<u>3.4</u>	<u>548</u>	<u>3.8</u>
Gezira Board	588	5.4	588	4.6	381	2.7	485	3.6	74	4.0
Agrarian Reform Corporation	240	5.0	235	4.0	241	2.8	195	3.0	68	2.9
Private Estates	-	-	-	-	-	-	-	-	6	3.5
<u>Medium Staples</u>										
	<u>184</u>	<u>3.4</u>	<u>237</u>	<u>3.2</u>	<u>204</u>	<u>2.2</u>	<u>196</u>	<u>3.6</u>	<u>423</u>	<u>3.9</u>
Khartoum-Girba	107	4.4	109	4.0	81	1.8	109	3.6	99	4.2
Gezira Board	-	-	-	-	-	-	-	-	45	7.5
Rahad'	-	-	-	-	-	-	-	-	50	6.0
TokorDelta	55	0.8	58	1.1	64	1.1	12	0.2	46	0.3
Zeidab Scheme	7	4.5	7	3.3	7	4.3	7	4.3	6	2.2
Other	15	5.8	63	3.4	52	3.9	68	4.7	177	1.8
<u>Short Staples</u>										
	<u>201</u>	<u>0.7</u>	<u>138</u>	<u>0.7</u>	<u>164</u>	<u>1.0</u>	<u>155</u>	<u>1.1</u>	<u>168</u>	<u>0.9</u>
<u>Total</u>	<u>1,213</u>	<u>4.3</u>	<u>1,198</u>	<u>3.7</u>	<u>990</u>	<u>2.4</u>	<u>1,031</u>	<u>3.1</u>	<u>1,139</u>	<u>3.4</u>

SOURCE: World Bank, Modernization on the Economy of Sudan, Report No. 2652, October 24, 1979, p. 60.

feddans in 1974/75 to 628,000 feddans in 1975/76⁵ and the area under medium staple cotton (used by the local textile industry) was increased from 237,000 feddans in 1974/75 to 423,000 feddans in 1977/78.⁵ In addition, the government discriminated against long staple cotton by applying an appreciated exchange rate of £S1 = \$2.87 for the conversion of cotton export receipts whereas all other exports and imports were converted the rate of £S1 = \$2.50.⁷ Thus, tenants were forced to pay the state high prices (in pounds) for imported inputs and received low prices from cotton sales. In addition, a fifteen percent export tax was levied on cotton but not on other crops.⁸ Second, the government decided to increase agricultural production on the two million feddans Gezira scheme through eliminating fallow from crop rotations and increasing the application of fertilizers and insecticides.

In addition to changing the cropping pattern, the government wanted to increase food production through raising its level of direct investment and through encouraging foreign capital to invest in Sudanese agriculture. The government erected about fifteen agricultural and agro-industrial projects, all executed by foreign firms.⁹ In addition, it attempted to attract direct foreign

investment by initiating a number of measures, the most important of which was to pay compensation to all foreign firms that had been nationalised in 1970. Diplomatic relations with the United States and West Germany were restored as a prelude to the inflow of aid and investment from these two countries. Relations were also improved with conservative Arab countries and cooled with Libya and Egypt. In addition, a series of laws were passed between 1972 and 1976 to encourage investment - for example, the Development and Promotion of Industrial Investment Act (1972), the Organization and Encouragement in Economic Services Act (1973) and the Promotion of Agricultural Investment Act (1976). Among the concessions given by these Acts were the grant of land for nominal rates, exemption from business profit taxes and custom duties for five years which could be extended to ten years if the company did not make profit in its first five years, free remittance of profits and assets, and protection against nationalization and confiscation.¹⁰

Why did the breadbasket strategy lead to Sudan's indebtedness? First, the policy of increasing the area under wheat and medium staple cotton was not advantageous in the case of Sudan. Normally a policy of expanding food production for the local market and creating linkages between agriculture and manufacturing is a desirable one as

it reduces dependence on foreign markets, increases the value added and achieves food security. However, in Sudan the result was a reduction in export production accompanied by increases in import volumes stimulated by the expansionary public investment programme, and this led to an increase in foreign debt and debt servicing obligations.¹¹ Besides, wheat is not an essential commodity in Sudan since sorghum is the main cereal in the traditional Sudanese diet and is consumed by almost ninety percent of the population. Wheat was brought to Sudan by the British and the Egyptians who were not accustomed to the coarse taste of sorghum. After independence, wheat became the main cereal among many of the urban dwellers who viewed it as a luxury commodity. Thus, the increase in wheat production was meant to satisfy the needs of a small percentage of Sudan's population and not to achieve food self-sufficiency. Food self-sufficiency had in fact already been achieved from the 1960s on, thanks to the expanded mechanized rainfed sorghum production. In addition, the increase in the area under medium staple cotton was a waste because it was not accompanied by a concerted policy to overcome the shortages of electricity, spare parts and skilled labour that hampered the local textile industry.¹²

Second, the policy of intensifying cultivation on the Gezira scheme also backfired and led to a collapse in yields of long staple cotton from 5.3 kantars per feddan in 1970/71 to 1.8 kantars per feddan in 1975/76, but then increased slightly to 3.4 and 3.8 kantars per feddan in 1976/77 and 1977/78, respectively (Table 3). These declines in yields were partly caused by increases in prices of oil-based fertilizers and insecticides after 1973 which led to shortages in these inputs caused by foreign exchange scarcities. Besides, the government gave priority in allocating foreign exchange to new schemes and this led to inadequate maintenance of the capital stock of the Gezira scheme and other established irrigated projects.¹³ In addition, the low cotton prices that tenants received from the state induced them to shift production inputs from cotton to wheat, groundnuts and sorghum which they could sell in the free market.¹⁴

Third, the government's attempt to attract direct foreign investment to Sudan was not successful. Sudan had poor infrastructure with only one all-weather road (the 390 kilometers Khartoum-wad Medani Highway) outside its main cities.¹⁵ Also it was viewed by foreign capital as an unstable country as the regime had barely survived the 1971 coup and was threatened by civil disobedience in late 1973.

In fact, and as mentioned earlier, Western firms moved into Sudan only after the state began its public investment programme which provided funds to foreign capital and thus enabled it to come to Sudan without the risk of bringing in its own capital.¹⁶

In addition, private Arab capital had little expertise in agricultural investment and hesitated to put its money in Sudanese agriculture.¹⁷ Thus, Arab governments decided to step in and do the job that their private business people refused to do (that is, to turn Sudan into the 'breadbasket' of the Arab world). In 1975, the Arab Fund for Economic and Social Development (an official multilateral Arab fund based in Kuwait) established the Arab Authority for Agricultural Investment and Development (AAAID) to invest an astounding five billion dollars in infrastructural and agricultural projects in Sudan over a period of twenty-five years.¹⁸ However, the AAAID was very slow in moving into Sudan and implementing its projects, and when it actually began its first scheme in 1978, Sudan was in the midst of negotiating an austerity programme with the IMF.

Faced with the fact that foreign capital did not 'rush' into Sudan in response to the breadbasket strategy and that government action was needed to stimulate economic

growth, negatively affected by political instability between 1969 and 1971, the government began borrowing abroad to erect a number of state-owned sugar and textile factories, to establish an irrigated project, and to upgrade the country's infrastructure. Usually, a policy of borrowing money to invest in productive schemes can be advantageous if the projects are operated profitably and are able ultimately to service the national debt. However, in Sudan borrowed funds were put in misplanned and mismanaged schemes that failed to service their debts and plunged the country into its debt crisis. As we point out in the next section, this failure was also caused by the corrupt and comprador nature of the dominant bourgeois fractions.

An Analysis of New State-owned Schemes in Industry, Agriculture and Infrastructure

One sector in which the state invested heavily was the sugar industry. To make Sudan a net exporter, four new factories were established simultaneously with a total annual capacity of 660,000 tons of sugar. The new factories, in addition to two old ones established by the state during the 1960s, were designed to produce a net surplus for export of 300,000 tons of sugar.¹⁹ Table 4 gives the details of the four sugar factories.

TABLE 4

SUGAR FACTORIES ESTABLISHED AFTER 1973

<u>NAME OF PROJECT</u>	<u>OWNERSHIP</u>	<u>YEARS OF CONSTRUCTION</u> Begins Finishes	<u>CAPACITY</u> (tons of sugar annually)	<u>EXTERNAL FINANCE</u>
Kenana	Sudan Government (41%) Saudi Arabia Gov. (11.9%) Kuwait Government (33%) Arab Investment Co. (11.9%) Gulf Fisheries (0.3%) Logrho (0.8%) Misho Iwo (0.3%)	1974 1980	330,000	Kuwait Government Saudi Arabia Government Arab Investment Company
Sennar	Government of Sudan	1974 1977	110,000	Kuwait Monetary Fund Lloyds Bank
Asalaya	Government of Sudan	1974 1979	110,000	The Afro-Arab Bank
Melut	Government of Sudan	1974 never completed	110,000	Credit Bank _____ Croir (Belgian Bank)

SOURCE: Compiled from various issues of the Monthly Sudanese (Khartoum), 1977-1983.

1. The reasons why Melut sugar factory were not completed are given below.

Why did the state invest so heavily in the sugar industry? First, sugar is the most important 'political' commodity in Sudan as it is consumed heavily (mainly with tea) by all sections in society, including subsistence peasants, nomads and the urban poor. As a result, removal of subsidies on sugar had been a sensitive question and had led to popular unrest in 1972, 1980 and 1982. Through achieving self-sufficiency, the government wanted to reduce price fluctuations arising from dependency on sugar imports. Second, foreign influences played an important role in the state's decision to develop the sugar industry. Rowlands of Lonrho was instrumental in selling the idea to Nimeiri that Sudan could "take over first place from Cuba"²⁰ in sugar production. The Kenana sugar factory, the largest of the four new sugar factories, was designed by Lonrho. Also in 1974 and 1975, some members of the Kuwaiti Royal Family, influenced by Lonrho's enthusiasm about Sudanese sugar, acquired 22.9 percent of Lonrho's issued shares.²¹ International sugar prices increased sharply from around \$60 per ton in 1973 to around \$700 per ton in 1974²² and this made it attractive for many governments (for example, Ivory Coast, Kenya, Sudan and Kuwait) to get involved in sugar production.

In spite of the fact that four new sugar factories were built to achieve a surplus for export, Sudan still imports sugar a decade later. One factory (Melut) was never erected although seventy percent of the machinery had been imported. The main problem was a series of conflicts between the banks, the contractor and the government. As documented below, two factories (Asalayar and Sennar) operated at less than thirty percent of installed capacity due to technical faults. Only Kenana produced at installed capacity, although the cost of production was well above the international level because of the technological and fuel intensity of the scheme and because of high capital costs. A detailed analysis of the failure of the sugar industry to produce an exportable surplus, and thus pay for its debt, is offered below.

The competitiveness of Kenana was undermined by a combination of mismanagement, selection of very expensive technology and delays in implementation. The cost of producing one metric ton of sugar at Kenana was estimated to be around £S654 (\$523) in 1980, while the projected international long-term price of sugar was estimated to be around \$352 per metric ton.²³ By comparison, the cost of producing one metric ton of sugar at the Gueneid factory was around £S200 per ton.²⁴

Various factors led to the high costs of production at Kenana. First, the factory is one of the most intensively mechanized sugar factories in the world. All operations at the Kenana sugar estate were mechanized except for ten percent of the cane harvest.²⁵ This degree of mechanization meant heavy imports of fuel and spare parts to operate the agricultural machinery. Besides, the factory was fed by a mechanical unloader from twelve-ton containers that brought the cane from the field. The factory also had a refinery to purify and to even the rough and uneven mill white sugar to suit the taste of the rich consumers in the Arab countries.²⁶ The capital intensity of Kenana was further reflected in the gigantic forty-megawatt turbine generators (the second largest in the country) and the five hundred expatriates employed at the estate. This large number of expatriates increased labour costs because of the high salaries and fringe benefits paid to them.²⁷

Why was Kenana built using expensive and fuel intensive technology²⁸ when Sudan suffered from shortages in capital and foreign exchange? The most important reason given by the state was to overcome the 'problem' of labour shortages. Sudanese planners and decision makers assumed in the early 1970s that Sudan would not have sufficient rural labourers to meet the demand of the existing schemes and the new ones

established after 1973. Their assumption was based on the frequent labour shortages experienced during the peak seasons of cotton and dura harvest and the long term projections made by the Sudanese bureaucracy which indicated that any further expansion in agriculture would require a supply of labour beyond the capacity of the economy.²⁹ In the early 1970s, it was assumed that the increase in cotton production alone would require a staggering 1.4 million migrant labourers to pick the cotton.³⁰ It was further assumed that Sudan would not have a sufficient supply of migrant labourers to meet the peak seasons' demand for the harvest of cotton, dura, groundnuts and sugar cane. As a result, both the World Bank and the Sudanese decision makers were in favour of mechanization to overcome the 'problem' of labour availability. The World Bank support for full mechanization was reflected in the Rahad scheme (discussed below) which was financed and designed by that institution.

However, an analysis of labour requirements and labour availability must go beyond the numerical aspect. Other important variables determine the extent of labour supply - for example, wage rates, recruitment mechanisms and selection of crop varieties with long harvest periods to overcome the pressures of peak seasons. Such variables were not taken into consideration by decision makers who focused

solely on the projected numbers of available workers based on historical experience.

One important factor that had restricted the availability of migrant labour was the very low wage rates paid to rural workers -- the lowest in the country. As a matter of fact, the average daily wage to seasonal agricultural labour decreased in real terms between 1955 and 1975.³¹ This decline resulted from deliberate state policies which depressed rural wage rates. For example, the management of the publicly-owned irrigated schemes indirectly determined the wage rates through the cash advances paid to the tenants to hire seasonal labour. Thus by giving tenants small amounts of cash advances, the state limited their ability to pay higher wages. Moreover, rural workers were not allowed to unionize, which limited their ability to put pressure on their employers to increase wages. Therefore, the periodic shortages of seasonal labour in Sudan could very well have been the result of the low wage rates which made it uneconomical for many nomads and peasants to seek employment on capitalist farms. Nevertheless, although the question of labour availability in Sudan is a debatable one,³² Sudanese policy makers were committed to the idea that Sudan had a labour shortage that could only be overcome through intensive mechanization.

Besides intensive mechanization, mismanagement resulted in cost overruns in the range of four hundred percent at Kenana. The initial cost estimate for launching at Kenana was \$250 million while the actual cost was around \$800 million.³³ As a result, the cost of capital charges (£\$350 per metric ton in 1980) was almost half of the total cost of production.³⁴

Part of the reason for Kenana's cost overruns was the wide discrepancy between the prices given in the feasibility study, prepared by Lonrho in 1973, and the actual prices. The feasibility study estimated the price of the factory to be \$42.5 million in 1973 while the actual price paid in 1975 was \$170 million. Furthermore, the feasibility study estimated the cost of erecting the factory to be \$8.2 million while the actual cost was a staggering \$42.5 million.³⁵ Both Lonrho (which had the contract to manage Kenana) and the Sudanese government blamed international inflation for the discrepancy between the prices given in 1973 and the actual ones paid in 1975. However, the more substantial reason was Lonrho's failure to obtain credit for the project from international capital markets. This failure prevented Lonrho from selecting the most competitive offers and contractors. When the U.S.A. and Britain's official export credit agencies (Eximbank and Britain's

Export Credit Guarantee Department, respectively) showed no interest in Kenana, Lonrho was forced to buy the factory equipment from Technip (a French company) which had the support of the official French export agency.³⁶ Technip's price was much higher than other tenders.³⁷ Similarly, to secure credit from the Kuwaitis, Lonrho gave a publicly-owned Kuwaiti company, International Contracting Company (ICC), the contract to build the irrigation system. However, this Kuwaiti company asked for, and got, an open-ended contract. The result was high prices charged by the ICC and a figure of \$102 million had been mentioned as the possible final cost.³⁸ A few months later, Lonrho revoked the ICC contract and awarded it to a British firm for a total cost of \$51.5 million. The Kuwaitis resented the withdrawal of their company's contract and for more than a year refused to pay their share in Kenana, delaying the work at the project.³⁹

The unjustified cost overruns show that Lonrho was either unqualified to plan and manage the scheme or had no long-term interest in its profitability. The structure of Kenana's equity -- with Lonrho holding less than one percent of the total shares (see Table 4) -- casts serious doubts on Lonrho's long term interest in the profitability of Kenana. Besides, Lonrho's management contract for Kenana stipulated

that the company would receive its \$250,000 annual fees regardless of Kenana's profitability.⁴⁰

As it became evident in 1976 that large amounts of new capital would be needed to complete the construction of Kenana, the Sudanese government turned to the Kuwaitis, who insisted on terminating Lonrho's management contract first. That could not be easily achieved because of the strong relations between Rowland and Nimeiri. Finally, in May 1977, the Sudanese government reluctantly went along with the Kuwaitis and voted to terminate Lonrho's management contract. Nimeiri's Minister for Special Affairs, Dr. Idris, sent a letter to Rowland in which he reminded Rowland that the government was not a majority shareholder in Kenana, and consequently was not responsible for the loss of the contract. Idris added "I hope that the decision of the company will not hinder in any way co-operation between the Sudan Government and Lonrho in the future."⁴¹

The attitude of the Presidency towards Lonrho's mismanagement of Kenana was a reflection and an indication of the behaviour of the class forces in control of the state, the comprador and the parasitic bourgeoisies. As other cases below will show, both bourgeois fractions were eager to invite foreign capital to Sudan and were not

willing to regulate and supervise the activities of the multinationals even when such activities were detrimental to the economy. Sadly, Lonrho's mismanagement of Kenana was by no means unique. As detailed below, gross irregularities in the other two new factories (Sennar and Asalaya) were reported and led to severe underutilization of installed capacity. Yet, the Nimeiri state took no action to correct the irregularities of Fletcher and Steward, the foreign company that built the Sennar and Asalaya factories.

