
Interview: Dr. Taji al Sair

Sudan's development effort: 'We want the IMF to leave us alone'

Dr. Taji al Sair is the minister of industry and trade of Sudan. He gave this interview to Muriel Mirak-Weissbach in Khartoum on Oct. 11, 1994.

EIR: Can you give me some background on the economic situation of Sudan?

Dr. Taji: Up until 1989, Sudan was dependent on foreign resources, for development and even for running the state. Until that date, 60-65% of financial resources, whether loans or aid, came from abroad. We looked at the potential of the Sudanese economy, which is huge, and considered that a burden was being placed on coming generations. Most of it went into consumption, and very little was invested in infrastructure. So the first point we made in 1989, was that we have to rely on our own resources. So now, less than 4% of the resources available is from foreign sources.

On the other hand, we have done a lot on infrastructure, both basic infrastructure and production infrastructure, as well as general services like education, health services, administration, etc. All these things were done under very difficult conditions; we had drought, we had the crisis in the south, our problems with the international monetary and financial institutions. Our image in the international community was blurred.

So if you consider all these negative elements, you see it is in spite of these odds, that the economy over five years jumped from a negative rate of growth to a rate of growth of 9-13%. This gave us confidence in ourselves, that our potential is high, and that we can realize this potential, whether natural resources, human resources, or financial resources. It was done at some cost that is evident, and I would say a high cost.

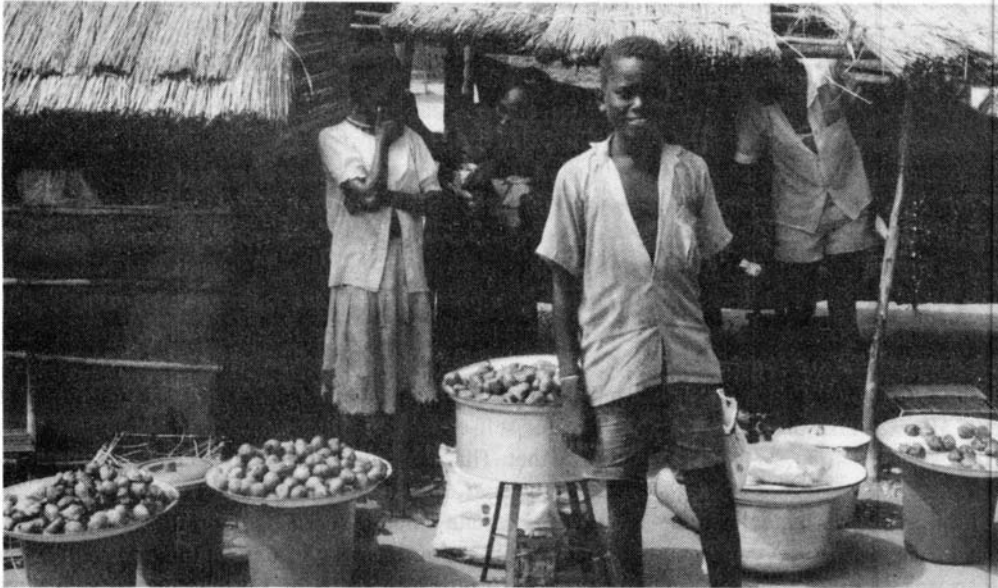
We developed our social program based on our traditional imperatives, our religious teachings, our Sudanese nature of cooperation. We took all these things together, and our official policy was to direct resources toward the rural areas, to the agricultural sector, where 80% of the workforce is. We shifted our resources; 2% of credit facilities in the past was allocated to agriculture, now we have 50% of credits going to rural and small producers. This really changed the structure of society. People are going into business for themselves, in agriculture, in rural areas, in trade, in professional

jobs, engineering, and so on. They are leaving their jobs and going for self-employment, because resources are directed toward that. This had some negative impact on salaried workers; in the past, if you were employed by the government, you had a certain amount of prestige, now that has changed. We think this approach was useful in mobilizing people, our resources, to utilize them. Now we have some confidence that we can make Sudan a big country.

