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Sudan: a key U.S. ally targeted by the IMF and Federal Reserve

by Cynthia Parsons

"Hundreds of million of dollars will be required during the next few years to establish the physical basis for renewed economic growth. However, such resources are very scarce in the Sudan," the International Monetary Fund (IMF) reported recently. The IMF and the U.S. State Department have agreed to pull the plug on Sudan, an important U.S. ally in Africa.

On March 14, Sudan is expected to be declared uncreditworthy by the IMF and the Paris Club of government creditors, IMF sources told *EIR*. After a review of Sudan's credit on that date, they said, the creditors will demand an extension of Sudan's already severe IMF austerity programs. When the devastated country cannot comply, the Paris creditors will refuse to extend further credit.

The IMF declares Sudan is too "politically unstable," citing the Sudanese government's inability to suppress Muslim fundamentalist uprisings. Chevron Oil had already suspended its $800 million oil-drilling investment in the Upper Nile region after three workers were killed by Muslim guerrillas in February.

The hit list

In fact the pending bankruptcy of Sudan has no explanation in banking practice; it is part of a program for world population reduction by the IMF and the Club of Rome.

Sudan's name appeared on a hit list published in the *IMF Survey* Jan. 23, along with other "Fourth World" African and Central American nations, to be banned from world credit and trade markets (see *EIR*, Feb. 28). The countries listed will be cut off from U.S. banking credit under the Wallich Plan, written into U.S. bank law by Club of Rome supporter Henry Wallich, the senior U.S. Federal Reserve Board governor, last December.

It is apparent that countries on the Wallich "hit list" are to be thrown out of the international credit lifeboat as useless eaters.

The cutoff of Sudan is arbitrary, since for the past two years the country has undergone a quarterly "check-up" in Paris on its creditworthiness in order to receive IMF endorsement and maintain bank credit lines. Once the Paris Club refuses to extend Sudan's government credits, "it is highly unlikely that there will be sufficient foreign exchange available," as one IMF official put it, for Sudan to pay any debt. At that point, Sudan will be cut off by its commercial bankers.

Without credit lines, Sudan will rapidly fall behind in its interest payments—to the minimum of seven months necessary to classify the country as a "protracted risk" under the Wallich program. Under Wallich's section 905(a) of the International Lending Supervision Act of 1983 (IMF bill), as *EIR* reported Jan. 17, U.S. banks will be penalized for lending to countries classified as having "protracted difficulty" paying debts. The Fed and Treasury now force U.S. banks to set aside penalty reserves on loans to such countries, forcing the banks to take direct losses in the amount of reserves set aside.

The fact is that the entire Horn of Africa, beginning with countries such as Sudan and Chad, and ending with pivotally strategic Egypt, is being undermined by the international associates of Henry Kissinger and NATO Secretary-elect Lord Peter Carrington, who have made a deal with Moscow to turn the entire region over to Soviet domination.

As Dr. Colin Williams, senior fellow of the Aspen Institute, put it in October 1981, shortly after the terrorist assassination of Egyptian President Anwar Sadat, it is "inevitable" that Egypt and the entire Horn will be engulfed by internal strife caused by "overpopulation." The area can no longer be supported by Western aid, he stated, relinquishing it to the Soviets.

Under Kissinger's influence, the State Department has now decided that Egypt is ripe for Muslim fundamentalist "revolution," angry Egyptian officials told *EIR* March 7. Pulling the plug on Sudan will create even greater pressure on Egypt, a highly populated nation now surviving only with U.S. aid.

Typical IMF victim

Sudan has no breathing room for import cuts or reductions in living standards. Its foreign exchange is earned from the sale of cotton and ground nuts. Lack of input and maintenance has caused production to decline, and the collapse of prices on the international commodity markets has cut into export earnings.

Sudan's case illustrates what happens to those debtor nations who cooperate with IMF "stabilization" programs. Since 1978 it has carried out the IMF's demands, but this has so devastated the country that it is now totally incapable of

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paying its debts.

Everything in Sudan has been used up. Soils have gone without fertilizers and pesticides. The rain-fed areas of the western part of the country are vulnerable to the desertification overtaking most of Africa's Sahel. Roads and railways have collapsed. People in the south no longer trade in Sudanese currency; they use sesame seeds.

So far Sudan's creditors are "very pleased" with President Numayri's performance in carrying out IMF demands. "The Sudanese are pretty realistic," commented Tom Cornell, the chief Sudan officer of the U.S. State Department's Agency for International Development.