The Asalaya factory had serious technical problems in the mill and the water pumps. The Electricity and Water Corporation could not provide sufficient power to Asalaya. Therefore, pumps did not have sufficient electricity and, as a result, only one quarter of the estate was cultivated because of water shortages.⁴² In addition, the British contractors (Fletcher and Steward) handed over the factory to the Sudanese management without testing it under load conditions (that is, with sugar cane) as the agreement stipulated. When the scheme management began crushing the cane, it was found that the mill had an inefficient lubrication system and the boilers generated steam that could crush only 3,800 tons of cane daily as opposed to its installed capacity of 6,500 tons of cane per day. The boilers were later found to be second-hand ones.⁴³ In addition, the

factory was built on a spot of land that suffered from earth upheavals, the irrigation network was not completed and had limited capacity.⁴⁴ Therefore, Asalaya produced only 7,560 tons of sugar in 1980 and 8,568 tons in 1981, whereas the the factory's capacity is 110,000 tons of sugar per year.⁴⁵ In 1982, the factory was closed down and negotiations started with the World Bank for its rehabilitation.

These incredible examples of mismanagement were also found at the Sennar sugar factory. As in the Asalaya factory, no earth analysis was made and the Sennar factory was also built on a site with earth upheavals.⁴⁶ In addition, the irrigation network was designed in a faulty manner. The canals were long and narrow which made the supervision of the water flow and cane transport inefficient and costly. As a result, not enough cane was grown at Sennar. As well, Sennar had labour shortages because no adequate accommodation facilities were built at the site. As a result, the Sennar factory produced at twenty percent of its capacity.⁴⁷

The fourth sugar factory at Melut was a complete failure. It was never erected although seventy percent of the factory machinery was paid for and brought into the country. The problems at Melut began in 1974 when the

Sudanese government failed to make the downpayment of ten percent of the total \$76.5 million value of the contract. As a result, the contractors refused to ship the factory machinery. The Government only came up with the ten percent downpayment in 1976, at which time the contractors shipped the machinery.⁴⁸ However, the government failed to move all the machinery from Port Sudan to the site because of transport bottlenecks. Only 7,456 tons of machinery were delivered at Melut while 1,300 tons sit idle, to this day, at Port Sudan incurring demourage costs of about \$1.5 million per year.⁴⁹ Furthermore, the government did not provide the local cement needed for construction because the country had shortages of cement. Finally, the contractors cancelled their contract with the government and asked for \$4 million in compensation. The government refused to pay and the contractors left Sudan. The machinery continues to lie idle at the site and the port and some 160 persons employed at Melut after 1974 continue to receive salaries without producing anything.⁵⁰

Why did the government implement the Melut sugar factory when it was beyond Sudan's financial and logistical capacity? The main reason was political: Melut is located in Southern Sudan, and it was necessary to appease the Southerners who supported the regime in the mid-1970s by

creating the impression that development was taking place in the South. Between 1974 and 1978, the regime was unwilling to admit its inability to erect the Melut sugar factory since it needed the Southerners' support in the face of opposition from the traditional bourgeois parties. The result was a waste of money on idle machinery and an unproductive labour force.

These problems at the new sugar factories led to Sudan's failure to become a sugar exporter. Sugar production from Kenana, Sennar and Asalaya was 187.5 thousand metric tons in 1982 while the nominal capacity of these factories was 550 thousand metric tons per year. This underutilization of capacity led the government to import around 170 thousand metric tons of sugar in 1982 to meet local demand.⁵¹ Thus, not only did the government fail to earn foreign exchange from the sugar industry to pay for that industry's debt,⁵² but it also had to spend foreign exchange on importing sugar for local consumption and on paying the debt on largely unused capital equipment.

Another industry in which the state invested heavily was textiles. Although the case of the textile industry did not fit in with the breadbasket strategy, its expansion was apparently sought as a means to achieve

self-sufficiency in textiles, to increase domestic value added and to secure an exportable surplus in an industry that did not require sophisticated technology. Nine spinning and weaving factories were thus established after 1976 (Table 5).

However, explaining why the government decided to build these state-owned textile factories is very difficult when the following factors are taken into account: first, in the early 1970s the private sector had five integrated mills (with spinning and weaving facilities) and three spinning mills all with a designed capacity of around two hundred million yards of cloth per year,⁵³ sufficient to meet local demand. Second, some of the private factories were joint ventures between private indigenous businessmen and foreign capital who naturally did not like competition from the public sector. In other words, the new public textile mills threatened to take markets from the comprador bourgeoisie involved in textile production. Third, all of the private textile factories faced severe shortages of skilled labour and managerial staff,⁵⁴ and the erection of more factories increased the pressure on the supply of skilled workers. Fourth, the new state-owned textile mills were planned during 1976 and 1977 when Sudan already was heading toward a financial crisis⁵⁵ caused by expansionary

TABLE 5

PUBLIC SECTOR TEXTILE FACTORIES ESTABLISHED AFTER 1972

PROJECT	COMPLETION DATE	ANNUAL CAPACITY	COST	SOURCE OF FINANCE	EXECUTING FIRM
Port Sudan Spinning	1980	5300 tons of fine yarn	£5.17.8 mn	West Germany U.S.A. U.K. France	Continuo Caro (West Germany)
Haj Abdalla Spinning	1981	7700 tons yarn	£5.20 mn	Abu Dhabi Fund	Union Master
Gedde Spinning and Weaving	1981	1650 tons fine yarn	£5.34 mn	Italy Loan	Impianti (Italy)
Kosti Weaving	1978	16 M. meters grey cloth	£5.6 mn	Lombert Bank (Belgium)	SOBERI (Belgium)
Shendi Weaving	1978	10 M. meters grey cloth	£5.6 mn	Lombert Bank	SOBERI
Dumla Weaving	1979	10 M. meters grey cloth	£5.6 mn	Lombert Bank	SOBERI
Nyala Weaving	1979	10 M. meters grey cloth	£5.6 mn	Lombert Bank	SOBERI
Kadogli Weaving	1979	10 M. meters grey cloth	£5.6 mn	Lombert Bank	SOBERI
Mangala Weaving	1981	10 M. meters grey cloth	£5.6 mn	Lombert Bank	SOBERI

SOURCE: Interviews at Ministry of Industry.

public investment activities. Finally, the World Bank and the IMF objected to these factories because of the financial crisis and because they increased public investment at the expense of the private sector.⁵⁶

How can we then explain the state's desire to go ahead with nine new textile mills? Two possible explanations are suggested: first, the state built the public textile factories to promote regional development and to lessen the potential threat of national disintegration caused by the overlap of regional and ethnic inequalities. Four of the nine textile mills were located in some of the most undeveloped and remote towns in Sudan (the Nyala, Kadugli, Mangala and Gado factories). In addition, the other three factories at Kosti, Shendi and Dueim were established in areas that could be considered undeveloped when compared to Khartoum, Port Sudan, or Wad Medani. However, this explanation of promoting regional development did not apply to the two factories at Port Sudan and Haj Abdalla. Second, it may be possible that some of these factories were initiated by nationalist technocrats so that the public sector could produce popular varieties of cloth for rural areas.

Yet by locating most of the state-owned textile factories in remote areas, their chances of being profitable were dimmed from the start. Most of these areas had inadequate supplies of power, running water or skilled labour. Furthermore, they were far from areas of cotton production and there was no efficient transportation network to move cotton and other raw materials to the factories. However, what was even more remarkable was the fact that the entire textile sector actually declined under the Nimeiri regime. Textile production from both private and public mills decreased from 120.3 million meters in 1975 to 63.2 million meters in 1981 in spite of the fact that production capacity was raised during the same period and stood at 300 million meters of cloth in 1980.⁵⁷ With an annual domestic demand of 200 million meters of cloth, Sudan had to import cloth valued at \$200 million in 1981 to meet local demand.⁵⁸

Thus, again, not only did the underutilization of production capacity lead to the inability of the textile industry to export and pay its debt, but foreign exchange had to be spent on imports of cloth.

Many factors caused the inefficiency in both the private and public textile mills that led to the decline in input noted above. Most importantly, severe power shortages in the late 1970s and early 1980s led to a forty percent

loss in productive capacity in the public mills and twenty percent loss in production in the private mills.⁵⁹ Loss in production in the private mills was minimized by the installation of diesel generators. However, even these generators did not solve the problem of power shortages because fuel was not always available. In contrast, the government was short of cash, and did not provide the public mills with generators.

This problem of power shortages affected almost every industry in the country. It resulted from the fact that the state did not expand the power supply to cope with the increase in demand. The contribution of the electricity and water sector to GDP declined from 2.5 percent in 1970 to 1.5 percent in 1975 and to one percent in 1980.⁶⁰ Yet, power consumption increased during the 1970s because of the increase in household and industrial consumption. The inflow of electrical durables from Sudanese working in the oil-rich Arab countries increased household consumption. In addition, the number of urban houses almost doubled in Sudan during the 1970s, built with wealth accumulated by Sudanese expatriates. This expansion in housing put a severe strain on the power supply and it was common in some areas of Sudan to have total power cuts which continued for weeks. As

well, the erection of new public and private industrial establishments increased the pressures on the power supply.

This crisis of power shortages resulted from bad economic planning: the state simply did not plan to install new power stations between 1975 and 1980. In addition, power cuts were applied first to the industrial areas and then to the residential areas. This strategy was designed to prevent political discontent from spreading among urban dwellers. As a result, scarce power was wasted on household consumption rather than being directed toward productive activities in industrial establishments. Another sign of mismanagement was the decision to overcome power shortages by allowing private generators to be installed in almost every house in the wealthy quarters and in every commercial and industrial establishment.⁶¹ The high cost of importing fuel and spare parts for private generators was uneconomical when compared to the cost of building new public power stations. The main reason for the increase in the use of private generators was the ability of wealthy individuals and companies to buy and operate them, while the government did not have money to build new power stations.

Besides power shortages, other problems crippled the textile industry: in the three most productive textile

mills operating in 1980, 125 workers had to be hired to maintain a labour force of 100 workers (a turnover rate of 125 percent).⁶² Textile workers were especially needed in the oil-rich Arab countries because of their skills, and emigration was very high among them. Emigration among the managerial staff created shortages in this category too. As a matter of fact, the years after 1974 witnessed an unparalleled exodus of Sudanese labour to oil-rich Arab countries which created acute shortages of skilled labour in Sudan precisely at a time when the state began its major developmental leap.⁶³

The public sector (including the publicly owned textile factories) was hardest hit by labour emigration.⁶⁴ Salaries and wages of public sector employees in Sudan were determined by the central government and not by individual producing units. As a result, the managers of publicly owned textile mills could not increase salaries and wages to attract employees to stay in Sudan, nor could they attract foreign workers by offering them high salaries. In contrast, the private textile mills overcame the problem of labour shortages by importing skilled labour from abroad and offering them high salaries. For example, in the most efficient private textile mill operating in 1980, all senior managers and professionals were expatriates -- a total of

thirty three persons. However, the cost was very high: although the expatriates in that mill formed only 2.2 percent of the total labour force, they accounted for thirty percent of total labour costs because of their high salaries and fringe benefits.⁶⁵

Why did the state not stop or regulate the exodus of skilled Sudanese workers? Emigration was viewed by the state as a source of foreign exchange earnings through remittances to Sudan. In addition, emigration was seen by the state as an outlet for political opposition. As expected, political followers of the banned political parties were among the first to emigrate as they were discriminated against by the state and, for many of them, it was difficult to move freely inside Sudan and earn a living. For the regime, the voluntary exile of its political opponents was more tolerable than their internal hostile activities.

Labour shortages caused by emigration was also one of the reasons contributing to the underutilization of capacity in the Rahad irrigated project. This scheme of approximately 300,000 feddans was established to grow cotton, groundnuts, vegetables and fruits for exports. The land of the Rahad was originally inhabited by a nomadic population of around 80,000 persons, and was divided into

13,000 tenancies of twenty-two feddans each to provide tenancies for all the families in the area. The scheme was a partnership between the state and the tenants; the state provided the machinery, water, seeds, and fertilizers while the tenants worked the land. The financing for the scheme came from loans from the IDA (\$62 million), the Kuwaiti Fund (\$50 million), the Saudi Fund (\$28 million), the Arab Fund for Economic Development (\$15 million), and USAID (\$11 million). The Sudanese Government provided the local currency equivalent of \$80 million.⁶⁶

The main reason for the failure of the Rahad scheme to pay for its debts was its capital and fuel intensity: acute shortages of fuel, spare parts and trained mechanics interrupted the production cycle and led to underutilization of capacity. Most agricultural operations at the Rahad scheme were mechanized; for example, land leveling, planting, inter-row cultivation and groundnut harvesting. The only manual operation was cotton picking and, even here, two mechanical cotton pickers were introduced on an experimental basis.⁶⁷

However, Sudan's chronic shortages of foreign exchange made the production processes at the Rahad scheme extremely vulnerable to shortages of imported inputs. For

example, the 1978/79 groundnut crop was not sown in time because of fuel shortages which continued for the months of June and July 1978. Finally, tenants began sowing by hand but were stopped by scheme management so that the late groundnut harvest would not interrupt the sowing of cotton.⁶⁸ In addition, heavy rains in August and September 1978 delayed the preparation of the plots for the mechanical planting of cotton (which usually took place in late September and early October). This showed how mechanical operations were vulnerable to heavy and untimely rains. Moreover, water shortages killed some of the cotton crop in November 1978 because water pumps on the Blue Nile that were supposed to supply the scheme with the waters did not have sufficient electricity.⁶⁹ In sum, Sudan's foreign exchange shortages, the emigration of large numbers of its skilled mechanics to oil rich countries and transport bottlenecks, made production processes at the Rahad very vulnerable.

There were many reasons for the state's choice of capital and fuel intensive technology at the Rahad: first was the assumption that intensive mechanization would lead to more yields, guaranteed harvests and guaranteed earnings. Intensive mechanization enabled the management of the scheme to control the production processes by virtue of its control over the machinery. Thus, management could determine and

control crop varieties, the area to be planted, and the timetable for sowing, watering, spraying and harvesting. In other words, intensive mechanization reduced management's vulnerability vis-à-vis labour while tenants lost control over the production processes. Second, intensive mechanization was intended to prevent the Rahad scheme from competing with adjacent agricultural schemes (such as the Gezira and the mechanized rainfed farms) for the supply of labour and thus to maintain rural wage rates at stable levels. Finally, the creditors of the scheme made their loans conditional on growing export crops (especially cotton and groundnuts) so that they could retrieve their money.⁷⁰ As a result, the creditors pushed the state to use intensive mechanization in order to give it the power to ensure the growing of export crops rather than cereal crops which might be preferred by tenants, especially during periods of local food shortages.

The mismanagement by the state of the new agricultural and industrial projects further extended to the sector of infrastructure. The state borrowed heavily to build new roads between some of Sudan's main cities and to increase the country's supply of irrigated water. However, the choice of projects and the choice of techniques further exacerbated Sudan's debt burden.

It was clear in the early 1970s that Sudan needed to upgrade its transportation network to cope with the new developmental push. Two basic alternatives existed at the time: either to increase the capacity of the railways through more equipment and making the single track a double one, or to build new all-weather roads.⁷¹ The former alternative was less expensive as it would have built on existing capacity and lessened Sudan's import of fuel and spare parts for road vehicles. Nevertheless, the state chose to build more than 1,000 kilometers of new roads. Thus, road haulage, which accounted for only twenty-five percent of total freight traffic in 1971, became the major mode of transportation in 1980 and accounted for more than sixty percent of total freight traffic.⁷² This expansion in road transport strained Sudan's balance-of-payments as it increased the imports of road vehicles, fuel and spare parts. The number of registered vehicles in Sudan almost doubled between 1970 and 1980 while fuel consumption increased from 792.8 thousand metric tons in 1975 to 1,026.3 thousand metric tons in 1982.⁷³ (The increase in fuel consumption was less than the increase in the number of vehicles because of fuel shortages after 1977).

Why did the state opt for the more expensive alternative of improving road transportation? First, the

state wanted to break the political power of the railway workers by reducing the importance of the railway in the whole economy. Historically and in the absence of other modes of transport in Sudan, strikes by railway workers had brought the country to a standstill, which often forced the state to give in to their demands. Second, the state wanted to obtain the support of the private sector which would find new areas of investment (for example, moving goods and people) open with improvement in road transport.

A second case of a fuel and capital intensive infrastructural project was the 350-kilometer Jonglei Canal in Southern Sudan. The Jonglei Canal was intended to save four billion cubic meters of water per year that were lost to the swamps in Southern Sudan. Its waters were to be used in Northern Sudan to expand the area under irrigated agriculture. The cost of the canal, and the waters saved, were both to be shared equally by Sudan and Egypt. A huge bucket wheel excavator that could shift 3,000 tons of soil daily was used. When work began in 1975 it was estimated that it would take merely three years to finish the canal. However, shortages of fuel delayed the work and by 1982, only 211 kilometers of the canal had been dug. Finally, work on the canal was suspended indefinitely in early 1983.

after the expatriates working at the site had been attacked by the Southern-based Sudanese People's Liberation Army.⁷⁴

The Structure and Terms of Sudan's External Debt

The abovementioned series of bungled projects financed through foreign borrowing led to Sudan's inability to service its debt after 1977. But the debt crisis was aggravated also by the unfavourable terms of Sudan's debt and the fact that more than half of the country's total debt did not go into development expenditure, as we show below.

Sudan's debt service burden increased from eleven percent to thirty-five percent of total foreign exchange earnings between 1973 and 1978.⁷⁵ In dollars, the debt service burden increased from \$55 million in 1973 to \$300 million in 1978.⁷⁶ This sharp increase resulted from the fact that around three billion dollars of foreign debt was contracted between 1973 and 1978 and more than sixty-five percent of that debt was on hard terms, averaging 7.1 percent, a maturity of 9.7 years and a grace period of 3.1 years.⁷⁷

Between 1973 and 1982, Sudan contracted a foreign debt of around seven billion dollars. However, only \$1.8

billion went into financing the new schemes established by the state after 1973. The balance of \$5.2 billion did not go into development investment as shown by the breakdown of Sudan's foreign debt in Table 6.

TABLE 6

The Breakdown of Sudan's Foreign Debt: 1978-82
(\$ Million)

SECTOR	AMOUNT
Agriculture	300
Industry	500
Infrastructure	1,000
Balance-of-Payments Support	1,800
Military Debt	200
Unspecified	500
Principal and Interest Arrears	2,700
TOTAL	7,000

SOURCE: Tabulated from figures from the World Bank, Sudan: Investing for Economic Stabilization and Structural Change, report no. 3551a-Su, February 16, 1982, pp. 20-24, and IMF, Sudan: Request for Stand-by Arrangement, January 7, 1983, pp. 30-32.