In so doing, we succeeded in boosting production. We started with the agricultural sector, first of all because 80% of the workforce is there, secondly because it is the prime mover of our economy, everyone is dependent on agriculture. During this period, the production in agriculture tripled, if not quadrupled. By now, we have the feeling that we have established a good structure for agriculture to continue developing. Since last year, we have started to do some work in industry, a sector which we hope will take off in two or three years. We have the feeling that we have confidence in our economy and in our capacities. If the international community leaves us alone, at least, we'll be okay.

Now after this development, which was accompanied by restructuring, we feel that we are in a position to be able to put more effort into our exports. Last year we adopted a new system. We found, if we went back to previous experience, it was all control—administrative control, policy control, etc. We concluded that the best thing to do was to develop a system where the people who do the exporting contribute to making the policy. We borrowed the idea of commodity boards, which is applied in many countries. We started by having a board covering the major exports: sorghum, oil seeds, animal stock, meat, industrial exports, mineral exports, fruit and vegetables, cotton, gum arabic. We started these boards from the main exporters, whether private or public companies. Very few were public, the bulk were private. We gave these boards the responsibility of studying the availability of exports, promotion, and monitoring the local and the international market, and making proposals to the ministry for adoption. These boards convened weekly, and their recommendations were read to the minister. In 95% of the cases, the minister agreed on their recommendations and took decisions.

I will give you one interesting example. Up until the



Marketplace in Juba, Sudan. "Our official policy was to direct resources toward the rural areas, to the agricultural sector, where 80% of the workforce is."

start of this experiment, the Ministry of Trade used to declare minimum prices. These were declared locally and internationally, so everyone knew that the price of a certain item is \$500, even if the market went up to \$1,000, or if the international price went down to \$300, the ministry demanded to bring in \$500. We discovered that this was not good. You have to have flexibility to cope with the changes in the market. We gave this responsibility to this board, to look into international markets and to comment. We abolished the idea of declaring minimum prices. We used an alternative system; for *our* purposes, we can talk about a minimum price, but we do not declare it officially. If the board says, these days, a ton of sesame is \$600, and an exporter comes and says, I want to export for \$500, he doesn't come to me, he goes to the board. He either convinces the board of this price, or the board convinces him he's making a mistake. So we succeeded in increasing our price of *karkade* [hibiscus tea] from \$450 a ton in August 1993 to \$1,200 a ton by December. I quote this as one of the very outstanding achievements of this board.

EIR: What are the conditions of trade with other countries, given the fact that the International Monetary Fund is still exerting a certain function limiting trade?

Dr. Taji: I can say there is no effect of the IMF on our trade. It affects the financial aspect. If I go to Deutsche Bank asking for credit, they will say, "You have a problem with the IMF." But if I go to a company named Wolf in Germany and say, "I want to sell you 10,000 tons of gum arabic at this price," and they need it, they will say okay. So there is no effect on trade.

EIR: How does the IMF blacklisting of Sudan affect the possibility of importing large-scale machinery for industry and agriculture, for example?

Dr. Taji: If you want to do it on credit, it is definitely going

to affect it, but if you are going to pay, there is no problem. I can buy anything, even from the United States, if I pay with a confirmed letter of credit.

EIR: Is the trade you are engaging in financed on a company-to-company basis?

Dr. Taji: Yes, also government-to-government. The Bank of Sudan can buy something for my sugar industry, or cement industry, which is owned by the government, if the Bank of Sudan can give the supplier a confirmed letter of credit in hard currency.

EIR: What is your program for the industrial sector, after treating the priorities in agriculture? How are you facing the need for infrastructure?

Dr. Taji: Sudan has very complicated problems and it is not easy to address all of them at the same time. First, because we are not in a situation to have the financing required, to develop the capacities required to innovate industry in a short period of time. We have to have priorities within the industrial sector itself. We have priorities, which are based on certain criteria. For example, most of the industries which are dependent on local inputs, are mainly intended to realize added value or to substitute for imports. In terms of economic return, this is a sort of industry which has a relatively high economic return, because most of the inputs are local. For example, if I produce edible oil from ground nuts or sesame, or cotton seed, or whatever, these are locally produced. I can press these seeds, produce edible oil, and export it. This is an addition to the economy, because I am using local resources to produce commodities for export, and generating foreign earnings. So we gave some priority to this sort of industry. Edible oil, leather, textile, sugar production—all these are industries which convert locally produced inputs

into finished products, by adding value either for the local market or for export.

