Sudan's development potential faces IMF destruction

For a little over a year, Sudanese President Mohammed Jaafer al-Numeiry has been regularly acceding to the conditions imposed on his country by the International Monetary Fund, apparently in the hope that the Fund will declare him creditworthy and that he will be able to turn his country's devolution around on the basis of its enormous agricultural potential. Last year, the Fund ordered Numeiry to devalue the Sudanese pound by 20 percent and to slap a moratorium on new development projects, and he did so; this year, the Fund ordered him to transform his economy into a British colonial-style monocultural export-oriented economy, and he acquiesced.

This policy has not gone down easily with other Sudanese leaders. In mid-August, Numeiry fired or shuffled 10 top officials, including Vice-President and long-time ally Abdel Kassim Mohammed Ibrahim. The firings illustrated how far Numeiry is prepared to go in accepting the Fund's insistence on top-down control over the Sudanese economy.

The Aug. 11 firing of Kassim—one of the original junta of Nasserist officers who put Numeiry in power in 1969—is known to have resulted from disputes over economic policy: Kassim sabotaged Sudanese acquiescence to the IMF's austerity demands by granting wage increases to the railway workers' union, among other things. His replacement was Defense Minister Gen. Abdul Magid Khalil—whose reputation as a "tough, dynamic soldier," in the words of the *Financial Times,* was a signal to the population that Numeiry is prepared to crack down hard against those who try to fight his austerity program.

Victims of the Aug. 18 cabinet purge also included Finance and Economy Minister Othman Hashim Abdel-Salam—thought to be opposed to IMF diktats—the ministers of industry, agriculture, public affairs and communications and the attorney general. The latter post was filled by Hassan Turabi, leader of the British intelligence-run Muslim Brotherhood—which only last February held a demonstration in Khartoum, Sudan's capital, celebrating the victory of the Ayatollah Khomeini in Iran and calling for Numeiry to "go the way of the Shah."

The purge occurred against a background of strikes and student demonstrations protesting the ending of government subsidies on flour, sugar, petroleum and other basic commodities, which caused price rises as high as 66 percent when they were introduced in May. Railway workers struck for five days on the week of Aug. 13; students rioted in Khartoum on Aug. 8, 11 and 12; and for a time cotton farmers refused to plant this year's crop—the main source of foreign exchange.

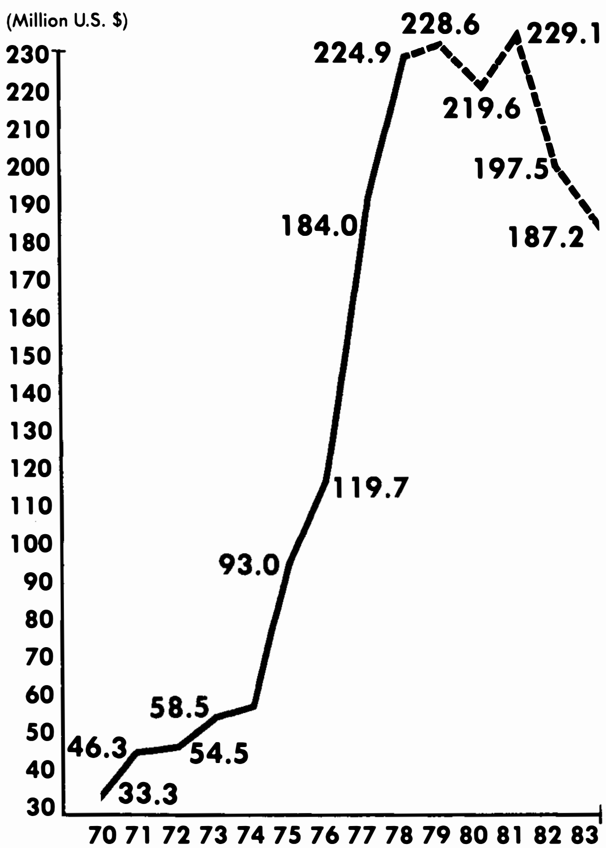
The August events illustrate Numeiry's desperation in accepting IMF conditionalities which, whatever Numeiry's intentions, are forcing the Sudan to abandon development plans which would make it a food producer of global importance, capable of feeding most of the Middle East and a good chunk of Africa. Instead, under the World Bank/IMF "Recovery" program, the Sudan is required to return to dead-end export crop production, growing cotton and peanuts.

For the moment, Numeiry appears in no position to resist. In the attempt to develop his country, he has contracted a reported $5.5 billion in foreign debt and is hundreds of millions of dollars in arrears in debt service. His main Arab backers, Saudi Arabia and Kuwait, furthermore, have withheld the balance of payments aid necessary to keep Sudan afloat until its development projects start to turn a profit. If Numeiry did not knuckle under to the IMF, he would be able to get *no* credit, and the Sudanese population could very well starve.