The largest component of Sudan's debt resulted from principal and arrears accumulation between 1977 and 1982. Because of the exceptionally hard terms of Sudan's debt between 1973 and 1977 mentioned above, combined with the fact that public projects financed through external borrowing did not generate an exportable surplus, the country was unable to meet all its debt service obligations.⁷⁸ As a result of arrears accumulation, Sudan's debt profile in 1980 was much worse than the average situation for Sub-

Saharan Africa: total public debt as a percentage of exports of goods and services was 425 percent for Sudan compared to an average of 91 percent for Sub-Saharan Africa.⁷⁹

Why were the terms of Sudan's debt so unfavourable and why did the Government accept them? The answer is mainly found in a decree of the Council of Ministers in February 1973 which authorized every Ministry and Public Corporation to contract foreign loans without seeking the approval of the nationalist technocrats at the Ministry of Finance and the Bank of Sudan.⁸⁰ As a result, a large percentage of Sudan's debt was contracted on hard terms because most Ministries and Public Corporations had no financial experts and were eager to find foreign loans regardless of the costs. In addition, until 1980 no one in Sudan had comprehensive figures of the country's total external obligations because no central office existed to record all debts. This lack of information led the IMF to ask the Government of Sudan in 1980 to hire a foreign bank (Morgan Grenfell of London) and a foreign accounting firm (Peat, Marwick and Mitchell) to collect the information on Sudan's external obligations from its creditors.⁸¹

The government justified its dismantling of bureaucratic controls by claiming that they delayed the financing and implementation of the development projects.⁸² More than that, the Council of Ministers also decided in February 1973 that any Ministry and Public Corporation could negotiate directly with foreign financiers and contractors without going through the procedures of international public tenders on the grounds that public tenders did not always guarantee the best offer and were a source of bureaucratic delays.⁸³

The result of the February, 1973 decrees was the bankruptcy of Sudan: loans were contracted not because their terms were appropriate and attractive but because middle persons received their commissions.⁸⁴ The best example was the \$200 Eurodollar loan arranged exclusively by Khashoggi, Idris and Nimeiri discussed in the previous chapter. Because the interest rate on that loan was not fixed, Sudan had to pay a rate as high as sixteen percent in one year.⁸⁵ It is worthwhile mentioning that Chase Manhattan had offered a competing loan which carried a fixed interest rate of five percent.⁸⁴ However, Khashoggi's loan was accepted over that of Chase Manhattan's because the latter did not involve paying commissions. (According to one source, the ex-President of the World Bank, R. McNamara,

had commented that the terms of the \$200 million loan reflected either mismanagement or corruption).⁸⁶

Although it is very difficult to estimate how much money Sudan has lost because of the dismantling of controls, it may be as much as \$500 million. This is the amount of money classified by the IMF as 'unspecified': neither the government, the IMF nor the creditors could tell where that money has been spent.

It was only in 1978 that the IMF forced the Government to give the authority to borrow abroad to the Ministry of Finance and to establish a debt management unit within this Ministry. The result was an improvement in the terms of Sudan's debt after 1978: an average maturity of twenty-two years inclusive of a six-year grace period, an average interest rate of 4.4 percent and an overall grant element of thirty-nine percent.⁸⁷

However, the burden of Sudan's debt did not improve after 1979 primarily because arrears, which began accumulating after 1977, were not rescheduled on easy terms. Two rescheduling agreements were reached with the Western official creditors (members of the Paris Club) in November 1979 and March 1982. The 1979 agreement stipulated that

fifteen percent of total arrears (which stood at \$500 million) were to be repaid between October 1979 and June 1981, while the remaining eighty-five percent were to be repaid over a ten-year period, including a grace period of only three years.⁸⁸ In addition, the agreement did not fix a concessional interest rate but left the determination of interest rates to bilateral negotiation between Sudan and each of its Western creditors. There is no evidence that any of the Western creditors gave Sudan soft rates. The second agreement of 1982 was not much of an improvement: the grace period was extended from three to four and a half years after which payments were to be made over a five-year period.⁸⁹ Interest rates were left to bilateral negotiation, which indicated that not all official creditors were willing to commit themselves to concessional rates.

Rescheduling agreements with private financial institutions were made on harder terms. An agreement was reached with all private banks in December 1981 to reschedule \$400 million in arrears before December 1979, over a seven-year period inclusive of a three-year grace period. In addition, the interest rate was set at 1 3/4 percent above LIBOR.⁹⁰ Arrears between December 1979 and December 1981 (\$115 million) were rescheduled over a three-year period inclusive of a one year grace period. Besides, the

agreement stipulated that the Government of Sudan must make a downpayment of \$106 million in March 1982.⁹¹ Because arrears were rescheduled over short periods of time with commercial interest rates, which were very high in the early 1980s, debt service obligations after 1982 increased sharply. Total debt service (including service on rescheduled debt) was around \$1 billion in 1983/84 and \$1.2 billion in 1984/85, while foreign earnings from goods and non-factor services during the same years were \$840 million and one billion dollars, respectively.⁹² As the debt burden became totally unmanageable after 1982, the IMF called upon Sudan's creditors "to seek a global restructuring of external debt ... that takes into account Sudan's future foreign exchange earning prospects."⁹³

Conclusion

Why did the state allow economic mismanagement to continue? Why was no action taken to increase supervision over foreign firms, to move away from capital and fuel intensive technology to more labour intensive ones, to reduce the inflow of luxury imports and increase exports, to regulate the outflow of skilled labour and to overcome infrastructure bottlenecks?

The main argument is that those with state power misused their power and were mainly concerned with enriching themselves and far less concerned with economic efficiency and good management. In large part this was due to the nature of the comprador and parasitic bourgeoisies who dominated inside the state. Having come to power through undemocratic means and lacking a popular base of support, these non-productive elements of the bourgeoisie sought to exploit their positions to acquire wealth as quickly as possible so that they would have financial security in the event that they might lose their positions as rapidly as they had gained them. This was particularly true of some of Nimeiri's Ministers and officials who were appointed and, as we have seen, after short terms in office, dismissed by the President.

In addition, the configuration of class forces after 1973 was not conducive to moving the state toward improving its management of the economy. The ruling class fractions, the comprador and parasitic bourgeoisies, were not concerned or interested in fighting mismanagement and inefficiency. In fact, the parasitic bourgeoisie thrived in such an atmosphere; for example, inefficiency and underutilization of productive capacity created shortages.

which enabled the parasitic commercial bourgeoisie to sell at black market prices.⁹⁴

The productive bourgeoisie and nationalist technocrats have an interest in a well-managed economy and a stable state to guarantee their incomes. However, the nationalist and productive bourgeoisies were excluded from state power and were in no position to shape and influence state policy. Their political ineffectiveness was further exacerbated by the weakened position of the technocrats -- the allies of the productive bourgeoisies. As mentioned above, a large number of technocrats had left Sudan seeking higher salaries in the oil-rich Arab countries. Those who remained in Sudan were mostly frustrated by their inability to overcome the mismanagement and corruption that had spread under the Nimeiri regime. In addition, they had to waste long hours queuing for petrol, bread and other necessities.

The working class was also in no position to force the state to solve the country's economic ills. First, the working class had lost its political independence when it was incorporated into the Sudanese Socialist Union and when an unrepresentative leadership was imposed on it by the state. Second, the Communist Party, which historically provided the leadership of the working class movement, was

weakened after the events of July 1971. Finally, most of the workers suffered from the escalating costs of living during the 1970s, when inflation averaged around twenty-five percent per year,⁹⁵ and were primarily concerned with sheer survival.

In sum, Sudan's debt crisis was caused by the economic policies pursued by the comprador and parasitic bourgeoisies. Most important was the fact that massive foreign loans, contracted on unfavourable terms, were invested in badly planned and managed schemes. In addition, imports of fuel, capital and luxury goods increased sharply while exports declined and the balance of payments deficits were covered through external borrowing. After 1977, the state began falling behind on interest payments and, as a result, disbursement of foreign loans began to decline.

Sudan's creditors made the disbursement of more loans conditional on Sudan's acceptance of IMF policies. Between 1978 and 1984, Sudan did implement policies that were recommended by the IMF and the World Bank. The next chapter will analyze the rationale behind those policies and their impact on Sudan's political economy.

FOOTNOTES

1. Between 1969 and 1972 the economy declined by about five percent per year; see World Bank, Sudan: Investing for Economic Stabilization and Structural Change, report no. 3551a-SU, February 16, 1982, p. 5.
2. Address by Sudan's Foreign Minister at the United Nations General Assembly in 1974, cited in John Waterbury, "The Sudan in Quest of a Surplus: Dreams and Realities", American Universities Field Staff Papers, North East Africa Series, XXI, 8 (1976) p. 7.
3. FAO "Perspective Study of Agricultural Development for the Democratic Republic of the Sudan," Rome, April 1973, p. 4.
4. Oil was discovered in 1978. However, the quantities discovered were only sufficient for domestic needs.
5. This is the irrigated area of sorghum and not total area (which includes also mechanized rainfed and non-mechanized rainfed areas). Unlike cotton and wheat, most of Sudan's sorghum and groundnuts are produced in rainfed and not irrigated areas.
6. World Bank, Sudan: Pricing Policies and Structural Balances, Vol. II, report no. 4528a-Su, November 10, 1983, p. 117-119.
7. Ali Abdel Gadir Ali, "The Devaluation Debate: A Documentary Approach," in Ali Abdel Gadir Ali (ed.), The Sudan Economy in Disarray (London: Ithaca, 1985), p. 45.
8. World Bank, Sudan: Pricing Policies and Structural Balances, Vol. III, report no. 4528a-Su, November 10, 1983, p. 13.
9. World Bank, Sudan: Investing for, p. 5.
10. The General Secretariat for Investment, "Possibilities of Investment in Sudan," Paper presented to the Second Conference of the Arab Businessmen, Casablanca, 1983, pp. 10-15 (in Arabic).
11. See details in section three.
12. See the discussion on textiles below.
13. World Bank, Sudan: Investing for, p. 65.

14. The state had a monopoly over cotton marketing but not over other crops.
15. The Economist Intelligence Unit, "Country Profile: Sudan," 1986-87, p. 31.
16. Ahmed A. Ahmed, "Foreign Investment in the Sudan," Sudan Notes and Records, LVIII (1977), pp. 135-141.
17. As the oil rich Arab countries are non-agricultural, their private entrepreneurs are largely involved in commerce, finance, real estate and services. Thus, Arab capital that moved into Sudan after 1974 largely invested in banking, real estate and commerce, for example, Faisal Islamic Bank, Baraka Bank, Middle East Bank, National Bank of Abu Dhabi and Oman Bank. Most of these banks invested in commerce and real estate.
18. The Economist Intelligence Unit, p. 14.
19. Thevald Moe and Sami Haddad, Sudan: Export Development Study, World Bank report no. 4263-SU, Eastern Africa Regional Office, December 1982, p. 14.
20. John Waterbury, "Sudan in Quest of a Surplus: Part III," American Universities Field Staff Paper, XXI, 10 (1976), p. 4.
21. Suzanne Cronje, Margaret Ling and Gillian Cronje, Lonrho: Portrait of a Multinational (London: Julian Friedmann Books, 1976) pp. 26-30.
22. Waterbury, p. 6.
23. Moe and Haddad, p. 18.
24. Ibid., p. 15. Gueneid was built in the 1960s and does not have large import content like Kenana because of its labour-intensity.
25. James Buxton, "Harvest Output Rising Daily", Financial Times, London, February 27, 1981, pp. 31-32.
26. James Buxton, "Sophistication in the African Hinterland," Financial Times, London, February 27, 1981, p. 32
27. A Sudanese engineer who worked at Kenana sent a letter to the monthly Sudanow in which he complained that his expatriate foreman received three times his salary. See "Apartheid at Kenana", a letter by Robert Seyis, Sudanow (March 1983), p. 7.

28. The employment of capital and fuel intensive technologies was by no means limited to Kenana, but was rather a general state policy (see the statement by Sudan's Foreign Minister on p. 133 above). In the state-owned Rahad irrigated scheme, all agricultural operations were mechanized except for cotton picking. Similarly, the digging of the 350-kilometer Jonglei Canal was done by a gigantic 2,000-ton single-bucket wheel excavator. As a result, a strain was put on the balance-of-payments because of the need to import large volumes of fuel and spare parts.
29. World Bank, Sudan: Pricing policies, Vol. III, pp. 39-40.
30. Loc. cit.
31. Jay O'Brien, "The Formation of the Agricultural Labour Force in Sudan," Review of African Political Economy, 26 (July 1983), p. 16.
32. A World Bank report, Sudan: Pricing Policies Vol. III, pp. 35-52, cast serious doubts on the assumption that labour supply in Sudan could not cope with the expansion of capitalist agriculture.
33. Moe and Haddad, p. 18.
34. Loc. cit.
35. "Kenana: Exit Lonrho", Sudanow (August 1977), pp. 30-32.
36. James Buxton, "The Growing Pains of a Grand Idea," Financial Times, London, February 27, 1981, p. 32.
37. Loc. cit.
38. "Kenana: Exit Lonrho," p. 29.
39. Ibid., p. 30.
40. Ibid., p. 32.
41. Ibid., p. 33.
42. Mustafa el-Sunni, "Little Success with Six," Sudanow, October 1980, pp. 9-10.

43. el-Sunni, pp. 9-10; see also Berhane Woldegabriel, "Hajar Asalaya Sugar Factory: A Bitter After Taste?" Sudanow, May 1980, pp. 29-30.
44. Woldegabriel, p. 30.
45. Loc. cit.
46. Moe and Haddad, p. 14.
47. el-Sunni, p. 10.
48. Nagi Boulis, "Melut Sugar Factory: Rebirth or Death?" Sudanow (October 1982), pp. 36-37.
49. Loc. cit.
50. Loc. cit.
51. Moe and Haddad, p. 14.
52. Debt figures for different industries are not available due to the poor statistical recording system. Debt figures are only by sectors. The total debt of the agricultural and industrial sectors between 1974 and 1982 was \$800 million dollars. (See World Bank, Sudan: Pricing Policies, Vol. II, p. 48).
53. Moe and Haddad, p. 9.
54. Ibid., p. 12.
55. See details in next chapter.
56. World Bank, Sudan: Investing for, pp. 1-2.
57. Moe and Haddad, p. 7.
58. Loc. cit.
59. Ibid., p. 13.
60. Ministry of Finance, Government of Sudan, Annual Economic Review, 1979-1980, Government of Sudan Press, 1980, p. 14.
61. In Khartoum incredible noise is caused by private generators in the market areas and the wealthy neighbourhoods.
62. Moe and Haddad, p. 13.

63. According to one survey, almost forty percent of Sudan's doctors, thirty percent of its engineers, forty-five percent of its surveyors, twenty-five percent of its academics, besides a high percentage of its carpenters, mechanics and electricians, left Sudan between 1973 and 1977 (see Mohammed Galal el-Din, "A preliminary Note on Sudanese Emigration to oil-rich Arab countries," Sudan Journal of Economic and Social Studies, 2, 2 (1978), pp. 56-56). The magnitude of emigration is further illustrated by the fact that in 1980, 15,000 of the 35,000 Sudanese who went on a pilgrimage to Saudi Arabia did not return to Sudan (see World Bank, Sudan: Investing for p. 118).
64. For example, in 1976 and 1977, the Ministry of Works lost 99 engineers and 275 skilled workers of various specializations, the Ministry of Housing lost 31 engineers and the General Corporations for Agricultural Production lost 467 employees (see Ali A. Suliman, "Factors Affecting Public Sector Salaries Policies in the Sudan," unpublished paper, December 1979, pp. 40-41, mimeo).
65. Moe and Haddad, p. 9.
66. Jay O'Brien, "Agricultural Labour and Development in Sudan," Ph.D. dissertation, University of Connecticut, 1980, p. 308.
67. Ibid., pp. 313-314.
68. Loc. cit.
69. Loc. cit.
70. Ibid., pp. 342.
71. Interviews at the Ministry of Transportation, December 1983.
72. World Bank, Sudan: Investing for, p. 102. This report further asserted that the cost of developing road transport was higher relative to other modes.
73. World Bank, Sudan: Pricing Policies, Vol. 1, pp. 38-39.

74. The Sudanese People's Liberation Army was formed in 1983 from Southern army officers and soldiers who defected from the army. Its leader is Dr. Colonel John Garang. Unlike the separatist Anya Nya movement, the Sudan People Liberation Army is a nationalist and leftist movement which seeks to capture the state and to redistribute the country's wealth to the undeveloped regions in Southern, Western and Northern Sudan.
75. World Bank, Memorandum on the, p. 8. Total foreign exchange earnings is made up of exports of goods and non-factor services and remittances.
76. Loc. cit.
77. Ibid., pp. 8-9.
78. World Bank, Sudan: Investing for, p. 21.
79. Ibid., p. 22.
80. "Press Conference by the Minister of Finance," al-Ayyam, daily, Khartoum, 4 June, 1985, p. 1.
81. IMF, Sudan: Recent Economic, pp. 45-46.
82. "Press Conference by," p. 3.
83. Loc. cit.
84. The book by Mansour Khalid, al-Sudan wa al-Hufy al-Muzlim (London: Edam Publishing House, 1985), tells of no less than fifteen cases where considerable losses of Government funds.
85. Ibid., p. 156.
86. Ibid., p. 159.
87. IMF, Sudan: Recent Economic, p. 46.
88. Ibid., p. 48.
89. Loc. cit.
90. Ibid., p. 50.
91. Ibid., pp. 50-51.
92. World Bank, Sudan: Pricing Policies, Vol. 1, p. 27.

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MICRO

93. IMF, Sudan: Request for, p. 31.
94. There is no 'hard' evidence to show the extent of black market activities in Sudan during the 1970s. However, having lived in Khartoum between 1974 and 1979, these were some of the commodities that people had to buy from the black market at one time or another: edible oil, fuel, soap, matches, salt, bread, charcoal, cooking gas, automobile spare parts, cement and other building materials.
95. IMF, Sudan: Recent Economic, p. 67.