EIR: Is it in these areas that you want to raise the technological level of production, for example in food processing and textiles?

Dr. Taji: Yes, these are the sectors with the highest investment. If you take the oil production facilities in Sudan, they are capable of handling 2.5 million tons of seed, which produce 400,000 tons of oil. Our local consumption is less than 150,000 tons. So if we can produce in agriculture 2,000 tons of seeds, and move the machinery of all these factories, we can export 200-250,000 tons of oil, which is \$250 million. We produce noble oil, ground oil, the most expensive oil in the world. In the 1970s, we used to export to Egypt and to Europe, semi-refined oil, and we have had, since the '70s, four or five big mills, each of them supplied with a terminal or oil tanker. The mills have a capacity for 350,000 tons of seed crushing, which produces 150,000 tons of oil. I want to move this machinery, to produce, but I have to deal with the agricultural sector to increase production there first.

EIR: What are the obstacles, the bottlenecks?

Dr. Taji: We need to extend the agricultural area, and to have the infrastructure for agriculture to make this possible. This year we have the equivalent of 15,000 hectares under cultivation with different crops; if I can double this area in two or three years, I will have 2 million tons of this oil.

EIR: Is it technology input which is lacking, which prevents this doubling?

Dr. Taji: The minister of agriculture could certainly tell you more. We say Sudan has a very big potential in agriculture, because if you take the water resources, we have all types: running water, rainfall, and groundwater. And it is well distributed, because where there is no rain, there is plenty of groundwater. If you go to the north, the groundwater is immense, 50% of what the Nile has, but to yield that much water, we need to dig wells, and we need energy to pump the water. The land is very good. This is a big area for investment: irrigation, by running water, small dams, or by drilling wells, and pumping water. These are big investments. Mechanization is another requirement, for rainfed agriculture. We have 150 million acres (70 million hectares), which can yield one crop by rain. But to actually farm 70 million hectares, you cannot handle it manually, you need mechanization, of everything.

EIR: Regarding basic infrastructure for transportation and communications, I understand there have been some new developments.

Dr. Taji: If you are talking about infrastructure in general, for a country like Sudan, it's a very difficult task. Though Sudan is potentially as rich as Germany, it is very big, so to join all parts of the country with transport facilities, trains,

roads, even rivers, you need huge investments. Moreover, the population is only 25 million, in an area of 1 million square miles, not evenly distributed, and in most cases the areas of production are different from the areas of consumption or outlets to international markets, so transport and communications are very essential. At same time they are very expensive, because its transport is over thousands of miles. This is one of the very big problems in Sudan.

But again, just as we cannot cultivate 70 million hectares in one or two years, we cannot cover all infrastructure requirements in one or two years. So we have priorities: to link the areas of production with areas of dense population, whether by rail or by road. We want to link our country with our western, southern, and eastern neighbors; we started some rail and road projects in these three directions. We have transport facilities with the north—rail from Khartoum down to Alhama; we also have projects to make a road connection on the western bank of the river down to Wadi Halva, another one on the eastern bank to Attbera, and from there to Port Sudan. These projects are now in the pipeline, some under execution. Of course, we have to rely on our own resources, so our rate is slow.

EIR: Do you mean your own financial resources and labor?

Dr. Taji: Everything.

EIR: How do you finance these projects?

Dr. Taji: Most of them are financed by co-financing between the government and the public. We have a route from Khartoum to Attbera, about 300 kilometers—40 of them were already built some time ago, so we are talking about 260 km. This project was financed partly by the government, which vouched for it in local currency, issued credit, and the public all over the country mobilized private resources, in terms of outright donations. Billions of Sudanese pounds were collected for this. The contractor was a Sudanese company, a joint venture between the government and the private investors from the Arab world.

EIR: Do you have a lot of investment from Sudanese in the Gulf?

Dr. Taji: Yes, even foreigners, even some Europeans. There are no restrictions on foreign investments.

EIR: Don't they have to be approved?

Dr. Taji: Yes, we have an investment bureau which licenses this activity, but there is no barrier to foreign investment.