Sudan's Potential

The concept in understanding the situation of the Sudan is the realization that *it is not Zaire*. The country has embarked on a massive development program of great promise, based on exploitation of the two great clay plains of the country, and on the White and Blue Niles which water them. It already has sizeable irrigated agricultural areas, some of which have been operating successfully since the 1930s; and any sane and competent economist would judge that the Sudan has run into *short term difficulties* that should have been foreseen and are readily solvable without derailing the development of the Sudan as a food producer.

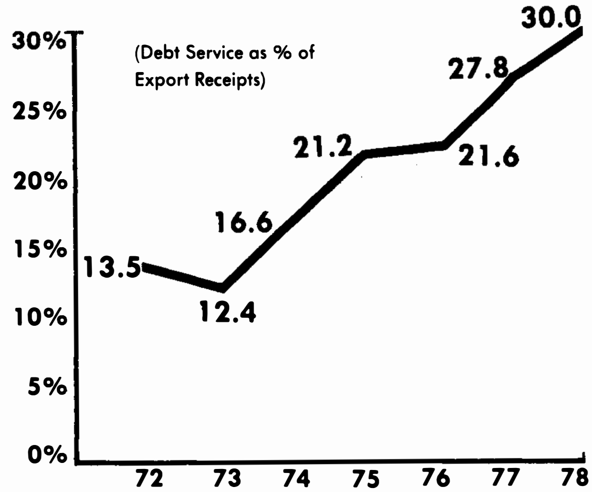
Sudan Current Debt Service 1970-83



World Bank Projection

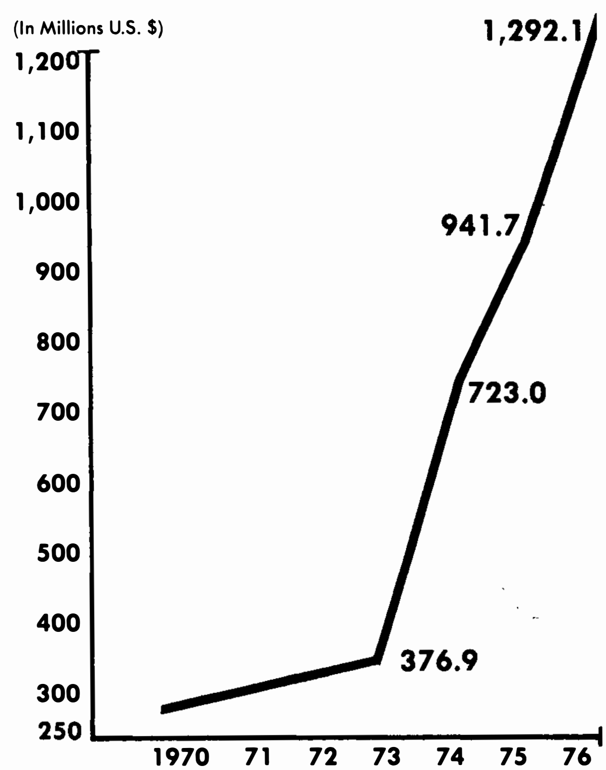
Sudan's debt, as well as its balance of trade deficit, was boldly incurred by the Numiery government in an effort to develop the country, one of the most potentially productive agricultural areas in the world. The projects conceived include reshaping the ecology of the Nile River, building the Joneliei Canal in the Sudd swamp. The World Bank and International Monetary Fund, by insisting on a moratorium on new projects as well as a devaluation and debt repayment schedule, is seeking to suck the blood of a healthy organism. With annual debt service payments steadily rising as a portion of total budgeted expenses and in absolute terms over the past 8 years, the World Bank's projected figures for 1979 through 1983 make clear that the bank—and the International Monetary Fund—are planning a credit cut-off, the only projected means for their accomplishing the indicated decline.

Sudan Debt Service Ratio



Sudan Total Debt

(Disbursed and outstanding public sector Long Term Debt—
Does not include short term trade debt or suppliers credits)



By the conservative estimate of the Arab Fund for Economic and Social Development—the Arab agency set up in 1973 to develop the Sudan's potential, the Sudan could go from the current 1.3 million hectares of cropland irrigated by the Nile to 3.8 million hectares, and from 5 to 30 million hectares of rainfed cultivation, in the space of 10 years. Meat production over the same period could increase sixfold, from 450,000 metric tons to 3 million. Overall, the AFESD projects a rise in total output of vegetable products from the 7.9 billion metric tons of the 1972-73 crop year to 21.1 billion by 1985.