CHAPTER FIVE

THE MANAGEMENT OF THE DEBT CRISIS, 1978-1983

The development strategy adopted by the comprador bourgeoisie in 1973 resulted in a severe deterioration in Sudan's balance-of-payments. On the one hand, discrimination against exportable long staple cotton discussed earlier led to a decline in cotton exports from 1,292,000 bales in 1972 to an average of 780,000 bales per year between 1974 and 1977.¹ As a result, real exports decreased by around thirteen percent between 1970 and 1977.² On the other hand, an expansionary public investment programme that emphasized the use of capital and fuel intensive technology coincided with sharp increases in international prices of fuel and capital goods in 1974 and led to an increase of more than one hundred percent in Sudan's imports.³ Petroleum imports increased from \$52 million in 1974 to \$121 million in 1977 and machinery imports rose from \$73 million in 1972 to \$143 million in 1977.⁴ As a result, the current account deficit increased from \$65 million in 1973 to \$641 million in 1975 and remained over \$500 million per year between 1976 and 1978.⁵

Of course, the magnitude of this deficit could not be sustained for a long time. It will be shown below that recommendations to arrest the deterioration in Sudan's balance-of-payments came from two competing forces, the Sudanese technocrats at the Ministry of Finance and the Bank of Sudan, and the IMF. Basically, the IMF called for a devaluation of the pound, liberalization of payments and deflationary policies, as a means to reduce the deficit, while the technocrats opposed the devaluation and advocated import controls and the encouragement of cotton exports. At first, between 1976 and 1978 the government adopted neither the recommendations of the IMF nor those of the technocrats. The reasons for such inaction will be explained below.

This situation changed in 1978 when Sudan's creditors tied their financial assistance to Sudan's implementation of IMF policies. The dominant comprador and parasitic bourgeoisies were unwilling to lose the support of their external allies and, therefore, enforced the policies recommended by the Fund. It will be argued that IMF policies were faulty as they failed to address the causes of the crises. Moreover, they were implemented in an inconsistent way. Thus the country's social, political and economic crises deepened after 1978.

To understand the failure of the IMF policies in Sudan, this chapter will start by describing the pressures put on the government to implement IMF policies. Then it will explain how and why the IMF policies of devaluation of the pound and liberalization of payments failed to reduce the deficit in Sudan's balance of payments. It also will analyze why the government was unable to implement the IMF deflationary policies and with what results. Finally, it will be argued that agricultural production did not increase because the IMF and World Bank were more concerned with privatization (that is, reducing the size of the public sector) than with overcoming the problems that impeded production such as shortages of spare parts, intermediate goods and skilled labour. We now analyze the background to the implementation of the IMF policies.

Background to the Implementation of IMF Policies, 1976-78

During 1975 and 1976, the IMF had expressed concern with the increasing gap in Sudan's balance of payments and urged the government to devalue the pound by thirty percent to encourage exports and to discourage imports.⁶ However, the IMF failed to influence the government at that time partly because the Sudanese technocrats at the Ministry of Finance played an important

role in presenting counter arguments to those of the IMF. Basically, the technocrats prepared studies which showed that a depreciation of the exchange rate would not lead to a reduction in imports and an increase in exports because the elasticities of demand for both Sudan's imports and exports were low.⁷ In other words, a reduction in the dollar value of exports and an increase in the pound value of imports would not lead to a significant change in demand. In addition, the technocrats warned that devaluation would increase the cost of living and the costs of investment expenditures because of their large import content.

As an alternative to the IMF recommendation of devaluation and liberalization, the Sudanese technocrats recommended import controls to reduce the inflow of foreign goods into Sudan and thus reduce the gap in the balance of payments.⁸ However, other recommendations by Sudanese technocrats concurred with those of the IMF, for example, raising cotton prices paid to tenants and reducing current government expenditures in order to curb deficit financing and inflation.⁹ However, the government did not implement the recommendations of its technocrats because they contradicted the main thrust of the breadbasket strategy

(which emphasized food rather than cotton production and more rather than less development expenditure).

Moreover, the government did not follow the advice of the IMF because of its fear of the political repercussions of depreciating the exchange rate and increasing the cost of living. As the regime had barely survived a coup attempt in 1975 and an armed rebellion by the followers of the Umma Party in 1976, it naturally wanted to avoid an increase in its popular isolation. Besides, the regime was aware that deflationary monetary and fiscal policies would reduce development expenditures and would lead to a recession -- which was politically unacceptable.

In addition, the IMF did not have the strong support of Sudan's Arab creditors at this time. The oil-rich Arab countries that supplied Sudan with more than fifty percent of its loans had faith in the country's potential. More importantly, Sudan was still servicing its debt in 1975 and 1976 and its credit worthiness was not in question.

However, in 1977/78 the financial situation worsened as arrears began to accumulate and creditors reduced their disbursements to pressure the government to

implement IMF policies. Net disbursements from foreign loans and other capital inflows declined from an average of \$480 million per year between 1974 and 1976 to a meagre \$35 million in 1977.¹⁰ By this time the American export credit guarantee agency (Exim Bank) had stopped authorizing guarantees for American exports to Sudan. Saudi Arabia and the other oil-rich Arab countries made it clear to Sudan in 1978 that they would not extend any new loans until the country reached an agreement with the Fund. Thus, when Sudan asked Saudi Arabia to make up for the shipments of Iraqi oil withheld because of arrears, the request was turned down.¹¹

However, the government continued to resist IMF demands, even when, in early 1978, reserves dropped to \$28 million - sufficient for only a few days' worth of imports.¹² Finally, the Saudis, invited to join the negotiations by the Fund in February 1978, promised to give Sudan \$700 million on condition that it would accept the Fund's recommendations.¹³ In June 1978, Nimeiri himself visited Saudi Arabia but failed to change the Kingdom's decision. A few days later he bypassed the objections of his technocrats and announced that Sudan had reached a one-year stand-by agreement with the IMF.¹⁴

Why did Saudi Arabia (Sudan's largest creditor) decide to support the IMF against Sudan? The Saudis and the other oil producing countries behaved as prudent creditors and wanted to ensure that their money would be paid back. They viewed the Fund as the agency best equipped to manage international debt crises and to secure the creditors' interests. Thus, Saudi Arabia increased its IMF quota by \$3.3 billion in 1981 to become the sixth largest member,¹⁵ and this entitled it to a permanent seat in the Executive Board -- a privilege enjoyed only by the USA, Britain, West Germany, France and Japan. Needless to say, a country that becomes a permanent member in the Executive Board of the IMF must firmly believe in the objectives of that organization.

Nimeiri's decision to support the IMF against the Sudanese technocrats marked the end of their active participation in the negotiations between the Fund and the government. After June 1978, IMF teams that visited Sudan dealt directly with the President and his top political aides.¹⁶ That made their task easier as the President and his political advisors were not trained economists and could not argue with the IMF technocrats. In addition, after 1981, most IMF policies implemented in Sudan were announced to the public by the President. As one observer commented:

Given the drastic nature of the programme no Finance Minister could have dared to announce it. The IMF operatives in the Sudan, having lived in the country long enough to appreciate the political treachery of their proposed solutions, decided to go for the kill, so to speak. Hence the preemptive announcement of the programme by the President.¹⁷

Sudan's relationship with the IMF between 1978 and 1983 was formalized in a series of agreements. The first one-year agreement, signed in June 1978, was followed by a three-year extended arrangement signed in May 1979. However, the extended arrangement became inoperative in the third year (mid 1981) because performance deviated from the targets. Another one-year stand-by agreement was signed in February 1982, followed by another one-year stand-by agreement signed in January 1983.¹⁸ In addition, the World Bank provided four conditional loans in the early 1980s for the rehabilitation of the agricultural sector.

In all these agreements, the objectives of the IMF were stated and restated consistently:

The principle objectives of the adjustment programs were to expand the pace of economic activity while containing the deficit on the current account of the balance of payments. The objectives were to be achieved through mutually reinforcing policies including: (1) structural reform of the agricultural sector designed to reorient production toward Sudan's most competitive crops, (2) rehabilitation of the physical infrastructure of the public agricultural schemes, (3) elimination of price and cost distortions, (4) adherence to restrained fiscal and monetary policies, and

(5) liberalization of trade and exchange transactions and the fostering of an environment which would be conducive to the inflow of Sudanese expatriate remittances and foreign capital.¹⁹

We now analyse the effectiveness of these policies in solving Sudan's debt crisis.

Trade, Exchange Rate Policies and the Balance of Payments

What was remarkable about Sudan's experience with the IMF was the extent to which the Fund relentlessly recommended the devaluation of the exchange rate and liberalization of foreign exchange transactions as the main policy instrument to correct the balance-of-payments deficit. What was even more remarkable was that the Fund did not change its approach even after it proved to be a failure. Thus, the devaluation of the exchange rate became an endless affair. The various stages of the exchange rate devaluation are described below, followed by an analysis of their effectiveness in curbing balance of payments deficits.

Before June 1978, there were three exchange rates. The official rate was £\$1 = \$2.87 and was applied to cotton exports. Another effective rate of £\$1 = \$2.5 was applied to all other payments except remittances which had an

incentive rate of £S1 = \$1.75. As part of the 1978 stand-by agreement, the official rate was depreciated to £S1 = \$2.5 and the effective rate to £S1 = \$2.00. In March 1979, the rate for remittances was also changed to £S1 = \$1.50.²⁰

The second major change in exchange rate policies was part of the three-year extended arrangement and took place in September 1979. The rate for remittances was abolished and the official rate and the effective rate were unified at £S1 = \$2.00. In addition, an incentive rate, to be determined by supply and demand, was established at £S1 = \$1.25.²¹ In other words, a dual exchange system was erected whereby the official rate was applied to government exports and imports while the incentive rate was applied to payments by the private sector. More important were a series of other measures implemented at the same time to liberalize trade and foreign exchange transactions. The barter-trade system was abolished (except with neighbouring countries) together with the surtax and development tax on imports. These measures gave importers the freedom to import what they wanted from where they wanted, (abolition of the barter system) and lowered prices of imports (removal of import taxes). Residents and non-residents were allowed to open accounts in foreign exchange without reporting their sources and to use these accounts to finance external payments.²²

This last measure was a step toward legalizing the 'black' market in foreign exchange because the authorities knew that most of those who opened foreign exchange accounts acquired the money from this market.

The third major change in foreign exchange policies occurred in July 1981: the 'black' market was legalized and all restrictions on currency exchange were lifted. Individuals, companies and banks could acquire a license to trade in foreign exchange and the rate was totally unregulated by the state. Not surprisingly, foreign exchange shortages pushed the value of the Sudanese pound downward and in September 1981 it was at par with the dollar. Using the pretext of closing the gap between the official rate and the free market rate, the IMF asked for a third official devaluation. In November 1981, the official rate and the incentive rate were unified at £S1 = \$1.11. This rate was applied to government payments while the private sector financed its payments through licensed dealers.²³

The exchange rate of the licensed dealers continued to depreciate because of high demand for foreign exchange to finance imports by the private sector. In June 1982, the exchange rate was £S1 = \$0.70 (compared to the

official rate of £S1 = \$1.11). The government then intervened in the free market and fixed the price at £S1 = \$0.88. However, the IMF reacted by halting its loan disbursements and, in less than two months, the government abandoned its attempt to fix the exchange rate of the licensed dealers.²⁴ As the gap between the official rate and the market rate widened, the IMF called for a fourth devaluation which took place in November 1982: the official rate was depreciated to £S1 = \$0.77²⁵ whereas the free market rate went below £S1 = \$0.50. In early 1985, the free market exchange rate reached its lowest point, £S1 = \$0.20.

What did the liberalization of exchange and trade, plus the successive devaluations, achieve? The IMF and other creditors 'rewarded' Sudan by increasing their loans disbursements. For example, following the first and second devaluations in 1978 and 1979, Sudan received a total of \$480 million from Saudi Arabia, \$250 million from the IMF, \$31 million from the Arab Monetary Fund and \$30 million from the Dutch commodity financing facilities.²⁶ Besides, some Western creditors wrote-off debts amounting to \$46 million. West Germany also increased the grant element in its aid to Sudan.²⁷

However, this inflow of loans led to an increase in imports, from twelve percent of GDP in 1977/78 to twenty-three percent in 1981/82, at a time when exports stagnated at around eight percent of GDP between 1978 and 1982.²⁸ Table 7 shows the movements in Sudan's balance of payments between 1978/79 and 1982/83.

Some of the increase in imports was caused by increases in the prices of fuel and sugar in 1979 and 1980. As the demand for these two commodities is inelastic, devaluation did not lead to a reduction in the quantities imported. On the contrary, with the state's road building programme, road transport became more important and fuel imports increased from 1,276,000 metric tons in 1977/78 to 1,546,000 metric tons in 1980/81. In the case of sugar, the failure of the new sugar factories to meet output goals led to an increase in sugar imports from 171,000 metric tons in 1977/78 to 202,000 metric tons in 1981/82.²⁹

In addition, the liberalization of trade and payments led to an increase in the inflow of luxury consumer commodities because wealthy families in Sudan were willing to buy these commodities. For example, imports of alcoholic beverages soared from 770,000 litres in 1976/77 to 9,415,000 litres in 1980/81 and imports of passenger cars increased

TABLE 7

SUDAN: BALANCE OF PAYMENTS SUMMARY, 1978/79-1982/83

(In millions of U.S. dollars)

	1978/79	1979/80	1980/81	Est. 1981/82	Proj. 1982/83
Exports	527.0	581.5	478.9	537.0	743.0
Cotton	320.7	333.4	182.0	170.0	270.0
Other	206.3	248.1	296.9	367.0	473.0
Imports	-1,137.9	-1,339.9	-1,631.4	-1,847.0	-1,795.0
Petroleum	-177.6	-254.0	-393.0	-450.0	-427.0
Sugar	-28.0	-122.7	-183.6	-159.0	-68.0
Other	-932.3	-963.2	-1,054.8	-1,239.0	-1,300.0
Trade Balance	-610.9	-758.4	-1,152.6	-1,310.0	-1,052.0
Services	-104.5	-82.0	-62.1	-48.0	-146.0
Receipts	181.0	261.1	321.1	375.0	400.0
Payments, of which:	-285.5	-343.1	-383.2	-423.0	-546.0
Interest	(-77.8)	(-70.5)	(-105.2)	(-148.0)	(-244.0)
Transfers	257.2	293.2	426.6	535.0	547.0
Private	240.0	209.0	304.6	350.0	400.0
Official	17.2	84.2	122.0	185.0	147.0
Current Account	-458.2	-547.2	-788.0	-823.0	-651.0
Official capital	347.9	442.1	412.8	634.0	235.0
Receipts	405.0	532.2	499.0	695.0	602.0
Payments	-57.1	-90.1	-86.2	-61.0	-367.0
Allocation of SDRs	13.0	13.0	11.0	--	--
Errors and omissions ¹	103.3	44.1	144.2	46.0	...
Overall balance	6.0	-48.0	-220.0	-143.0	...
Monetary movements (Increase-)	-6.0	48.0	220.0	143.0	...
Financing gap	(--)	(--)	(--)	(--)	(416.0)

SOURCE: IMF, Sudan - Staff Report for the 1982 Article IV Consultation, report no. SM/82/174, August, 23, 1982, p. 12.

¹ Includes short-term capital inflows and unidentified transactions.

from 3,000 units in 1977/78 to 9,000 units in 1981/82.³⁰ As a matter of fact, an overall increase in the imports of consumer goods took place at the expense of capital and intermediate goods as Table 8 shows.

TABLE 8
DISTRIBUTION OF IMPORTS IN PERCENTAGES, 1976/77-1981/82

	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>
Consumer goods	20.3	18.6	17.5	24.3	26.4	27.4
Petroleum	10.9	10.2	14.0	19.2	20.8	27.4
Intermediate goods	29.0	31.2	30.5	29.5	30.3	23.0
Capital goods	<u>39.8</u>	<u>40.0</u>	<u>38.0</u>	<u>27.0</u>	<u>22.5</u>	<u>22.2</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Percentages calculated from table on "Volume of Imports by Commodity" in World Bank, Sudan: Pricing Policies and Structural Balances, Volume II, report no. 4528a-Su, November 10, 1983, p. 41.

The main reason for this shift was that prices of imported consumer goods were not controlled whereas prices of capital and intermediate goods were controlled as part of the government's policy of regulating prices of locally produced goods. Needless to say, the decline in the import of capital and intermediate goods caused production bottlenecks and underutilization of capacity.

Corruption also played a role in unduly raising Sudan's import bill, and the IMF did nothing to stop it. As the country began falling behind in its foreign payments in the late 1970s because of foreign exchange shortages, credit was difficult to get from official sources. Private businessmen stepped in to fill the gap and to finance Sudan's imports of sugar and fuel. However, these businessmen charged prices much higher than the market prices, costing the country in excess of one hundred million dollars per year in the case of fuel only.³¹ Yet, these businessmen were always paid in time because of their close links with the Minister of Energy and the Director of the Petroleum Corporation.³²

Such quantitative and qualitative changes in imports occurred in the context of stagnant export earnings. Thus, the IMF's achievement in Sudan was to provide the country with more loans to keep it living beyond its means! The fact that these successive devaluations did not lead to a reduction in luxury imports says a lot about the pattern of income distribution in Sudan and the effectiveness of devaluation and liberalization in situations like that: wealthy families continued to buy luxury imports regardless of the increases in prices. Thus, although prices of passenger cars increased by fivefold between 1977 and 1983,

because of the devaluation of the exchange rate, the number of cars imported annually tripled during the same period as noted above.

Notwithstanding its support for trade liberalization, the IMF asked the Government in 1983 to prohibit temporarily the import of around forty consumer items, including electrical durables, cars, beverages, canned food and furniture. However, this corrective action came too late and the law enforcing it had loopholes. The penalty for importing any of the prohibited items was not confiscation of the goods, but forcing the importer to pay customs in foreign exchange. Many importers found that they could pay customs in foreign exchange and still make a profit, which encouraged them to import prohibited items.³³ (It was only in 1986, after the Nimeiri regime had collapsed, that illegally imported goods were confiscated).

The depreciation of the pound did not lead to an increase in exports either. In fact, the exported quantities of cotton, groundnuts, sesame and edible oil declined as shown in Table 9.