Regarding telecommunications, the government took another approach, privatizing the business. This was done first of all gradually; secondly, we set up a joint venture with the government. It's not 100% private. Part of the telecommunications, the part which is commercially viable, is privatized, in the sense that the government evaluated the assets rendering the service in international communications and main

town communications, and considered that as its share in the company. And it called investors to come and take equity in this company. At the beginning, the government held two-thirds of the paid-up capital shares, and the private investors, the other one-third, around \$30 million. The capital, with the government's share in kind, and the private investors' (foreign and local) in cash, together is \$90 million. This makes available \$30 million for the company to start new projects, there are four or five being implemented; all of them will be ready by next March. We are hoping by that time, the telecommunications will be improved.

EIR: What are the projects?

Dr. Taji: The first one is a new ground station, with new technology, five times the capacity of the previous one. The second is a new international exchange, with new technology, double the capacity of the existing one. The third is a fiber optic connection between the satellite stations and almost all the main exchanges in Greater Khartoum. The fourth is digitalization of the biggest exchange in Khartoum Center; it was analogue before. The fifth is an introduction of 10,000 lines of cellular telephones. All these projects are contracted.

EIR: Is there a project for national communications and transportation grids?

Dr. Taji: The remaining part of the communications, regional and local, is still under the government, it is a public enterprise. It is supposed that when this new company introduces these projects and starts to make a good return on investment, they will raise more capital. So we expect to collect more equity, and by so doing gradually we take part of the regional networks and introduce them into the company. So gradually the new company is supposed to phase out the public enterprise.

EIR: Are there new developments with the sugar production facilities at Kenana?

Dr. Taji: Kenana is a joint venture between government, Sudanese private investors, and some Arab investors. It's going to continue like that, and the new project in Kenana is an extension which will lead to an increase in the production of sugar. Kenana has 170,000 acres, of which 85,000 are under cultivation. For technical reasons related to rotation and fallow, they need to have another 10,000 under cultivation. It is now being done. It is expected to come into implementation by next year. By so doing, we can increase the capacity from the current 260-270,000 tons by 50,000 more.

EIR: What about the oil sector? How does petroleum development fit into this overall picture?

Dr. Taji: You know oil was discovered in Sudan in the late '70s, and that was by Chevron—they started some work here, they had the largest area ever leased to one company in the world. By 1992, I think, the government relinquished the

concession of Chevron, and now it is a government concession. We are trying to make some investments, but as you know, this is capital-intensive. There are some efforts, with some local resources and with some investors from other countries, including the United States.

EIR: But you want to keep national control over the oil?

Dr. Taji: Yes. Actually, the American company which is here, is a sort of contractor. Some other investor is negotiating with this company to work with it as a contractor. The company is here, they were working previously with Chevron. We have some work going on. The problem again is infrastructure, because the oil is in remote areas, and if you want to transport the oil from there to the areas of consumption or to outlets at Port Sudan, you need a pipeline of more than 1,300 kilometers, which requires a big investment. On a smaller scale, we are trying to do something for local consumption. Efforts are going on; it is difficult to say what the status is.

EIR: What sort of discussion has there been of national banking methods of financing, to overcome the obstacle of lack of adequate financing?

Dr. Taji: One of the ideas which came up, when talking about oil and in the context of the embargo on international capital, was why not establish a Sudanese national company and ask every Sudanese to contribute? We need foreign currency to bring in the machinery, pipeline, and to start using our oil. People are thinking about it seriously. The minister of finance raised the idea of bonds, why does the government not float national bonds, internally? We can issue them in Sudanese currency or foreign currency, and sell them in the Gulf, to raise capital for vital projects, which are very promising with a high return. These ideas are under discussion, but haven't yet materialized. The cabinet has passed a bill and the Transitional Assembly too has approved the idea of the bonds, but it has not yet been implemented.

EIR: You said earlier Sudan would be fine, "if the international community would leave us alone." What did you mean by that?

Dr. Taji: Leave us alone. It's a very important statement. For example, I went to Germany three times, invited by some business groups, very interested in investing in Sudan. They expressed their interest by inviting me to visit one of the branches of Deutsche Bank on a *Sunday*, with the manager and all department heads, coming to meet on a Sunday. After a very long discussion and negotiations, and my presentation on Sudan, they said, "We are very interested. The only thing we want is that the IMF keep silent about Sudan. Because if the IMF puts the word out, no one can approach Sudan with financing." So, we don't want the IMF to give us money, we are not dreaming about one cent. We want the IMF to keep silent. Don't talk about Sudan. People will come.