

Sudan must break with the IMF to realize vast productive potential

by Muriel Mirak-Weissbach

Sudan has neither the advanced infrastructure of Iraq, nor the massive oil reserves of Iran, nor the nuclear weapons capability of North Korea. But it has the largest land mass of any nation in Africa, with optimal climatic conditions for year-round agriculture. Given the technology, it could feed Africa, and beyond. That fact suffices to make Sudan a threat to strategic policymakers who plan to erect a new "Limes" barrier between the prosperous northern hemisphere and an impoverished south, condemned to disintegration. As a result, Sudan has been singled out in the western media as an outlaw nation, guilty of crimes ranging from forced religious conversion to torture. It was also added, in 1993, to the list of nations the U.S. State Department considers to support terrorism.

If its productive potential were fully exploited, Sudan could derail plans for starving Africa. Since the military government of Gen. Omar Hassan Al Bashir came to power in 1989, Sudan has been struggling to meet this challenge. Its basic goals were to achieve independence in food production, to overcome famine and ensure survival in the event of attack; and to further the process of industrialization, including exploiting its new oil resources.

As Minister of Agriculture Natural and Animal Resources Prof. Ahmed Ali Geneif told *EIR* in December, Sudan has made encouraging progress, even despite the "technological apartheid" policy to which it is subjected. The agricultural sector includes rainfed and irrigated land, as well as animal breeding and exploitation of vast natural forest resources. Its giant Gezira complex, the largest irrigated scheme in the world, is run as a joint venture between four government companies and the private Kenana. It produces dura, wheat, cotton, vegetables, maize, and fodder. "We need to maximize the utilization of technology in order to increase the productivity per unit area," stressed Professor Ahmed. Referring to a previous joint project between the Sudanese and Canadian governments in the eastern region of the country, the minister said, "The transition from traditional to modern methods which started taking place there was comparable to the process Canada had undergone, from a rainfed prairie agriculture to a modern form."

Another key area is livestock production. "Sudan has the second largest animal resources," he pointed out, "but they

are raised according to traditional methods. We need to modernize, by introducing ranching, and by integrating farming with livestock breeding." To encourage this, the government, which placed the Ministry of Animal Resources and the Ministry of Agriculture under one roof four and a half years ago, has introduced private farming, by giving land to people. "The farmer had land in the past, too," he said, "and worked it for the government, but did not have the responsibility for production which he now has." In addition to tractors, seed, and credits issued through the Farmers Bank and the Animal Resources Bank, "the government is trying to increase added value by integrating production with a food processing industry."

These measures, implemented with the means available to the literally embargoed nation, allowed Sudan to make significant strides, though not without pitfalls. As Dr. Hassan Atturabi, the man portrayed as Sudan's spiritual leader, put it in a press conference in December, "We have over 3 million animal breeders, and 10 million farmers. We have developed by the efforts of Sudan alone, even without the hundreds of millions of dollars we had before in bilateral loans, the Lomé agreement, the IMF [International Monetary Fund] and Arab countries' loans—now that's all gone. Why? It's politics. Sudan became independent, self-reliant, moved from hunger, in spite of all that aid, to be not only self-sufficient but to export, meat, fruits, vegetables, sugar."

Chief Justice Mahjouba Mohammed Salih, when asked by *EIR* why the Sudan was under attack, replied: "If left alone, we could become like a European country. We have land, people and oil, and we could develop our agriculture." Specifically, he pointed out, "We started producing wheat, which is America's controlling crop. They order Egypt not to grow wheat. Now we have sufficient crops, even without technology."

The free-market pitfall

Sudan is justly proud of having reached self-sufficiency in food production. And the oligarchs who run the IMF are understandably enraged. Yet, in struggling to reach its goal of self-reliance so as to be beyond the reach of IMF blackmail, Sudan implemented free market policies of the type usually dictated by the IMF, and suffered the economic and

social fallout such policies inevitably produce. However, Sudan did succeed in vastly increasing its food output. Now, the government is attempting to alleviate the social problems, by reverting in part to more traditional state-guided policies.

Two years ago, Sudan introduced liberalization policies, as part of a scheme to restructure the economy according to a free market concept. This program, outlined in 1991 and introduced in early 1992 by then-Minister of Finance Abdul Rahim Hamdi, led to devaluation of the currency, aggravated by a two-tier exchange rate (official and black market), inflation (due to lifting some price controls and subsidies), increased taxation, and enhancing exports for foreign exchange required to buy particularly oil. In autumn 1992, the IMF circulated a letter which "welcomed the recent reorientation of economic policies by Sudan" while voicing "disappointment with Sudan's payment performance," which it proposed to improve by setting up a "monitoring" structure.