TABLE 9

VOLUME OF EXPORTS BY COMMODITY, 1976/77-1981/82
(Metric tons, unless indicated)

	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>
Cotton (thousand bales)	792	749	884	969	466	260
Groundnuts	223,971	135,061	40,014	19,375	69,923	118,284
Sesame	108,617	93,444	47,265	40,063	45,121	63,642
Gum Arabic	29,595	31,559	35,400	34,861	25,518	31,343
Sorghum	108,583	58,246	55,521	340,829	320,360	259,785
Vegetable Oil and Cakes	225,165	98,411	227,317	176,798	178,884	124,306
Livestock products (head)	172,325	304,653	258,622	276,675	422,426	499,303

SOURCE: Sudan: Pricing Policies and Structural Balances,
Volume II, report no. 4528a-Su, November 10, 1983,
p. 31.

The decreases in the exports of cotton, groundnuts, and edible oil (made of cotton seeds and groundnuts) were due to a decline in production. Specifically, cotton production fell from around one million bales in 1977/78 to 585,000 bales in 1979/80 and 544,000 bales in 1980/81.³⁴ Likewise, groundnuts production decreased from around one million metric tons in 1977/78 to 700,000 metric tons in 1980/81.³⁵ These declines show that devaluation was not an appropriate policy because the crisis of exports was due to a lack of sufficient crops to sell abroad and was not caused by uncompetitive prices. An analysis of the impediments to agricultural production after 1979 is given below. Suffice

it to mention here that tenants' resistance to certain recommendations³⁶ by the World Bank led to serious tenant-management conflicts in the public irrigated schemes between 1978 and 1980. These conflicts delayed loan disbursements from the World Bank that were needed to rehabilitate the capital stock of the public irrigated schemes -- a main cause of the decline in production.

Although cotton and groundnuts exports declined, the overall export level was maintained by the increase in exports of sorghum, from \$8.5 million in 1977/78 to \$64.4 million in 1981/82, and exports of livestock, from \$26.8 million in 1977/78 to \$57 million in 1981/82.³⁷ These increases, however, were at the expense of the local consumers who were forced to pay higher prices for these goods. The price of one ruba³⁸ of sorghum increased from £S0.76 in 1978 to £S1.64 in 1980 and to £S2.16 in 1981.³⁹ In addition, sorghum reserves were depleted and when rainfalls were short in 1983 and 1984, Sudan faced the worst famine in its modern history.⁴⁰

The devaluation of the Sudanese pound further led to increases in the cost of living through its effect on fuel costs and imported inputs. According to official statistics,⁴¹ the rate of inflation was more than twenty-

five percent per year between 1977 and 1980 and jumped to more than forty percent per year after 1980.⁴² Wages, however, were not raised in proportion to the rate of inflation. Between 1974 and 1978, wages and salaries of public sector employees were not increased, although the rate of inflation was around twenty percent per year. Under strong pressures from the union movement, the government did increase payments for its employees by about fifty percent during the 1978/79 fiscal year.⁴³ However, wages were not increased between 1979 and 1982⁴⁴ which meant a sharp decline in the standard of living of public sector employees. Likewise, wages and salaries of private sector employees were not raised in proportion to inflation.

Although the standard of living of salaried people was depressed, those groups earning foreign exchange (for example, Sudanese expatriates, currency dealers, and owners of real estate who rent to foreign firms) benefited from the devaluation of the pound as their incomes increased in local currency. This led to new social cleavages between those who earned foreign exchange and those who did not.⁴⁵ (It was not uncommon to find an unskilled worker who worked in the Gulf for some years saving enough money to start a small business or buy residential land. This contrasted sharply

with university graduates who worked in Sudan, yet could hardly save any money).

In addition, the devaluations had a regressive impact on income distribution between capital and labour. One study had estimated that the 1978 devaluation led to an increase of 5.96 percent in capitalists' income and to a decrease of 4.5 percent in labourers' income.⁴⁶ Consequently, labourers' consumption declined while that of capitalists increased.

Finally, the successive depreciations of the exchange rate were harmful because they created an atmosphere of speculation in the country and made capital flight legal and easier. Sudanese expatriates and exporters did not remit all their foreign exchange earnings because they expected the pound to depreciate in the future and wanted to speculate on it. Furthermore, many business persons neglected their productive investments and bought commodities, gold and real estate for speculative purposes.⁴⁷ There was also no incentive for saving because people realized that the purchasing power of the pound was eroding and that it was better to spend it. Although it is difficult to estimate the amount of money that left the country after the

legalization of capital export, one of Sudan's most senior economists has commented:

It is widely known that the recent appreciation in the price of the dollar was caused by some non-Sudanese residents selling property and converting its value into dollars for remitting abroad. Many Sudanese businessmen have also found it convenient to invest abroad in property or bank balances and to live painlessly on rent and interest received from outside, without having to face management hazards or pay taxes.⁴⁸

Monetary and Fiscal Policies

The government exacerbated the financial crisis by following expansionary fiscal and monetary policies. From a monetarist perspective, devaluation becomes effective in improving the balance of payments only if it is accompanied by a strict control of money supply. Hence, the government must adopt a deflationary monetary policy that makes credit and the supply of money less available and more expensive: for example, by increasing interest rates, setting ceilings on bank lending and reducing deficit financing.⁴⁹

Yet in Sudan, the government followed expansionary monetary policies between 1978 and 1983, and these were reflected in the annual increases in the supply of money and credit to the private and public sectors (Table 10).

TABLE 10

CHANGES IN DOMESTIC LIQUIDITY: 1978/79-1982/83

Changes During:	1978/79	1979/80	1980/81	1981/82	1982/83 estimate
	<u>(Changes in Percent over Previous Year)</u>				
Money and quasi-money	31	21	50	27	28
Claims on Government (net)	25	20	26	11	9
Claims on Public entities	43	17	46	49	50
Claims on Private sector	28	29	33	34	43

SOURCE: IMF, Sudan: Request for Stand-By Arrangement, January 7, 1983, p. 21.

Table 10 shows an annual growth in domestic liquidity in excess of twenty five percent (except for 1979/80). Credit to the private sector increased annually over the previous year from twenty eight percent in 1978/79 to forty three percent in 1982/82, and more than fifty percent of the credit to the private sector went to financing foreign trade.⁵⁰ Similarly, the increase in credit to public

entities was in excess of forty percent per year (except for 1979/80). This excessive liquidity increased inflationary pressures in the economy because it was not paralleled by a systematic increase in the volume of goods and services produced domestically. Real growth of domestic product declined by 4.8 percent in 1978/79 and by 0.6 percent in 1979/80, but then increased by an average of four percent per year between 1980/81 and 1982/83.⁵¹

This expansionary monetary policy represented a significant deviation of performance from the targets of the different stand-by and extended arrangements with the IMF. For example, the targeted annual increase in money and quasi-money was twenty-three percent in 1978/79 and twenty percent in 1980/81 while the actual increases were thirty one percent and fifty percent, respectively.⁵² In addition, credit to the private sector and public corporations was not to exceed twenty percent per year between 1980/81 and 1982/83,⁵³ whereas the actual annual increases were in excess of thirty percent for the private sector and forty five percent for public corporations (Table 10).

As we show below, the government's failure to adhere to the IMF monetary target was a sign of economic

mismanagement and political struggles within the state. Specifically, many public sector employees went on strikes to pressure the government to raise their salaries and wages to cope with the increasing costs of living. In addition, the capitalist class pressured the government to keep interest rates low and to expand credit facilities. With regard to unprofitable public corporations, the government wanted to rescue them lest it had to face the political repercussions of large scale unemployment. This inconsistency in implementing the IMF programme did even more damage to the Sudanese economy: the expansionary monetary policies indirectly increased demand for imports, which were uncontrolled because of liberalized trade and payments transactions, and led to more pressures on the exchange rate and more inflation.

Why did the government fail to adhere to the IMF monetary targets? First, the devaluations of the pound increased the expenditures of both public and private sectors through their effects on imported capital and consumer goods. In other words, as prices of imported fuel, machinery, spare parts and other intermediate goods increased, the public and private sectors had to increase their borrowing from the banking system to finance imports. Ideally, the devaluation of the pound was supposed to lead

people to reduce expenditures on imports because they had become expensive. However, because many of these imports had no local substitutes (for example fuel and spare parts) there was a limit to their reduction.

Second, monetary expansion was caused by large borrowing requirements of a number of public corporations, especially in the agricultural and industrial sectors. Acute shortages of spare parts, fuel and skilled labour led to low capacity utilization and reduced revenues, while expenditures continued to increase because of higher cost of imported inputs. Thus, as we have seen, cotton produced in the public irrigated schemes had declined which forced them to increase their borrowing from £172.4 million in 1978 to £5770.5 million in 1982. In addition, sluggish international demand for cotton in 1981 and 1982 (caused by the international recession) increased borrowing by the Cotton Public Corporation by £80 million to finance payments to farmers upon delivery of the crop.⁵⁴ In the sugar industry, as we mentioned above, the four publicly owned mills had been operating at around twenty-five percent of installed capacity⁵⁵ and had to borrow £300 million more between 1978 and 1982 to finance their losses.⁵⁶ As a matter of fact, the whole public sector performed so poorly

that revenues from it contributed a meagre 0.5 percent of GDP in 1981/82.⁵⁷

Third, private sector borrowing increased consistently, from £384 million in 1978/79 to £1.2 billion in 1982/83.⁵⁸ The state was unwilling and unable to control and make credit expensive to its allies in the private sector (the comprador bourgeoisie) for fear of alienating them. Thus, the lending rate was fixed at around thirteen percent between 1975 and 1981, and with an annual rate of inflation in excess of that percentage, the real interest rate (defined as the rate of interest minus the rate of inflation) was negative. Thus, it was profitable to borrow money for speculative purposes (for example, buying land, non-perishable commodities, gold and foreign exchange) as the annual rate of increase in the prices of these commodities tended to be higher than the rate of interest. Under pressure from the IMF, the government raised the rate of interest by four percentage points in 1981 and three percentage points in 1983. However, the rate of interest remained below the rate of inflation which, as noted above, was more than forty percent after 1981.

However, the government did try to control private sector borrowing by establishing ceilings on the extension

of credit by commercial banks, but these regulations were not very successful. The IMF attributed this failure to "inadequate banking supervisory structure and the personalized nature of lending."⁵⁹ Family relationships and personal friendships between bank managers and business-people led to the regular transgression of the ceiling targets. More importantly, ceiling targets were bypassed because of political considerations: some of the leading private industrial enterprises had been suffering heavy losses and the government wanted the banks to continue rescuing them. For example, the largest textile mill in the country owned by Khalil Osman and the Kuwaitis (the Sudan Textile Industry Company), which employed around 8,200 persons, owed local banks more than £S78 million in 1984 while its credit ceiling was fixed at £S15 million.⁶⁰ Another large textile mill, the Khartoum Spinning and Weaving Company, owed the banks around £S13 million in 1982 while its credit ceiling was fixed at £S5 million.⁶¹ Overall, borrowing by private industrial enterprises increased from £S96 million in 1977/78 to £S275.4 million in 1982/83,⁶² and most of that increase was to finance production expenditures or operating losses.

The fourth reason for the expansionary monetary policy stems from the government's failure to reduce the

fiscal deficit between 1978 and 1983, which led to its reliance on deficit financing and external borrowing. The budget deficit as a percentage of GDP increased from 5.8 percent in 1977/78 to 11.3 percent in 1980/81, but then declined to around 8 percent in 1981/82 due to the elimination of subsidies on many basic commodities in that fiscal year.⁶³ Almost half of the fiscal deficit was financed through the Bank of Sudan and the other half through external borrowing.⁶⁴

This deteriorating fiscal performance was caused by a decline in government revenues, from 15.5 percent of GDP in 1977/78 to 13.6 percent of GDP in 1980/81, and an increase in expenditures, from 21.4 percent of GDP in 1977/78 to 24.9 percent of GDP in 1980/81.⁶⁵ This decline in revenues and increase in expenditures was caused partly by the government's failure to increase taxes while at the same time raising the wages and salaries of all public sector employees by fifty percent in 1978/79. The government was forced to concede these increases because it faced a series of strikes in 1978 and 1979 by tenants, railway workers, doctors, teachers, accountants and bank employees.⁶⁶ However, because the deteriorating fiscal situation was unsustainable, and because of pressures from the IMF, the government started taking a series of

revenue-generating measures between 1981 and 1983 which increased the ratio of revenues to 15.8 percent of GDP in 1982/83.⁶⁷

However, a large part of that increase came from sharp increases in the prices of many basic commodities consumed by the majority of the population, especially fuel, sugar and bread. Although fuel was not considered a mass consumption commodity, the government's policy of shifting haulage from railways to roads made it a mass consumption item in Sudan. Petroleum prices were increased by sixty two percent in 1981 and were raised again by more than seventy percent in 1982 and 1983. Overall, the price of one gallon of fuel soared from around £1.5 in 1980 to around £5.00 in 1984. As fuel is used in moving most goods in Sudan, the general level of prices was affected by these increases. In addition, the price of sugar and wheat bread was doubled between 1981 and 1983 and that of milk powder and pharmaceuticals was increased by eighty percent in 1982/83 as a result of the elimination of subsidies on these commodities.⁶⁸ Excise taxes were also raised on most locally manufactured goods such as textiles, footwear, edible oils, soap, tiles, dry batteries and cement.⁶⁹ In the case of cement only, the price of one ton soared from £40.00 to £120.00 as a result of the increase in excise taxes. In

fact, in his address to the nation on November 9, 1981, Nimeiri announced that the policy of his government would be to remove all subsidies and to pass to consumers the increases in prices resulting from shifts in the exchange rate.⁷⁰ These price increases raised government revenues by £S231 million in 1982/83,⁷¹ but the resulting burden was felt mostly by the poor and those on fixed incomes who were forced to reduce their level of consumption. Although the government increased the salaries of its employees by £S29 million in 1982/83, that was not sufficient to offset the increases in prices. However, other socio-economic groups such as self-employed professionals and self-employed skilled workers (for example, mechanics, carpenters and plumbers) were able to raise their fees to keep pace with the rising cost of living. Similarly, most business people, especially traders, raised the prices of their commodities to maintain their levels of profits. However, the general increases in prices reduced the purchasing power of the majority of the population and led to a recession which threatened the national bourgeoisie producing for the local market.⁷² In contrast, the comprador bourgeoisie, which traded in exports and for the most part in luxury imports, was least affected by the decline in purchasing power of the majority of the local populace.

On the expenditures side, mismanagement was also rampant: the most distinct feature was the sharp decrease in development expenditure from 30.2 percent of total government expenditure in 1977/78 to an average of 21 percent between 1978/79 and 1979/80.⁷³ In fact, between 1978 and 1983, no new project was established and all development expenditures either went to completing ongoing schemes or to rehabilitating older ones. This sharp reduction in development expenditure led to a recession between 1978/79 and 1979/80.⁷⁴ To end the recession, development expenditure was increased again to an average of 30 percent of total government expenditure between 1980/81 and 1981/82, but then declined to 20 percent in 1982/83 and 1983/84.⁷⁵

As no new state project was begun after 1978, unemployment, almost nil in the mid 1970s, increased significantly after 1978. Unemployment among university graduates reached more than 22 percent in the early 1980s and was highest among graduates of the Faculty of Agriculture - 33 percent.⁷⁶ In 1982/83, almost 40 percent of the graduates of the University of Khartoum could not find jobs.⁷⁷ There are no statistics to show the rate of unemployment among graduates of High Schools, but it is expected to be higher than the rate among university graduates because of their limited skills.

The IMF also failed to induce the government to curtail its unproductive current expenditures: more than eighty percent of current expenditures between 1978 and 1983 went to general administration, local governments and defense and security. Expenditures on education, health and economic services were a meagre eleven percent of total current expenditures while debt service payments were kept artificially stable at 7.5 percent (leading to the buildup of payments arrears).⁷⁸ Due to the secretive nature of the Nimeiri regime, the IMF provided no statistics to indicate the level of expenditures by the regime's political institutions such as the Presidency, the Sudanese Socialist Union, the People's Assembly and the political police. However, it was well known in Sudan that salaries and fringe benefits to members of these institutions were among the highest in the country. According to one source, monthly expenditures of the Presidency, the Sudanese Socialist Union, the Council of Ministers, the Security Organization and the People's Assembly were £S36 million, £S24 million, £S24 million, £S35 million and £S14 million, respectively.⁷⁹ These unproductive expenditures were further exacerbated in 1980 when Northern Sudan was divided into five regions, each having its own Ruler, Council of Ministers and People's Assembly. The motives for regionalism were to appease regional sentiments, especially in the undeveloped parts in Western

Sudan, to create more political jobs to gain the loyalty of regional notables, and to shift the blame for the declining socio-economic conditions onto regional governments. The monthly costs of regional governments were around £S26 million in 1980/81.⁸⁰

Regional rule, however, did not lead to a reduction in the size of the central administration. On the contrary, in 1983 Nimeiri increased the number of his political advisors from four to twelve. Thus, in addition to the more than thirty Central Ministers and Deputy Ministers, there were Presidential Advisors for Agriculture, Decentralization, Development, Education, Foreign Affairs, Information, Manpower, Political Affairs, Security Affairs, Social Services, and for Legal Advice to Cabinet and to State House.⁸¹ Given the non-participatory nature of the regime, it is safe to assert that these advisors had no work to do in return for their salaries. These jobs were created mainly to appease influential politicians who might otherwise have opposed the regime. According to one of those ex-advisors (Dr. Turabi, the leader of the Muslim fundamentalists), "the advisors of the President received advice from him and not the opposite."⁸²

In sum, although the country was subjected to the IMF austerity programmes, no attempt was made to reduce unproductive expenditures on the regime's political institutions. In addition, these expenditures further increased after 1983 when the second civil war was started by Southern officers and soldiers dissatisfied with the government's neglect of the South, its redivision of the South into three regions to weaken Southern unity, and the imposition of Islamic laws. This war continues to cost the government around one million pounds per day.⁸³

Supply-Side Policies

Lastly, the IMF, in collaboration with the World Bank, recommended supply-side policies which aimed at increasing Sudan's production of export cash crops (to enable the country to service its debt). However, it is argued below that these policies did not lead to an increase in export earnings because they were resisted by tenants and because international demand for Sudan's cash crops was affected by the recession of the early 1980s.