Since 1978, Sudan has devalued its currency by over 70%, increased consumer prices, established a parallel exchange rate for non-essential imports, cut imports, and removed virtually all budget subsidies for food and other vital consumer goods, despite riots in 1980 and 1981 when such cuts forced up the price of bread. In September 1979 a three-year "public investment" program was begun. Development projects were halted; funds were to go only to export-oriented production, to earn revenue for debt payment.

How the debt was created

Sudan has only 23 million people in a country a third the size of the United States. It is self-sufficient in food supplies, and has the potential to increase grain production by 70% immediately, yet its foreign debt now stands at $8 billion and the ratio of debt service to exports has jumped from 14% in 1970 to 100% in 1984. How is this possible?

From 1972, when Sudan's civil war ended, up to 1978 when the International Monetary Fund and the World Bank took control over all investment, the country was pursuing an infrastructural development program. The first segment of the Jonglei Canal was to drain some of the Sudd swamps in the south of the country and thereby increase the Nile waters for irrigation and urban use in both Sudan and Egypt. Road and railways were planned to crisscross the country, reaching areas that were unexplored. The entire "black" south was to be transformed from a collection of tribes into a modern region integrated into a modern economy. In the north, new Gezira projects—Gezira is a British-built cotton farm, the largest mechanized farm in the world—were designed. Funds were promised from the Arab oil states, and Sudan borrowed heavily in anticipation of massive Arab investment along with U.S. and European loans.

Only a small portion of the Arab funds ever materialized—Saudi Arabia, for example, provided $15 million of a promised $6 billion.

With the 1973 oil hoax, the import bill quadrupled. Sudan had a trade surplus in 1972; by 1974, import expenditures were nearly twice as high as export earnings. Sudan's exports increased by only 10% in nominal terms during this period. Cotton production was halted in favor of grains. By 1978, Arab oil money was no longer forthcoming, and foreign exchange dried up. Rather than see the population starve, the groundnuts were consumed domestically, forcing Sudan to borrow funds in a race against time to complete the development schemes.

The race ended in defeat. Sudan was impelled to go to the IMF in 1978 for funds, and the IMF forced Sudan to curb its "extravagant binge" in development. Only two projects were even started. One was a modified version of the Jonglei Canal; the other an international airport in the southern capital of Juba.

In February 1983, Egypt and Sudan made a formal agreement to integrate their economies and undertake joint development projects. But Sudan's economic problems worsened when commodity prices declined at that time. By March 1983, the Paris Club decided to squeeze whatever was left of the assets of the country in return for restructuring the debt which, of course, would put an end to any joint collaboration with Egypt.

To court Saudi funds, in June 1983 Numayri again split the country, turning the "black" south into three tribal regions. Commented one recent visitor to Sudan, "The Arabs are not very willing to develop the 'black-skinned people.'" Numayri, still courting Saudi funds, next turned the country over to "Islamic law," creating the potential for a return of the civil war that had consumed Sudan for 17 years until the 1972 Addis Ababa agreement which set up one autonomous regional government in the south. In October, the Qaddafi-funded guerrilla group Anyanya II murdered the Chevron workers and torched a riverboat, killing 300 people.

The threat of civil war has caused the French companies in Sudan to withdraw their personnel after guerrillas killed some of their workers in mid-February. Chevron is talking of an at least six-month delay in starting construction on a 900-mile pipeline to Port Sudan, until a "political settlement" can be worked out. Originally, an oil refinery and other industrial installations were to have been built in the south; investors decided that a pipeline would be faster and cheaper. "The Sudanese are a bit overoptimistic because of their oil," claimed AID's Cornell.

The magnitude of the debt

From 1979 to 1982, debt service equaled 20% of exports. In 1984-85, around 60% of the total $871 million debt service payment due is on old commitments, 10% is on new commitments and charges to the IMF, and the remainder is due on the rescheduling arrangements. Around 60% of debt service on old commitments is due to bilateral donors; of that, some 52% is owed to various Arab countries.

The long-term "most optimistic" goal is to reduce the deficit on the balance of trade from 20% of the GDP to 7% by 1990. But, says the IMF, it will require "determined action from the government and massive external support. Without this, it is highly unlikely that there will be sufficient foreign exchange available to finance the foreign exchange component of the public investment program, which would have serious adverse effects for the nation."