By the end of 1992, the negative effects of the liberalization program had fueled intensive criticism as inflation adversely affected living standards, particularly among those with fixed incomes. During a symposium on the theme in December 1992, criticism was directed particularly against Finance Minister Hamdi by Dr. Hussein Suleiman Abu Salih, the minister of social welfare, who charged that the system "liberalized prices while it curbed wages," and accused the banking system of engaging in usury (which is prohibited by Islam).

In the course of 1993, despite the continuing impact of the liberalization, Sudan's real production, particularly in agriculture, increased. Yet inflation, driven up by liberalized prices and exchange rates, made it more and more difficult for the domestic population to cope. By July 1993, the government recognized the urgency of revising the policy, and intervened to fix prices, though not for agricultural produce. This "regulated deregulation" was combined with issuance of ration cards for some staples (bread, cooking oil, soap, tea) to protect the poorest strata. It was reported in the English-language monthly *Sudanow* in September, that the annual budget for July 1993-94 allotted financial assistance to 2 million families, up from 500,000, a clear indication of spreading poverty. This has served as a stop-gap measure, but cannot be a solution. At the same time, Hamdi continued to defend those policies which cohered with the IMF's austerity recipe.

IMF pours oil on the fire

The IMF's response to Sudan's plight has been to pour oil onto the fire. In 1992, the Fund's team visiting Sudan had refused to acknowledge the 11.6% increase in production that Sudan reported for 1991-92, and conducted haggling negotiations to force Khartoum to downsize its statistics. Clearly, the IMF did not want a "Sudan success story" to spread through the Third World. A year later on Aug. 13, 1993, after Sudan had implemented policies in line with the

IMF's, with disastrous effects, the Fund cancelled its voting rights, on grounds that it could not make the increased payments demanded on its \$1.2 billion debt. This came just after the U.S. Congress proposed establishing "safe havens" in southern Sudan and the British House of Lords heard a proposal to impose a weapons and oil embargo on Sudan. One day after the IMF's action, Sudan was placed on the State Department's list of terrorist states.

Leading persons in Sudan's political elite interpret the rapid-fire succession of financial, political, and psychological blows coming from Britain and the United States as the opening volleys of an assault that can only escalate. They have expressed justified worry that U.N.-issued sanctions may be forthcoming as a prelude to redeploying the military force in Somalia against Sudan.

While preparing the population to resist a possible invasion, with the training of men and women in Popular Defense militias modeled on the Swiss example, the government may also be preparing a shift in financial and economic policy, away from the IMF-style liberalization scheme. The most important signal of such a possible corrective shift came in November, when the finance minister who oversaw the liberalization, Dr. Hamdi, was replaced by Abdallah Hassan Ahmad.

The new minister differs from his predecessor in several ways. First, whereas Hamdi removed all subsidies, Mr. Hassan wants to keep subsidies for five years at least. Any liberalization of prices, he believes, must proceed slowly. On Jan. 1, in fact, subsidies were reintroduced, and a 50% increase in salaries for urban employed and pensioners was decided. Mr. Hamdi had believed that with liberalization, devaluation, and so on, Sudan would benefit by receiving foreign investment and credits, as the IMF and other institutions had indicated. Instead, despite the liberalization measures taken, credits and aid were cut. The new minister can have no illusions that such foreign help will arrive. Finally, though plans for privatization had been drawn up even for state industries, the government has decided to keep all profitable major industries under state control, including textiles.

There are plans for the Sudanese government to talk to the IMF again, but certain lines have been drawn. There is basic disagreement regarding the subsidies and the debt. Sudan has reintroduced subsidies to protect its productive capacities. As for the debt, the IMF demands \$150 million per year, whereas the government insists on defining what it can pay as a percentage of its GNP (not over 10%). Recent developments in Nigeria ("Nigeria Draws the Line Against Disintegration," *EIR*, Jan. 28, 1994) may provide important leverage to tip the balance against the IMF. If the Sudanese government returns to a policy of national control over credit, currency, and trade, reversing the IMF-style "free market" approach, it can stabilize its internal situation, while continuing its fight for economic growth, in independence.