In 1978, the IMF and the World Bank recognized that the recovery of the irrigated schemes depended on providing foreign exchange to rehabilitate their capital

stock, and on increasing tenants' return from cotton to encourage them to grow that crop. However, the World Bank made its rehabilitation loans conditional on certain changes in the production relations in the irrigated schemes, changes that were resisted by tenants for two consecutive years, 1979/80 and 1980/81.

These changes aimed at further intensifying capitalist relations of production in the irrigated schemes. The World Bank wanted to abolish the 'joint account' system and to replace it with 'individual accounts' between each tenant and the schemes' management. The 'joint account' was a simplified accounting system whereby all costs of production related to the cotton crop were deducted from gross cotton returns before distributing net profits among the tenants, the government and the schemes' management.⁸⁴ The World Bank criticized this system on the grounds that it did not take into account the amount of inputs used by each tenant (that is, it did not reward tenants who used less inputs) and it encouraged tenants to divert inputs from the cotton crop to other crops such as groundnuts and wheat whose return they did not share with the government.

Instead, the World Bank asked the government to charge each tenant a fixed rate for the inputs used (that

is, 'the individual account'), to be collected upon delivery. Using the pretext that some tenants might not pay input charges, especially for non-cotton crops that schemes' management do not market, the World Bank recommended opening the door for the private sector to supply production inputs because it was better able to collect its money than the schemes management.⁸⁵ The World Bank also recommended allowing tenants to sell their tenancy rights "to induce those who are not dedicated farmers to release their lands to those who would take the work seriously".⁸⁶

A closer look at these recommendations reveals the following: first, charging fixed rates for inputs secures government revenue and shifts the risks of production to tenants. If production or prices fall for any reason, tenants still have to pay for the inputs they used. Under the discarded system, the government shared in the risks of production because costs of inputs were deducted from cotton proceeds. Second, poor tenants would have great difficulty surviving because they would not be able to pay for inputs out of previous years's savings or obtain credit. This would open the door for rich tenants, especially those involved in trade, to take over the land of the poor ones. The difference between a "dedicated farmer" and one who did not "take the work seriously" could very well be caused by

the extent to which each had money to finance agricultural operations. As one farmer succinctly observed: "In my village ... only four or five tenants make a living. They are merchants who sheil to the rest of us, and they are bleeding us dry".⁸⁷

In 1979, the government began implementing the World Bank recommendations in the Gezira scheme: the "joint account" was replaced by "individual accounts" and fixed land and water rates were imposed. However, tenants refused these changes and went on a one-month strike. The strike damaged production levels because it was timed to coincide with the seeding season. Having failed to end the strike, the government was forced to retreat. Tenants' resistance continued throughout 1980 and was only broken in 1981 following the President's decision to implement the "individual account" regardless of tenants' opposition.⁸⁸

However, the government's failure to implement the World Bank recommendations between 1979 and 1980 meant that the rehabilitation of the irrigated schemes was delayed. Cotton production began to rise only after 1981/82, following the disbursement of a World Bank loan for the Gezira. This loan was used to dredge the main canals, to purchase around 200 items of farm machinery and eleven rail

locomotives, and to install petroleum tanks in the main centers of production.⁸⁹ This experience showed that the World Bank was more concerned with changing the relations of production in the irrigated schemes than with rehabilitating them. In other words, rehabilitation was given second priority until the government changed the relationship between tenants and the schemes management.

Cotton productivity rose to its highest levels of around 4.5 kantars per feddan in 1981/82,⁹⁰ partly because of the rehabilitation of the schemes' capital stock, and partly because of high cotton returns which encouraged farmers to divert inputs to that crop. Perhaps the one positive policy of the IMF and the World Bank in Sudan was to ask the government to pay tenants the international cotton prices converted into Sudanese pounds using the parallel market rate (£S1 = \$1.25 in mid 1981) instead of the official rate (£S = \$2.00). Following the unification of the official and the parallel market rate in November 1981, cotton prices were converted at the market rate. Unfortunately, tenants did not benefit very much because of the forty percent decline in Sudan's terms of trade in the early 1980s caused by the worldwide recession.⁹¹

Conclusion

Clearly then, the various devaluations that were implemented could not close the gap between imports and exports for many reasons: first, because the decline in exports was not due to uncompetitive prices but to production bottlenecks resulting from foreign exchange shortages and to a lack of incentives for farmers to grow cotton as we saw in the previous chapter. The state and the IMF failed to solve these problems between 1978 and 1981, and when they were finally solved in the period after 1981 and cotton production again increased, a recession in the advanced countries resulted in sluggish demand.

Secondly, because many of Sudan's imports (for example, spare parts and intermediate goods) were essentials, they could not be sharply reduced without affecting production levels. In addition, the inflow of consumer goods did not decrease because the wealthy comprador and parasitic bourgeoisies were willing and able to maintain their conspicuous consumption regardless of the price. In fact, the liberalization of trade and exchange led to an increase in the inflow of luxury consumer goods at the expense of investment goods because profits from the former were higher than those from the latter. The devaluations of

the pound also increased the gap between workers, peasants, and those on fixed salaries, on the one hand, and the capitalist class and those who earned foreign exchange on the other.

The dominant class fractions that were responsible for the indebted development strategy further exacerbated Sudan's economic crisis by implementing IMF policies inconsistently: liberalization policies were accompanied by expansionary fiscal and monetary policies. The results were high rates of inflation and a systematic decline in the value of the pound caused by high demand for scarce foreign exchange. The failure to restrain the growth of money and bank credit was due to the large credit demand by public and private corporations to cover losses caused by low capacity utilization. The state was unwilling to harm the comprador bourgeoisie or face the political consequences of large scale unemployment caused by bankruptcies. In addition, the state's failure to reduce budget deficits meant turning to deficit financing. One of the noticeable failures of the IMF in Sudan was its inability to pressure the government to reduce unproductive current expenditures on institutions like the Presidency, the Sudanese Socialist Union, the State Security Organization and Local Governments. In contrast, the IMF forced the government to cut development

expenditures which caused a recession and increased unemployment.

Both the state and the IMF ignored impediments to production such as shortages of power, spare parts, intermediate goods and labour. By focusing primarily on dismantling the public sector and reducing the governments' role in the economy, the IMF showed that it was more concerned with expanding the role of the private sector and pushing forward the philosophy of a free-market economy than with solving Sudan's problems. On its part, the state's negligence of the impediments to productive activities was to be expected, for this thesis attempted to show that the politically powerful comprador and parasitic bourgeoisie had little involvement in the productive sectors of the economy and cared less for them.

FOOTNOTES

1. World Bank, Memorandum on the Economy of Sudan, report no. 3652-Su, October 24, 1979, p. 48.
2. Ibid., p. 6.
3. Ibid., p. 46.
4. Ibid., p. 49.
5. Ibid., p. 46.
6. Ali Abdel Gadir Ali, "The devaluation debate: a documentary approach," in Ali Abdel Gadir Ali (ed.), The Sudan Economy in Disarray (London: Ithaca Press, 1984), pp. 31-36.
7. Ibid., pp. 37-38.
8. Ibid., pp. 39-41.
9. Ibid., pp. 41-43.
10. World Bank, p. 5.
11. The Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 3rd Quarter 1978, pp. 7-8.
12. World Bank, p. 5.
13. The Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 2nd Quarter 1978, p. 8.
14. Information obtained from the Deputy Under Secretary at the Ministry of Finance, November 1983.
15. Mary Bushnaq, "Saudi Arabia's active participation in the International Monetary Fund assists international financial stability," Saudi Report, VI, 24, July 23, 1984, p. 5.
16. Information from same source as in footnote 14.
17. Ali, p. 56
18. Information obtained from the IMF representative in Sudan, December 1983.

19. IMF, Sudan: Staff Report for the 1982 Article IV Consultation, report no. SM/82/174, August 23, 1982, p. 2.
20. IMF, Sudan: Request for Stand-By Arrangement, January 7, 1983, p. 45.
21. Loc. cit.
22. Ali, p. 49.
23. IMF, Sudan: Request for, p. 46.
24. The Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 4th Quarter 1982, pp. 7-8.
25. IMF, Sudan: Request for, p. 46.
26. The Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 4th Quarter 1978, pp. 13-14, and 4th Quarter 1979, pp. 15-16.
27. Loc. cit.
28. World Bank, Sudan, Pricing Policies and Structural Balance, Vol. I, report no. 5428a-Su, November 10, 1983, p. 84.
29. World Bank, Sudan, Pricing Policies, Vol. II, p. 41.
30. Loc. cit.
31. Mansour Khalid, al-Sudan wa al-Nufq al-Muzlim (London: Edam Publishing House, 1985), p. 401 (in Arabic). See also The Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 3rd. Quarter 1984; which mentioned that Sudan paid \$5 per barrel of oil above the current market price of oil in 1983 (p. 20).
32. In March 1986, Nimeiri's Minister of Energy, an ex-Prime Minister, and an ex-Director of the Petroleum Corporation, together with another five top-ranking officials, were put on trial for taking commissions worth more than \$200 million in return for authorizing fuel purchases that cost more than the market price.
33. This information was obtained from some importers in Khartoum.
34. IMF, Sudan: Recent Economic, p. 65.
35. Ibid., p. 64.

36. Basically, these recommendations aimed at shifting the risks of production to the tenants by charging them fixed rates for water delivery and machine services, rather than discounting them from proceeds of cotton sales. The Bank also wanted to increase returns to more productive tenants and to penalize those who were less productive.
37. World Bank, Sudan: Pricing Policies, Vol. II, p. 27.
38. One ruba equals 6.5 kilograms.
39. IMF, Sudan: Recent Economic, p. 65.
40. The Economist Intelligence Unit, "Quarterly Economic Review of Sudan," 2nd Quarter 1984, pp. 17.
41. Those statistics are highly underestimated because they do not take into account black market prices which are widespread, and do not include prices in the rural areas which are higher than prices in urban areas because of transport costs.
42. IMF, Sudan: Recent Economic, p. 19.
43. Loc. cit.
44. IMF, Sudan: Request for, p. 24.
45. It is significant to note that recent Sudanese folk songs depict the Sudanese expatriates (regardless of their jobs) as the ideal bridegrooms who could afford to buy expensive gifts; whereas previous songs praised professionals as the ideal bridegrooms.
46. Mohammed Hag Diab, "The Income and Price Effects of the Devaluation on the Sudanese pound," in Ali (ed.), p. 983. These figures are explained by the fact that workers' incomes were not increased in proportion to the increase in prices while capitalists raised their prices and made more profits.
47. Mohammed H. Awad, "As I See It: Wrong 'recipes', bad results," Sudanow, May 1982, p. 21.
48. Loc. cit.
49. Hag Diab, p. 169.

50. World Bank, Sudan: Pricing Policies, Vol. II, p. 109.
51. IMF, Sudan: Request for, p. 5.
52. Ibid., p. 3.
53. Ibid., p. 15..
54. IMF, Sudan: Recent Economic, p. 39.
55. As mentioned in chapter four, the two new factories at Sennar and Asalaya had serious technical problems while the two older mills at al-Guenied and new Halfa were in need of rehabilitation.
56. IMF, Sudan: Recent Economic, p. 30.
57. Ibid., p. 25
58. World Bank, Sudan: Pricing Policies, Vol. II, pp. 109.
59. IMF, Sudan: Staff Report, p. 2.
60. Alfred L. Taban, "Textile Industry: Tied up in Knots", Sudanow, July 1984, p. 26.
61. Alfred L. Taban, "KSWC: Spinning out of Control", Sudanow, July 1982, p. 21.
62. World Bank, Sudan: Pricing Policies, Vol. II, pp. 109.
63. IMF, Sudan: Recent Economic, p. 23.
64. Ibid., p. 22.
65. Loc. cit.
66. The Economist Intelligence Unit, "Quarterly Economic Review of Sudan", 3rd Quarter 1979, pp. 9-11.
67. IMF, Sudan: Request for, p. 25
68. Ibid., p. 24.
69. Loc. cit.
70. al-Sahafa, Khartoum, daily, November 20, 1981, p. 1.

71. IMF, Sudan: Request for, p. 24.
72. Economic growth was negative in 1983/84 and 1984/85. See the Economist Intelligence Unit, "Quarterly Economic Review of Sudan", Annual Supplement, 1985, p. 12.
73. IMF, Sudan: Recent Economic, p. 23.
74. Ibid., p. 3.
75. Ibid., p. 27.
76. This high rate of unemployment among agriculturalists is mainly attributable to the fact that they cannot find jobs in neighbouring oil rich countries which are mostly desert ones.
77. al-Sahafa, Khartoum, daily, December 3, 1985, p. 7.
78. IMF, Sudan: Recent Economic, p. 27.
79. These figures were published by the National Alliance For Salvation (a coalition of trade unions and political parties organized the civil disobedience that led to the overthrow of the Nimeiri regime). Cited in Asad Hayder, "al-Mustaqbal fi al-Khartoum," al-Mustaqbal, May 18, 1985, p. 26, (in Arabic).
80. IMF, Sudan: Request for, p. 50.
81. The Economic Intelligence Unit, "Quarterly Economic Review of Sudan," 2nd Quarter 1984, pp. 11-12.
82. Dr. Turabi made this statement to the French Le Monde, October 14, 1983. Cited in Mansour Khalid, al-Sudan wa al-Nufq al Muzlim (London: Aedam Publishing House Ltd., p. 328, (in Arabic).
83. Hayder, p. 26.
84. In the Gezira scheme, for example, tenants' share of net profits was 47 percent, the government share was 36 percent, the management share was 10 percent and the remaining went to a reserve fund (2 percent), social services (3 percent) and local government (2 percent).
85. World Bank, Sudan: Investing for, p. 71.
86. Loc. cit.

87. Cited in Turner, p. 44. Sheil means getting a loan (usually from a merchant) in return for mortgaging the crop before harvest. Sheil involves very high interest rates because of the risk involved.
88. al-Sahafa, Khartoum, daily, October 25, 1981, p. 1.
89. Berhane Woldegabriel, "Cotton: A Bumper Crop," Sudanow, July 1982, p. 26.
90. World Bank, Sudan: Pricing Policies, Vol. 1, p. 26.
91. Ibid., p. 46.

CONCLUSION

This thesis has argued that the origins and deepening of Sudan's debt crisis were a direct result of the political ascendancy of the comprador and parasitic bourgeoisies and the economic strategies they pursued. Three points follow which have structured this thesis: first, that economic policies and development strategies in Sudan were the outcome of both internal political class struggles and interactions between indigenous actors (such as the state, dominant class fractions and subordinated classes) and external forces (for example, foreign capital, multilateral institutions and foreign governments). Second, that economic deterioration resulted when the comprador and the parasitic fractions bourgeoisie became dominant inside the state. Third, that the failure of IMF policies to ease Sudan's debt crisis resulted from a complex of internal social, economic and political variables in addition to changes in the international economy that were beyond the control of the Sudanese state and the IMF.

With these objectives in mind, chapter one showed how the relationship between internal and external forces

was a dynamic one in which external interests and external domination became 'internalized' in the policies and struggles of Sudanese class fractions (namely, the comprador and parasitic bourgeoisies) who viewed their interests as compatible with foreign interests. In addition, it was argued that within Sudanese society the relationship between the state and dominant class fractions was often a direct and a determinist one. This determinist relationship created a situation whereby the state served the narrow interests of dominant class fractions at the expense of achieving consensus and political stability.

Thus, chapter two showed how, in the period from independence to 1969, the inability of the dominant agrarian bourgeoisie to solve Sudan's economic and political crises led to its demise and created a political vacuum which was filled by the least nationalist and least productive fractions of the Sudanese bourgeoisie. The first of these crises was the failure of the nationalist agrarian bourgeoisie to ensure sustained economic growth during the second part of the 1960s. The second was its inability to contain the increasing power of the organized labour movement through democratic means. Third, the agrarian bourgeoisie did not succeed in solving the contradictions arising from regional and ethnic inequalities, especially

between the North and the South, by peaceful means. Finally, deep personal, sectarian and family cleavages divided the agrarian bourgeoisie into different parties and undermined its political unity as a class.

Chapter three analyzed the restructuring of political power that resulted from the 1969 coup and explained how and why the comprador and parasitic bourgeoisies came to dominate the state between 1972 and 1984. This chapter laid the basis for the subsequent argument that it was the development strategy and economic policies of the comprador and parasitic bourgeoisies that primarily caused Sudan's debt crisis and the deepening of the crisis thereafter.

Three competing forces were struggling to dominate the state between 1969 and 1972: the Sudanese Communist Party, radical sections of the petty bourgeoisie that were influenced by the ideology of Arab nationalism and the comprador and parasitic bourgeoisies who were against the nationalist and anti-Western orientation of the agrarian bourgeoisie. The period between May 1969 and November 1970 was one in which both Sudanese communists and Arab nationalists were dominant inside the state. However, a series of conflicts over economic policy, foreign policy and

the political institutionalization of the new regime destroyed their alliance. A new alliance was formed between the Arab nationalists and the comprador and parasitic bourgeoisies. However, this alliance did not last very long as the interests of the comprador and parasitic bourgeoisies contradicted those of the Arab nationalists. By the end of 1972, the comprador and parasitic bourgeoisies had succeeded in defeating the Arab nationalists and had taken control of key positions within the state.

Chapter four argued that the development strategy and economic policies which led to Sudan's debt crisis were a direct result of the political ascendancy of the comprador and parasitic bourgeoisies. Few of the new public schemes established with the aid of borrowed money were able to pay back their debts. This was due to a number of factors: the selection of capital and fuel intensive technologies, delays in implementation, fuel shortages and cost overruns, corruption and mismanagement in the selection and implementation of various schemes; acute labour shortages caused by migration of skilled labour; and a number of large investments in infrastructure that did not reap a direct return. In addition, more than sixty percent of Sudan's total debt between 1973 and 1979 was contracted on unfavourable terms: high interest rates and short periods of repayment.

