



# enough

The project to end genocide and crimes against humanity



Protesters burn tires and close a highway north of Khartoum amid a wave of unrest over the lifting of fuel subsidies by the Sudanese government (September 25, 2013). AP Photo / Abd Raouf

## Watching the Bubble Burst

Political Implications of Sudan's Economic Implosion

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By Eric Reeves

September 17, 2014

An Enough Forum publication

## Note from Enough Project Founding Director

This in-depth report by Dr. Eric Reeves launches two Enough initiatives: an Enough Forum where expert commentary will be solicited on key issues related to the Horn, East and Central Africa; and a series of reports and investigations into the economic roots of conflict and crisis in Sudan and South Sudan.

Dr. Reeves' report scratches beneath the surface of IMF and World Bank reports on the Sudanese economy, revealing a foundation eaten away by the twin termites of corruption and excessive security spending. His conclusion is compelling:

"What does become clear ... is the importance of sanctions that target those who are most culpable in the destruction and suffering that have been concealed for so many years .... But targeted sanctions—directed at al-Bashir, Bakri Hassan Saleh, Abdel Rahim Mohamed Hussein, Saleh Gosh, Nafie Ali Nafie, and a number of other officials and senior army officers—would serve not only as a warning to others who might reflect on the wisdom of becoming complicit in atrocity crimes, but would weaken these men politically as well as strip them of assets that belong to the people of Sudan. This will require the commitment of significant financial and forensic resources; they exist. But without at least the cooperation of the Europeans and enhanced efforts by the United States, the brutal men in Khartoum will continue to enjoy the days of tyranny remaining to them."

By publishing this report, the Enough Project hopes to illuminate the degree to which the Sudanese regime is vulnerable, and the importance of further punitive economic measures in response to the continuing war crimes and crimes against humanity being perpetrated by regime operatives and militia allies. Eric Reeves has been a powerful voice for years in support of more robust action to counter the atrocities being committed by the Khartoum government. We hope that this work and other efforts can inspire a greater commitment by the United States and the broader international community to sustainable peace and human rights in Sudan.

John Prendergast  
Founding Director, Enough

# Watching the Bubble Burst

## Political Implications of Sudan's Economic Implosion

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September 16, 2014

### Executive Summary

Despite very considerable evidence that the economy of Sudan is collapsing under the weight of numerous unsustainable pressures, there is no full extant account of these pressures at this critical moment in the political history of Sudan. Understanding the human and political consequences of economic collapse in Sudan is also critical in making sense of the future of now independent South Sudan. Nominally tasked with monitoring the Sudanese economy, the International Monetary Fund (IMF), and to a lesser degree the World Bank, have failed to present a full or accurate picture—too often dancing around difficult issues and simply accepting at face value figures provided by the Government of Sudan. Every one of the eight key charts in the IMF's July 2014 report indicates as its source of data: "Sudanese authorities and staff estimates and projections."

Most conspicuously, the two organizations have failed to provide anything approaching realistic figures concerning military and security expenditures. There is in the July 2014 IMF report not a single line item—not one—reflecting or indicating the scale of military and security expenditures. We may learn about "Regulatory capital to risk-weighted assets"; but we will learn nothing about investments in weapons acquisitions from abroad or the growing domestic armaments production. We learn nothing of salaries and logistical expenditures for the Sudan Armed Forces or the militias the government supports. Since the Government of Sudan—essentially the National Congress Party (formerly the National Islamic Front)—is deeply threatened by a fuller understanding of the dire straits in which the economy currently lies, it has an obvious interest in doing what it can to minimize popular understanding of growing economic threats, and in particular the excessive budgetary commitments to the Sudan Armed Forces, various security forces, and militias.