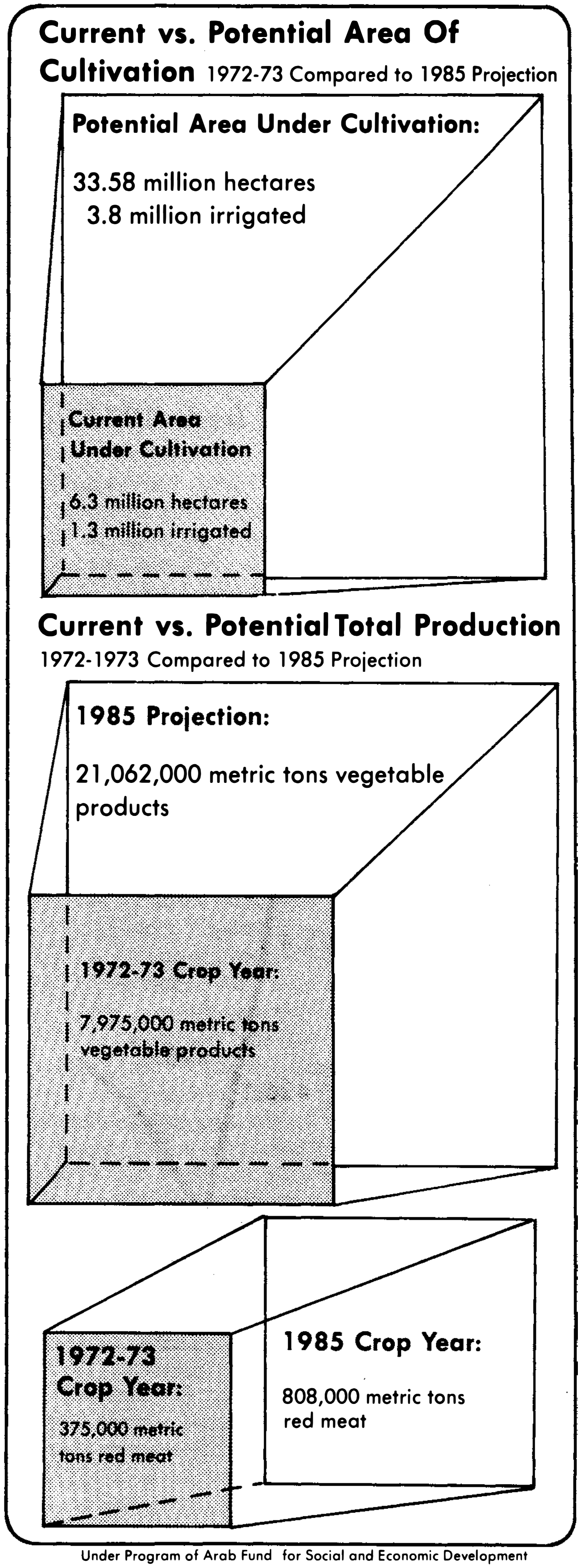
This plan takes into account a $6 billion investment—which has not been forthcoming—and a program aimed solely at the Sudan. If the Sudan were taken as part of a "Nile Valley Authority," the entire river, from its sources to the delta could be controlled as part of a project developing all of the countries along it, and making the whole far more productive than the sum of its singly-developed parts.

The bottlenecks

The problem of developing the Sudan—which the International Monetary Fund and certain Arabs attribute to inefficiency, mismanagement and corruption—is that it must be done comprehensively or it won't work, and that such a development program necessarily requires a long lead-time. An efficient infrastructure must be laid down *around* and *within* the agricultural areas at the same time that the farms themselves and the irrigation projects feeding them are constructed. This requires a commitment over the long haul by the Saudis and other Arab backers, as well as planning, managerial and technical assistance, and capital goods from the industrial sector. Since the Mideastern governments and the governments of the European Monetary System—who are in principle committed to this kind of development strategy—are dragging their feet for a variety of reasons, the Sudan is left at the mercy of the IMF and the City of London, who are adamantly opposed to high technology development in any Third World nation.