Chapter five argued that the management of the debt crisis by the comprador and parasitic bourgeoisies further deepened the country's economic and political crises. The comprador and parasitic bourgeoisies accepted IMF policies because they did not want to alienate their external creditors who tied their loans to those of the Fund. However, the state was unable to implement IMF policies in a consistent way because of popular opposition to austerity measures. Thus, liberalization of trade and exchange was sometimes accompanied by expansionary fiscal and monetary policies rather than deflationary ones. The results were high demand for foreign exchange to finance imports, the collapse of the Sudanese pound and high rates of inflation. In addition, the balance of payments deficit increased as a result of the increases in price of oil in 1973 and 1979, high international interest rates in 1981 and 1982 and the international recession which reduced demand for Sudan's primary commodities. Finally the comprador and parasitic bourgeoisies did not have a comprehensive plan to overcome the obstacles that impeded agricultural and industrial production: shortages of spare parts, intermediate goods, power and skilled labour.

Moreover, this thesis showed that between 1978 and 1984, the Sudanese state had no independent economic

policies of its own to counter those policies of the IMF. In other words, it was implementing the IMF policies as if there were no alternatives to them. This situation is primarily explained in terms of the class character of the Sudanese state. It was argued that between 1973 and 1994, the nationalist bourgeoisie and the bureaucracy were not part of the power bloc dominated by the local allies of foreign capital. Thus, the class struggles by the working class, the employees on fixed incomes and the nationalist bourgeoisie only stalled and delayed the implementation of various aspects of the Fund's policies but they were not powerful enough to push the state to initiate policies different from those of the IMF and the World Bank.

For other African countries suffering in the bind of a debt crisis, the case of Sudan says a lot about the effectiveness of IMF policies in managing the debt crisis. First, the IMF strategy of increasing export production is vulnerable to changes in the international environment such as protectionism or a recession in advanced industrial countries which is beyond the control of the IMF and African countries. Second, there is a strong relationship between the IMF policy of curbing demand for imports through liberalization cum devaluation and the pattern of income distribution in a debtor country. Most probably,

liberalization plus devaluation would not lead to a reduction in imports in countries where income distribution is highly skewed because rich people can afford to pay high prices for consumer imports. In addition, the increased demand for consumer imports could take place at the expense of imports of capital and intermediate goods because of foreign exchange scarcities.

Third, liberalization of foreign exchange transactions makes capital exports easy and legal. Given endemic political and economic instability in African countries, it is safe to say that liberalization leads to capital outflow rather than capital inflow. Fourth and most important, the IMF programme can only have a chance of success in reducing a balance of payments deficit if it is implemented consistently: liberalization of trade and payments plus devaluation must be accompanied by deflationary monetary and fiscal policies to reduce demand for imports and foreign exchange. However, a government's success in implementing the deflationary policies (that is to say, austerity measures) is a function of its ability to enlist popular consent for such policies. If the case of Sudan says anything about the IMF policies it is precisely this fact that the IMF programme must have popular support lest the state finds itself either unable to be consistent

in implementing the programme, or having to resort to excessive coercion to quell the working classes which would create political unrest and would encourage capital flight.

APPENDICES

APPENDIX 1: STATISTICAL ANNEX

TABLE 1

Sudan: Gross Domestic Product, 1976/77-1981/82
(In millions of Sudanese pounds)

	Actual		Estimated			
	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
Agriculture	728	825	768	720	758	821
Manufacturing, mining, and quarrying	132	127	117	132	135	140
Electricity and water	34	33	35	42	45	48
Construction	103	100	105	115	120	120
Distribution and hotels	373	386	353	351	377	412
Transportation and Communications	220	226	207	206	221	240
Financial Services	132	131	130	117	125	135
Personal and household Services	50	47	53	54	55	56
Government services	220	221	228	248	260	270
GDP at factor cost at 1976/77 prices	<u>1,992</u>	<u>2,096</u>	<u>1,996</u>	<u>1,985</u>	<u>2,096</u>	<u>2,242</u>
GDP deflator	100	117	147	185	237	272
GDP at factor cost at current prices	<u>1,992</u>	<u>2,452</u>	<u>2,934</u>	<u>3,672</u>	<u>4,968</u>	<u>6,098</u>
Indirect taxes less subsidies	256	305	323	380	460	580
GDP at current market prices	<u>2,248</u>	<u>2,757</u>	<u>3,257</u>	<u>4,052</u>	<u>5,428</u>	<u>6,678</u>

SOURCE: IMF, Request for Stand By Arrangement, January 7, 1983, p. 44.

APPENDIX I

TABLE 2

Sudan: Allocations for the Three-Year Public Investment Program, 1982/83-1984/85
(In millions of Sudanese pounds at current prices)

	1982/83	1983/84	1984/85	Total
Agriculture	140.8	197.2	194.8	532.8
Rehabilitation	48.3	82.3	87.7	218.3
Completion of ongoing projects	44.3	60.3	51.7	156.3
Infrastructure	30.7	37.5	34.9	103.1
Other	17.5	17.1	20.5	55.1
Manufacturing	25.0	40.0	40.5	105.5
Rehabilitation	18.5	37.0	40.5	96.0
Expansion	3.5	--	--	3.5
Other	3.0	3.0	--	6.0
Power	61.5	62.0	57.0	180.5
Water	19.0	25.0	24.0	68.0
Transportation and communication	115.5	123.4	110.5	349.4
Roads and bridges	39.0	38.0	31.0	108.0
Telecommunications	17.0	14.5	17.0	48.5
Sudan Railways	22.0	31.0	27.0	80.0
Other	37.5	39.9	35.5	112.9
Education and health	46.0	56.5	65.0	167.5
Regional and local development	70.0	81.0	90.0	241.0
Other	6.5	5.0	--	11.5
Total	484.3	590.1	581.8	1,656.2

SOURCE: IMF, Request for Stand By Arrangement, January 7, 1983, p. 51.

APPENDIX I

TABLE 3

Sudan: Cotton Production, 1976/77-1981/82
(In thousands of bales)

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82 ²
Long-staple	<u>555</u>	<u>548</u>	<u>347</u>	<u>330</u>	<u>309</u>	<u>457</u>
Gezira (Including						
Managili)	416	491	306	274	234	380
Blue Nile	120	51	35	10	27	25
White Nile	--	--	--	44	41	42
Other ³	19	6	6	2	5	10
Medium-staple	<u>180</u>	<u>429</u>	<u>363</u>	<u>238</u>	<u>193</u>	<u>389</u>
Gezira	--	88	121	87	68	73
New Halfa	93	108	44	17	30	63
Rahad	--	79	75	103	72	216
Suki	60	51	35	25	18	30
Zedeb	6	4	6	4	6	7
Other ⁴	21	99	82	3	--	--
Short-staple	<u>36</u>	<u>38</u>	<u>37</u>	<u>17</u>	<u>42</u>	<u>19</u>
Nuba mountains	26	24	26	4	13	11
Other ⁵	10	14	11	13	29	8
Total	<u>771</u>	<u>1,015</u>	<u>747</u>	<u>585</u>	<u>544</u>	<u>865</u>

SOURCE: IMF, Recent Economic Development, report no. SM/82/179,
August 30, 1982, p. 62.

¹ One bale of lint weighs 420 pounds or approximately 0.191 metric ton.

² Preliminary.

³ Private schemes on the White Nile, and the Gash and Tokar areas.

⁴ Irrigated areas in the Blue Nile Scheme and rainfed areas along the White Nile.

⁵ Gadaref, Equatoria, and rainfed areas along the Blue Nile.

TABLE 4

Sudan: Area Planted and Yield of Seed Cotton, 1977/78-1981/82¹
(Area in thousands of feddans; yield in large kantars per feddan)²

	Area					Yield				
	1977/78	1978/79	1979/80	1980/81	1981/82 ³	1977/78	1978/79	1979/80	1980/81	1981/82 ³
Long-staple	548	485	618	566	521	3.8	2.7	2.1	2.1	3.4
Gozira (including Monqit)	476	409	447	427	385	4.0	2.9	2.5	2.1	3.8
Blue Nile	68	70	60	61	51	2.9	1.9	0.6	1.7	1.5
White Nile	--	--	95	64	65	--	--	1.8	2.5	2.5
Other	6	6	16	14	20	3.5	3.5	1.0	1.5	2.0
Medium-staple	423	422	301	251	265	3.9	3.3	2.8	2.7	5.1
Gozira ³	45	89	94	74	50	7.5	5.2	3.2	3.2	5.1
New Halfa	99	86	62	55	58	4.2	2.0	0.9	1.9	3.8
Rohod	50	79	88	88	125	6.0	3.6	4.4	2.9	6.1
Suki	32	33	31	28	26	6.1	4.0	2.8	2.3	4.0
Zedab	6	5 ⁴	6	6	6	2.2	4.2	2.3	3.5	4.0
Other ⁴	191	130	20	--	--	2.0	3.8	0.5	--	--
Short-staple	168	129	77	147	95	0.9	1.1	0.8	1.0	0.9
Nuba mountains	103	86	41	55	45	0.9	1.1	0.3	0.8	0.8
Other ⁵	65	43	36	92	50	0.8	1.0	1.3	1.1	1.0
Total	1,139	1,036	996	964	881	3.4	2.8	2.2	2.1	3.6

SOURCE: IMF, Recent Economic Development, report no. SM/82/179, August 30, 1982, p. 63.

¹ One large kantar of seed cotton weighs 315 pounds and yields about 109 pounds of long-staple cotton lint, about 120 pounds of medium-staple lint, and about 125 pounds of short-staple cotton lint.

² Preliminary.

³ Including El Gueld Extension.

APPENDIX I

TABLE 5

Sudan: Output, Cropped Area, and Yields of Major Non-cotton Crops, 1976/77-1981/82

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
<u>(In thousands of metric tons)</u>						
Output						
Dura	1,715	2,017	2,408	1,669	2,068	3,356
Dukhn	467	488	550	309	491	573
Groundnuts	705	1,021	804	852	707	1,095
Sesame	203	345	214	309	221	242
Wheat	301	317	177	233	218	182
Gum arabic	32	35	28	24	32	...
<u>(In thousands of feddans)</u>						
Area						
Dura	6,153	6,662	7,202	6,349	6,956	9,298
Dukhn	2,784	2,984	3,078	2,320	2,598	2,618
Groundnuts	1,785	2,629	2,327	2,352	2,162	2,376
Sesame	2,104	2,349	2,057	1,989	2,011	1,971
Wheat	665	592	586	457	437	371
Aggregate	<u>13,491</u>	<u>15,216</u>	<u>15,520</u>	<u>13,467</u>	<u>14,164</u>	<u>16,625</u>
<u>(In kilograms per feddan)</u>						
Yields						
Dura	279	303	334	263	297	361
Dukhn	168	164	179	133	189	219
Groundnuts	395	385	346	362	327	461
Sesame	97	104	104	105	110	123
Wheat	452	535	302	510	499	491

SOURCE: IMF, Request for Stand By Arrangement, January 7, 1983, p. 64.

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TABLE 6

Cropping Pattern in the Gezira Scheme, 1970/71, 1974/75 and 1978/79

	<u>1970/71</u>		<u>1974/75</u>		<u>1978/79</u>	
	Area	%	Area	%	Area	%
Cotton	603	45.3	603	40.2	490	30.9
Groundnuts	148	11.1	261	17.3	217	13.6
Wheat	141	10.6	428	28.4	502	31.6
Sorghum	294	22.0	154	10.2	344	21.6
Other	<u>146</u>	<u>11.0</u>	<u>59</u>	<u>3.9</u>	<u>36</u>	<u>2.3</u>
Total Area	<u>1,332</u>	<u>100.0</u>	<u>1,505</u>	<u>100.0</u>	<u>1,590</u>	<u>100.0</u>

SOURCE: Gezira Board.

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TABLE 7

Output of Major Non-Cotton Crops, 1970/71 and 1974/75-1977/78

	<u>1970/71¹</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>
Sorghum	1,623	1,705	2,026	1,715	2,017
Dukhn	440	401	403	467	488
Groundnuts	369	930	931	705	1,012
Sesame	265	233	238	203	245
Wheat	145	277	264	301	317

¹ Average of 1969/70, 1970/71 and 1971/72.

SOURCE: Ministry of Agriculture.

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TABLE 8

Sudan: Estimates of the Livestock Herd, 1976/77-1980/81
(In millions)

	1976/77	1977/78	1978/79	1979/80	1980/81
Cattle	15.5	16.3	17.3	19.5	20.7
Sheep	16.2	16.7	17.2	18.1	18.6
Goats	11.3	11.8	12.2	13.3	13.8
Camels	2.4	2.4	2.5	2.7	2.8

SOURCE: IMF, Recent Economic Development, report no. SM/82/179,
August 30, 1982, p. 66.

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TABLE 9

Sudan: Cost of Living Index for Higher-Salaried Employees in Greater Khartoum, 1977-82
(1970 = 100)

Weights	Food, Beverages and Tobacco (6,046)	Housing (1,131)	Clothing (677)	Transport and Communications (395)	Other (1,751)	Overall Index (10,000)
<u>1977</u>						
June	252.7	257.8	176.5	80.9	229.1	237.2
December	266.2	248.1	200.5	83.6	237.7	247.5
<u>1978</u>						
June	324.5	291.7	225.9	88.6	253.4	292.4
December	357.8	258.1	245.0	88.6	281.5	314.9
<u>1979</u>						
June	426.1	289.3	252.3	133.4	354.7	374.8
December	519.4	379.6	268.6	166.0	411.7	453.8
<u>1980</u>						
June	540.6	420.8	390.8	166.0	443.3	478.3
August	588.0	427.1	300.7	166.9	456.0	510.6
December	604.4	431.4	301.2	166.9	465.5	522.7
<u>1981</u>						
June	733.9	476.2	308.0	245.5	553.8	625.1
July	806.4	527.1	392.3	263.2	577.8	685.3
August	867.5	527.1	392.3	263.2	578.2	722.3
September	726.3	527.1	392.3	263.2	391.1	639.2
October	675.7	520.7	392.3	263.2	591.8	608.0
November	655.0	525.2	392.3	288.2	637.6	605.0
December	652.4	525.2	392.3	288.2	637.4	603.4
<u>1982</u>						
January	700.3	613.9	407.8	305.9	664.1	648.8
February	704.9	613.9	407.8	305.9	664.1	651.6

SOURCE: IMF, Recent Economic Development, report no. SM/82/179, August 30, 1982, p. 67.

TABLE 10
Sudan: Monetary Survey, 1970-82
(In millions of Sudanese pounds)

	June 1978	Dec. 1978	June 1979	Dec. 1979	June 1980	Dec. 1980	June 1981	Dec. 1981	May 1982	May 1982
Foreign assets (net)	-218.1	-215.9	-201.3	-286.9	-288.9	-336.5	-398.8	-871.2	-375.0	-860.0
Domestic assets	1,084.3	1,265.5	1,566.6	1,804.4	1,935.1	2,278.7	2,518.6	2,804.4	2,509.2	1,126.0
Claims on Central Government	593.5	672.7	913.7	1,036.9	1,140.8	1,286.1	1,400.0	1,563.7	1,364.2	1,191.9
Claims on public entities	172.4	226.6	245.7	283.6	288.4	376.7	419.8	535.0	422.3	481.7
Claims on private sector and specialized banks	318.4	366.2	407.2	485.9	535.9	615.9	698.7	806.7	723.2	942.4
Total assets ¹	866.3	1,049.6	1,365.3	1,518.4	1,646.1	1,942.2	2,119.7	2,036.3	2,134.7	2,266.0
Total liabilities	866.3	1,049.6	1,365.3	1,518.4	1,646.1	1,942.2	2,119.7	2,036.3	2,134.7	2,266.0
Money and quasi-money	669.1	763.8	877.0	995.0	1,047.4	1,274.9	1,468.8	1,802.4	1,539.6	1,993.1
Currency	222.8	279.1	327.8	380.1	388.3	508.2	516.2	629.8	529.3	699.6
Private sector demand deposits	259.3	291.6	348.0	390.7	425.2	532.4	624.5	649.6	635.6	693.0
Public entities deposits	62.4	57.8	56.0	58.5	45.0	42.8	39.1	232.8	140.4	228.1
Private sector savings and time deposits	124.6	135.3	145.2	165.7	179.0	191.5	249.1	290.3	243.3	372.4
Deposits of government sector	45.3	81.7	254.0	351.6	412.6	499.7	480.5	526.6	415.9	600.4
Central Government	37.3	73.3	53.2	125.3	152.1	210.2	193.7	73.2	108.3	100.8
Counterpart fund	0.4	--	0.6	--	--	--	--	--	--	--
Regional and local governments	7.6	8.4	10.9	10.8	10.5	17.5	20.8	22.3	22.9	29.2
Blocked accounts	--	--	189.3	195.5	250.0	271.9	266.0	431.2	286.5	470.7
Account No. 1	(--)	(--)	(168.8)	(168.8)	(168.8)	(168.8)	(168.8)	(168.8)	(168.8)	(168.8)
Account No. 2	(--)	(--)	(20.5)	(26.7)	(81.2)	(105.1)	(97.2)	(262.4)	(117.7)	(301.9)
Other items (net)	151.9	204.1	234.3	191.7	206.1	167.6	150.3	-292.8	179.2	-327.5

SOURCE: IMF, Recent Economic Development, report no. SM/82/179, August 30, 1982, p. 73.

¹ Local currency counterpart of external arrears accumulated prior to April 1, 1979.

² Local currency counterpart of external arrears accumulated since April 1, 1979.