Certainly there is no dearth of studies, statistics, or analyses of the economy (see Bibliography). But none does enough to assess the impact of Sudan's growing economic distress on various crises within Sudan itself and the region as a whole, most particularly in South Sudan. Continued serious fighting in Darfur, the Nuba Mountains of South Kordofan, and Blue Nile mean that the Government of Sudan is obliged to spend inordinate amounts of annual revenues on armaments, soldiers' salaries, logistics, and the security services that are an integral part of the military power wielded by the government. Estimates vary widely, but the consensus is that significantly more than fifty percent of budgetary expenditures are directed to the military and security services. Moreover, the oil revenues that fueled the decade of economic growth following the first oil exports (August 1999) are now only a fraction of

what they have been. This augurs extreme difficulties in negotiating with South Sudan over final boundaries, since many of the contested areas—including Abyei—have significant oil reserves.

In all the regions where fighting is occurring, agricultural production has declined precipitously, creating extraordinary ongoing humanitarian needs. The government has made provision of relief assistance impossible in the most affected areas of South Kordofan and Blue Nile, and for more than a decade has harassed, impeded, expelled, and threatened humanitarian organizations operating in Darfur, where security has become so bad that further withdrawals by organizations are inevitable.

It is in the domestic political arena, however, that the economy is most worrisome for the NCP government. Inflation remains extremely high—and likely a good deal higher than suggested by the figures coming from the Central Bank of Sudan—and the Sudanese Pound continues a rapid decline in value against the dollar. There is exceedingly little foreign exchange currency (Forex), which has led to acute difficulties in financing imports of all kinds, even food and refined fuel for cooking (Sudan's refining capacity is not sufficient to meet very large demand). Bread shortages earlier in 2013 and 2014 were a direct result of a lack of Forex for purchases of wheat abroad, exacerbated by the increased cost to bakeries of cooking fuel. Looming over the entire economy is the massive external debt, which in August stood at US\$46.9 billion according to the IMF; the government can neither repay nor service this debt without reforms—economic and political—it has shown itself unwilling to make.

Last September and October, there was a serious, sustained, and occasionally violent public uprising to protest the price increases resulting from the government's lifting of subsidies for fuel (including cooking fuel). The government response was swift and brutal, with "shoot to kill" orders in place from the beginning of the uprising according to Amnesty International. More than 200 demonstrators were shot to death, and many more wounded; some 800 people were arrested. The figures are likely much higher. Despite the normalcy of IMF accounts of Sudan's economy, there can be little doubt that it has reached the breaking point; and continued inflation, which may reach to hyperinflation, will—as it has before in Sudanese political history—be the economic force that brings down the government.

The emergence of the National Consensus Forces as a coalition of smaller northern political parties committed to "regime change" is but one sign of growing determination to end the 25-year rule of the NIF/NCP. The "Paris Declaration" between the National Umma Party (NUP) and the Sudan Revolutionary Front (SRF) is another such sign. The NUP, led by Sadiq al-Mahdi, is one of the two traditional sectarian parties that have long had significant political support. The SRF is a coalition of armed rebel groups from Darfur, South Kordofan, and Blue Nile that is also committed to regime change, by force if necessary.

The current Government of Sudan has no way to respond to both increasing political pressures and the consequences of a rapidly deteriorating economy. As a result, it will almost certainly resist change, with violent repression, for as long as possible; for many of its leaders have been or will be the subject of arrest warrants for crimes against humanity by the International Criminal Court, and will have no recourse or avenue of escape once the government falls. They are as a consequence especially dangerous, and the fall of the regime may well be very bloody. The international community should plan now how to assist in the creation of a democratic, inclusive, and secular Government of Sudan, and should be prepared to address some of the most immediate problems, including widespread food insecurity.

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### **Note on sources:**

I have used a wide range of sources, particularly the more recent reports of the IMF, as well as other more academic economic analyses (see the bibliography). I have also, however, made frequent use of the two leading sources of detailed information about all matters relating to Sudan: Radio Dabanga and, particularly on economic issues, the *Sudan Tribune*. These two news organizations in particular benefit from having journalists on the ground, including in Khartoum, who are able to make detailed assessments and conduct interviews with relevant parties. Radio Dabanga has in the past five years developed an extraordinary roster of ground sources: their reports—primarily but not exclusively on Darfur—provide exceptionally important details about the economic consequences not only of continuing conflict, but the broader economic implosion in the country. *Sudan Tribune* consistently addresses, with considerable detail and insight, key economic developments not reported elsewhere. Most of these dispatches are linked to, though not for the most part included in the bibliography.