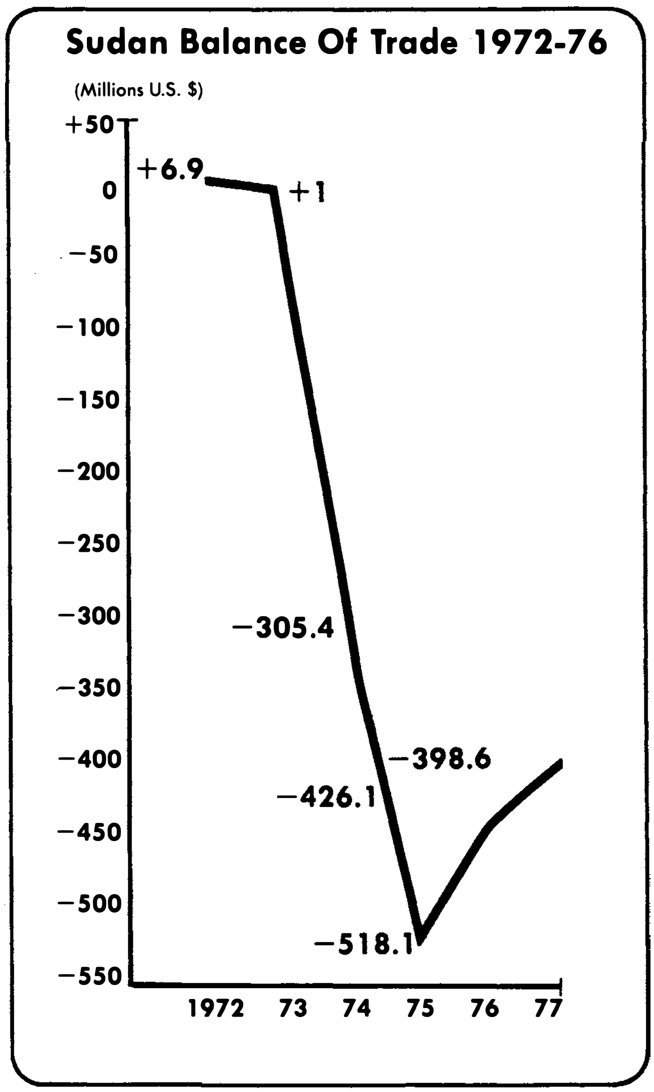
The IMF's commitment

The Fund and the World Bank are committed to transforming the Sudan back to a British-colonial mode—a monoculture economy dependent on the City of London price of the commodity for their export receipts. To be fair to the Fund, it is actually allowing a duoculture economy: the Sudan agreed in May of this year to produce cotton and peanuts for export, and to actively discourage food production, even to the point of abandoning the idea of Sudanese self-sufficiency in basic foodstuffs, leaving the country doubly at the mercy of the Fund and London. To be doubly fair to the Fund, it claims that this strategy will only hold until the Sudan has paid back its $5.5 billion outstanding debt. Last



Under Program of Arab Fund for Social and Economic Development year the Fund claimed that the moratorium on new development projects would be temporary as well—and its was: they decided that the moratorium should become cancellation.

This is to be done, furthermore, without any significant expansion or development of the Sudanese agricultural sector. There will be some new irrigation developments, and old irrigation projects will be "rehabilitated." Neither the bank nor the IMF, however, have made any commitment to serious development aid, and commercial sources of capital, according to both Bank and State Department sources, are uninterested in the Sudan.



In the May agreement, Numeiry pledged cuts in government spending, such as this summer's consumer subsidy cuts which caused the Aug. 8 rioting and hadlater to be rescinded—at least for now. In return for this agreement, which lasts for three years, Numeiry gets $260 million—peanuts—provided he sticks to the "recovery program."

In addition, Numeiry will meet with public sector and commercial creditors this fall to "restructure" the Sudan's debt. Under the restructuring plan, some hundreds of millions of dollars of overdue interest will be added to the reported $5.5 billion in principal—now effectively in default—to come up with a new principal. The Sudan will then get a 3 year grace period and a 7 year repayment period, according to U.S. banking sources, and possibly some "new money."

This will all be paid off if the cotton and peanut markets hold—an iffy proposition in today's turbulent world economy—and if intensive cotton production with no money for fertilizers and other inputs does not wear out the soil—also unlikely.

After some initial resistance to IMF demands in 1977 and early 1978, Numeiry appears to have totally acquiesced to the Fund. Besides lifting the commodity subsidies, this year's government budget removed land and water taxes from cotton production and slapped it *on* to wheat production.

Numeiry has also dealt swiftly with signs of opposition: Public Service Minister Karamallah al-Awad was forced out of offfice May 29, right after the price rises were announced, to be followed by Abdel Kassim and the other cabinet ministers in August. Numeiry also delivered a pitiable speech Aug. 14—after firing Kassim and before the cabinet purge—blaming "Communist teachers" for inciting the student demonstrations, backed by a nearby "atheist" state, i.e., Ethiopia. And he called on all employers to expose and dismiss any Communists in their employ. This is a reversal of one of his greatest accomplishments as President—the reconciliation between his own Sudan Socialist Union and the conservative Moslem Umma Party and the Sudan Communist Party, the largest in Africa and one of the largest in the Arab world.

Numeiry also begged his countrymen to "bear with me a little longer," and promised a brighter future. This is a promise he will be unable to keep unless he gets out of the IMF straightjacket, and the Arab and European countries which should be supporting him make this possible.

—Peter Buck