TABLE 12
SUDAN: BALANCE OF PAYMENTS, 1973/74-1991/92

(US\$ MILLION)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
Exports (GNP)	479.6	526.7	639.9	708.9	696.1	699.4	790.4	704.2	838.0
Merchandise (FOP)	418.7	452.9	520.6	584.1	551.7	526.9	584.0	581.2	506.0
of which: Coffee	164.1	159.5	300.4	265.7	295.3	320.6	324.3	60.2	158.1
Non-Factor Services	61.4	73.8	88.3	114.8	144.9	172.0	204.4	123.0	313.0
Imports (GNP)	610.6	1,022.1	1,169.2	1,124.0	1,360.0	1,321.3	1,343.5	2,165.7	2,062.5
Merchandise (CIF)	540.8	918.2	1,063.2	906.0	1,108.1	1,115.8	1,320.9	1,804.7	1,742.5
of which: Petroleum	52.0	87.6	82.7	107.7	121.5	158.5	263.3	484.7	459.6
Non-Factor Services	59.8	113.8	106.0	58.6	43.7	28.0	124.1	158.5	52.5
Factor Payments	77.8	105.3	106.0	148.0	171.9	205.5	224.6	201.0	300.0
Net Factor Income /A	-139.0	-695.4	-529.3	-425.1	-663.9	-621.8	-703.1	-1,461.5	-1,203.5
Factor Receipts	-26.2	-63.1	-51.2	-51.0	-51.1	-69.0	-58.8	-157.0	-142.0
Factor Payments	1.4	3.7	3.0	3.0	8.9	8.8	8.7	130.0	131.0
Net Factor Income	27.6	46.8	51.2	34.8	60.0	77.6	67.5	267.0	273.0
(MLT Interest Paid)	18.1	27.0	31.3	44.8	52.8	72.0	60.0	190.0	169.8
Current Private Transfers	24.4	66.1	150.7	172.0	211.0	240.0	209.0	350.0	430.0
Current Balance (including Pub. Transfers)	-140.8	-477.4	-429.8	-304.1	-484.0	-450.8	-614.9	-1,106.5	-813.5
Official Transactions (Official Direct Investment)	-	-	-	11.3	-23.0	17.0	64.0	173.5	305.0
New MLT Loans (GNP)	250.0	354.2	470.9	293.1	287.1	508.4	572.6	587.7	320.0
Disbursements	291.0	433.7	539.6	332.1	332.8	618.5	615.1	685.0	481.0
Repayments	41.0	79.5	68.7	38.8	45.8	79.9	42.5	97.3	171.0
Other MLT (Net)	-	-	-	-	-	-	-	-	-
Net Credit from IMF	26.9	51.6	28.9	-8.2	0.9	57.5	115.3	55.4	190.6
Disbursements	52.9	58.8	42.7	15.4	28.5	93.3	159.7	88.9	257.0
Repayments	26.0	7.2	15.8	23.6	25.6	35.8	44.4	33.5	46.4
Net Short-term Cap. Capital Flows NET /B	-1.9	-6.9	-6.0	-0.6	-1.1	-1.8	-	-	-
Accumulation	-	-	-	-	-	-	-	-	-
Error and Omissions /C	40.3	6.2	-130.5	2.4	107.7	159.9	-112.8	130.0	-
Change in Net Reserves (- indicates increase)	-17.1	67.3	66.5	5.9	76.4	-50.4	-54.4	271.1	88.9

SOURCE: World Bank, Sudan: Pricing Policies and Structural Balances, Vol. II, Report No. 4520-SU.

November 10, 1993, p. 23.

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TABLE 13

Sudan: Composition of Exports, 1977/78-1981/82
(In millions of U.S. dollars)

	1977/78	1978/79	1979/80	1980/81	1981/82
Cotton	295.8	320.7	333.3	182.0	69.4
Groundnuts	80.1	25.5	14.2	65.6	48.1
Sesame	55.4	27.8	40.6	32.2	41.7
Gum arabic	35.3	40.0	43.9	32.6	43.4
Dura (sorghum)	8.6	8.7	68.7	71.4	64.4
Vegetable oil and cakes	17.5	46.5	26.3	33.6	26.1
Castor seeds	3.2	3.5	--	--	0.1
Livestock products	26.7	30.0	35.6	43.7	49.6
Other	9.2	6.8	19.8	17.8	38.8
Subtotal	<u>531.8</u>	<u>509.5</u>	<u>582.5</u>	<u>478.9</u>	<u>381.6</u>
Re-exports ²	19.2	17.5	--	--	--
Total	<u>551.0</u>	<u>527.0</u>	<u>582.5</u>	<u>478.9</u>	<u>381.6</u>

SOURCE: IMF, Request for Stand By Arrangement, January 7, 1983, p. 54.

¹ Converted from data in Sudanese pounds at the following exchange rates: for 1977/78, Lsd 1.00 = US\$2.87; for 1978/79, Lsd 1.00 = US\$2.50; for 1979/80, Lsd 1.00 = US\$2.50, July-September 1979; and for October 1979 - September 1980, Lsd 1.00 = US\$2.00; October 1980-June 1981, Lsd 1 = US\$1.25; from October 1981 to December 1981, Lsd 1 = US\$1.18; and from January 1982 to June 1982 Lsd 1 = US\$1.11.

² Excludes petroleum re-exports.

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TABLE 14

Quantity of Major Exports, 1971-1977
(thousand metric tons)

	1971	1972	1973	1974	1975	1976	1977
Cotton (000 bales)	1,546.3	1,292.0	1,218.6	416.6	283.3	268.6	1,005.0
Gum arabic	42.0	39.2	33.9	20.8	15.6	26.2	33.3
Sesame	84.4	83.1	101.9	83.5	56.6	88.8	93.0
Groundnuts	115.1	116.8	138.4	99.1	205.0	282.8	143.3
Cotton seeds	49.8	21.8	15.0	4.6	-	-	0.3
Dura	32.4	55.5	94.0	89.2	45.1	24.5	103.8
Hides and skins	8.6	5.7	8.2	5.3	6.0	6.0	8.0
Cotton seeds cake and meal	..	122.1	116.0	42.5	92.8	100.8	58.9

.. = not available.

SOURCE: Bank of Sudan, based on customs returns.

APPENDIX I

TABLE 15

Sudan: Composition of Imports, 1977/78-1981/82
(In millions of U.S. dollars)

	1977/78	1978/79	1979/80	1980/81	1981/82 ¹
Foodstuffs	121.8	98.8	266.2	314.4	371.2
Tea	33.0	27.0	20.0	27.6	25.7
Coffee	--	2.5	6.5	11.2	4.6
Sugar	43.7	28.0	122.7	183.6	158.5
Other ²	45.1	41.3	117.0	92.0	182.5
Beverages and tobacco	17.8	12.0	9.8	23.2	23.5
Crude material and petroleum products	124.1	183.9	259.0	404.4	513.7
Of which: petroleum products	117.8	177.6	254.0	393.0	494.8
Chemicals and medicine	106.8	109.5	122.5	139.6	129.6
Manufactured goods	218.8	218.0	240.5	323.2	294.5
Machinery and equipment	369.3	284.7	234.2	231.2	262.5
Transport equipment	124.9	170.5	137.7	140.0	182.7
Textiles	104.5	60.5	70.0	55.8	44.3
Total	<u>1,188.0</u>	<u>1,137.9</u>	<u>1,339.9</u>	<u>1,631.4</u>	<u>1,822.0</u>

SOURCE: IMF, Request for Stand By Arrangement, January 7, 1983, p. 55.

¹ Because of the application of different exchange rates for customs purposes, the composition of imports in the period January-June 1982 was partly estimated.

² Mainly wheat and wheat flour, lentils, and dairy products.

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TABLE 16

Sudan: Direction of Exports, 1976/77-1980/81
(In millions of U.S. dollars)

	1976/77	1977/78	1978/79	1979/80	1980/81
Western Europe	<u>265.3</u>	<u>229.1</u>	<u>171.8</u>	<u>181.6</u>	<u>179.6</u>
Italy	85.2	81.2	65.7	70.0	40.1
Germany, Federal					
Republic of	44.2	30.7	24.0	24.4	22.9
France	34.7	46.5	28.0	16.4	17.5
Netherlands	27.3	11.5	7.8	8.4	30.8
United Kingdom	18.7	16.4	14.2	13.4	16.1
Others	55.2	42.8	32.1	49.0	52.1
China and Eastern Europe	<u>117.2</u>	<u>103.4</u>	<u>179.3</u>	<u>179.2</u>	<u>81.0</u>
U.S.S.R.	18.7	17.2	28.0	28.8	20.8
Poland	7.8	18.1	8.0	7.6	5.5
Yugoslavia	44.2	15.2	47.8	27.2	7.9
China, People's					
Republic of	38.5	41.3	61.5	94.4	25.5
Others	8.0	11.6	34.0	21.2	21.3
Western Hemisphere	16.9	14.3	12.7	13.4	39.3
United States	12.3	14.1	12.3	13.4	39.3
Others	4.6	0.2	0.4	--	--
Africa and Asia	<u>194.4</u>	<u>204.2</u>	<u>163.2</u>	<u>207.0</u>	<u>179.0</u>
India	37.1	38.8	17.7	2.2	0.6
Egypt	13.8	18.7	29.0	11.4	12.8
Saudi Arabia	23.5	26.7	33.5	90.6	136.4
Others	120.0	120.0	83.0	102.8	29.2
Total	<u>593.8</u>	<u>551.0</u>	<u>527.0</u>	<u>581.5</u>	<u>478.9</u>

SOURCE: IMF, Sudan: Recent Economic Development, report no. SM/82/179, August 30, 1982, p. 77.

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TABLE 17

Sudan: Origin of Imports, 1976/77-1980/81
(in millions of U.S. dollars)

	1976/77	1977/78	1978/79	1979/80	1980/81
Western Europe	<u>472.9</u>	<u>622.0</u>	<u>567.5</u>	<u>624.9</u>	<u>687.6</u>
United Kingdom	162.8	173.2	173.5	162.4	219.4
Germany, Federal					
Republic of	85.9	149.9	114.0	123.8	103.0
France	54.0	97.6	84.8	106.4	112.8
Italy	63.2	60.9	54.3	33.4	43.6
Belgium	30.8	41.3	21.3	44.8	29.4
Others	76.2	99.1	119.6	154.1	179.4
China and Eastern Europe	<u>65.2</u>	<u>94.8</u>	<u>105.8</u>	<u>99.2</u>	<u>130.6</u>
China, People's					
Republic of	31.6	45.9	50.8	41.6	57.2
Czechoslovakia	4.9	10.3	13.0	15.2	9.0
Yugoslavia	8.0	10.1	16.5	13.2	15.8
Others	20.7	28.5	25.5	29.2	48.6
Western Hemisphere	<u>110.8</u>	<u>110.6</u>	<u>73.3</u>	<u>143.8</u>	<u>198.4</u>
United States	74.4	57.7	62.3	125.2	120.6
Others	36.4	52.9	11.0	18.6	77.8
Africa and Asia	<u>213.4</u>	<u>217.3</u>	<u>181.6</u>	<u>196.8</u>	<u>259.4</u>
Japan	97.1	99.4	77.8	51.8	74.6
India	62.9	36.8	41.8	33.4	34.6
Pakistan	15.5	26.7	3.8	22.6	10.4
Others	37.9	54.4	58.2	89.0	139.8
Arab Countries	<u>123.4</u>	<u>143.3</u>	<u>209.7</u>	<u>275.2</u>	<u>355.4</u>
Total	<u>985.8</u>	<u>1,188.0</u>	<u>1,137.9</u>	<u>1,339.9</u>	<u>1,631.4</u>

SOURCE: IMF, Sudan: Recent Economic Development, report no. SM/82/179, August 30, 1982, p. 79.

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TABLE 18

Sudan: Commercial Banks' Interest Rates, 1978, 1981, and 1983¹
(in per cent)

	February 1978	February 1981	November	January 1983
Lending rates				
Discount of bills of exchange	13.0	15.0	17.0	20.0
Advances against bills of exchange	13.5	15.5	17.5	20.0
Advances to industrial borrowers	)	12.0	14.0	17.0
Overdrafts and other advances (range)	)10.0-14.5	12.0-16.5	14.0-18.5	17.0-20.0
Deposit rates				
A. Nongovernmental customers				
Demand deposits	--	--	--	--
Notice deposits (15 days)	1.0	1.0	3.0	6.0
Fixed deposits				
3 months	6.0	8.5	10.5	13.5
6 months	7.0	9.0	11.0	14.0
9 months	8.0	9.5	11.5	14.5
12 months	8.5	10.0	12.0	15.0
Savings deposits	8.0	8.0	10.0	13.0
Deposits of pension and provident funds	4.0	8.0	10.0	
Foreign currency deposits (U.S. dollars and pounds sterling)	--	Linked to rates in international markets ²		International rate
B. Governmental customers				
Demand deposits	--	--	--	--
Fixed deposits (range)	3.0-4.0	--	--	--
Savings deposits	4.0	--	--	--

SOURCE: IMF, Sudan: Request for Stand-By Arrangement, January 7, 1983, p. 52.

¹ The structure of interest rates was unchanged between February 1978 and February 1981 and between November 1981 and January 1983.

² Since June 1980.

TABLE 19

Structure and Terms of External Public Debt Commitments, 1972-1978

<u>Year</u>	<u>Type of Creditor</u>	<u>Amount</u> (\$ million)	<u>Interest</u> (%)	<u>Maturity</u> (years)	<u>Grace</u> (years)	<u>Grant Element</u> (%)
1972	Suppliers	14.5	5.84	9.5	3.6	18.2
	Private Banks	22.6	6.10	8.0	3.1	14.8
	International Institutions	18.3	0.75	49.5	10.0	82.9
	Governments	41.6	2.80	27.6	6.6	51.2
	Total	96.9	3.64	24.5	6.0	43.8
1973	Suppliers	51.4	7.76	11.4	3.0	10.4
	Private Banks	49.8	7.56	5.5	2.0	8.3
	International Institutions	46.9	0.75	49.9	10.4	83.3
	Governments	138.9	3.11	25.9	6.4	49.4
	Total	286.1	4.34	23.6	5.7	40.7
1974	Suppliers	44.7	8.35	10.1	3.3	6.5
	Private Banks	385.1	10.29	8.1	2.7	-3.2
	International Institutions	116.3	1.92	29.6	8.8	64.0
	Governments	167.0	3.50	17.1	5.5	39.9
	Total	713.1	7.21	15.8	4.4	18.5
1975	Suppliers	223.2	7.81	9.7	3.0	9.3
	Private Banks	79.3	10.47	7.9	2.4	3.5
	International Institutions	118.1	3.48	31.7	6.9	53.1
	Governments	150.3	2.05	30.2	6.3	58.1
	Total	570.9	5.77	19.4	4.6	29.4
1976	Suppliers	53.3	7.15	11.1	3.5	13.3
	Private Banks	160.9	8.27	10.4	4.5	7.3
	International Institutions	83.9	3.12	28.6	7.3	52.8
	Governments	310.0	3.44	21.5	6.1	42.9
	Total	608.1	5.00	18.6	5.6	32.2
1977	Suppliers	89.2	5.06	13.1	3.0	24.3
	Private Banks	13.9	8.78	8.8	2.9	4.3
	International Institutions	86.2	3.34	27.1	6.2	49.0
	Governments	379.5	5.23	14.0	3.0	27.1
	Total	568.7	5.00	15.7	3.5	29.4
1978	Suppliers	35.9	7.81	15.0	3.9	11.8
	Private Banks	40.5	8.67	11.2	6.0	5.3
	International Institutions	130.9	1.36	34.6	8.2	65.9
	Governments	443.8	4.57	18.5	6.4	35.7
	Total	651.1	4.35	21.1	6.6	38.6

SOURCE: World Bank, Memorandum on the Economy of Sudan, Report No. 2652-Su, October 24, 1979, p. 52.

Sudan Chronology of Major Changes Since June 1978 in
Effective Nominal Official Exchange Rates¹

June 8, 1978

The official rate was changed from Lsd 1 = US\$2.87156 to Lsd 1 = US\$2.50. The tax/subsidy amount applied to the official rate was increased from 5.18 Sudanese piastres per US\$1 to 10 Sudanese piastres per US\$1, yielding a rate of Lsd 1 = US\$2.00, which applied to all transactions except receipts from cotton exports and expatriate remittances. The special incentive rate for remittances by Sudanese nationals working abroad remained unchanged at Lsd 1 = US\$1.75.

Effective nominal official exchange rate:
Lsd 1 = US\$2.13

March 27, 1979:

The special incentive rate for remittances by Sudanese nationals working abroad was changed from Lsd 1 = US\$1.75 to LS 1 = US\$1.50.

Effective nominal official exchange rate:
Lsd 1 = US\$2.12

July 3, 1979:

The tax/subsidy was extended to receipts of cotton exports, thereby yielding the effective rate of Lsd 1 = US\$2.00 for all exports.

Effective nominal official exchange rate:
Lsd 1 = US\$1.98

¹ In terms of U.S. dollars, weighted by rates applicable to relevant items in the current account.

APPENDIX II

Sept. 16, 1979: Sudan's exchange system was reorganized into a dual exchange market (i.e., and parallel markets). The tax/subsidy element was abolished and a direct official rate of Lsd 1 = US\$2.00 was established. The special incentive rate of Lsd 1 = US\$1.50 for expatriate remittances was also abolished, and a parallel exchange market was created at the rate of Lsd 1 = US\$1.25. Approximately 94 per cent of exports and 52 per cent of imports, official invisibles, cash loans and debt servicing were effected through the official markets while all other transactions were designated to the parallel market.

Effective nominal official exchange rate:
Lsd 1 = US\$1.66

Sept. 21, 1980: All exports, except cotton, and all imports--except petroleum, sugar wheat and wheat flour, milk, pharmaceuticals, and imports related to cotton -- were moved from the official market to the parallel market. This shift represented an increase in the proportion of exports channelled through the parallel market from 6 per cent to about 64 per cent, while the proportion of imports was raised from 48 per cent to 56 per cent.

Effective nominal official exchange rate:
Lsd 1 = US\$1

June 8, 1981: Cotton exports were moved from the official market to the parallel market. In effect, all exports were henceforth effected at the parallel market rate of Lsd 1 = US\$1.25.

Effective nominal official exchange rate:
Lsd 1 = US\$1.45

APPENDIX II

July 15, 1981: The official third market was legalized. Licensed dealers handle exchanges in this market with a freely fluctuating rate. The market handled most of the remittances from abroad, private sector imports, and service transactions.

Nov. 9, 1981: The official market and the parallel market were unified at the rate of Lsd 1 = US\$1.11.

Effective nominal official exchange rate:
Lsd 1 = US\$1.11

June 30 -
Aug. 25, 1982: Maximum rates in the free market set by decree at Lsd 1 = US\$0.885 buying and US\$0.71.

Nov. 15, 1982: The official market rate was changed to Lsd 1 = US\$0.77.

Effective nominal official exchange rate:
Lsd 1 = US\$0.77¹

¹ Excludes exchanges through licensed dealers at the free market rate.

SOURCE: IMF, Request for Stand-By Arrangement,
January 7, 1983, pp. 45-46.

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