By contrast, the IMF repeatedly cites as its source for the most important data: "Sudanese authorities and staff estimates and projections." The former are completely untrustworthy, and the latter have too often proved disastrously inaccurate or deficient.

### **Acronyms:**

CBOS—Central Bank of Sudan  
FEWSNet—Famine Early Warning System Network  
Forex—foreign exchange currency  
GAM—Global Acute Malnutrition  
GDP—Gross Domestic Product  
GOS—Government of Sudan  
IMF—International Monetary Fund  
MIC—(Sudan's) Military Industry Corporation  
NCP—National Congress Party  
NIF—National Islamic Front  
NUP—National Umma Party  
PDF—Popular Defense Forces  
RSF—Rapid Support Forces  
SAF—Sudan Armed Forces  
SAS—Small Arms Survey  
SMP—(IMF) Staff Monitored Program  
SRF—Sudan Revolutionary Front

## I. The Economy and Political Power in Sudan

### Overview

Sudan is a country of some 35 - 40 million people (estimates cluster in this range in the absence of a recent and credible census). The population is most dense in the riverine region of Khartoum and Omdurman, but with major cities and towns in all eighteen states. The country, even with the loss of South Sudan, is still one of the largest in Africa: 1,886,068 square kilometers (728,215 square miles) Sudan has a wide range of meteorological and geological characteristics—ranging from complete desertification in areas of North Darfur to the fertile grazing land along the Sudan/South Sudan border (Sudan lies between latitudes 8° and 23° North). The currency is the Sudanese Pound (SDG), and the Central Bank of Sudan (CBOS) controls its official rate of exchange. The CBOS is governed by *shari'a* law, although it has made various accommodations of non-Islamic economic and financial realities. Primary exports are gold, gum arabic, and for a brief period significant quantities of crude oil. More recently Sudan has been a net importer of oil and refined petroleum products, and this may remain the case; it is especially dependent on imports for refined petroleum products, including diesel fuel and Liquefied Natural Gas (LNG) used in cooking fuel cylinders.

There is considerable opacity and distortion in the data released by the government in Khartoum, and face-value acceptance of these data by the IMF should be noted at the outset. Critically, IMF monitoring takes virtually no account of military expenditures or the vast self-enrichment that has defined the current regime since it took power by military coup in June 1989. This is because figures for these expenditures are simply not provided; the effect is to vitiate the comprehensive value of nearly all IMF reports on the economy.

The most conspicuous distortion—of which even the IMF is aware—lies in what the CBOS calls the "official" exchange rate, which has no relationship with the actual dollar exchange rate on the "curb" or black market. The government and CBOS are constantly trying to bring down the exchange rate in the currency black market—often with false or misleading promises of loans or new sources of foreign exchange currency; but these have led to only temporary successes. Inevitably, the truth about economic realities will out, and each time the government is caught manipulating news or data, it loses credibility. The Sudanese Pound is trading at an all-time low against the U.S. dollar.

Perhaps the most difficult figure to ascertain is real inflation, as opposed to the inflation figures promulgated by the CBOS and in turn the IMF. Many who know the economy of Sudan well believe that inflation is well above 50 percent, even as the official (CBOS) rate is still a highly alarming 47.8 percent. If the government falls, which seems increasingly likely, the major impetus will have come from an inability to control inflation: it simply has no politically viable tools at its disposal. Compounded with significant unemployment and under-employment, and an "Arab Spring" demographic profile, conditions in Sudan seem auspicious for regime change. The situation bears comparison with the fall of previous regimes in 1985 and 1964.

Gross Domestic Product (GDP) is yet another figure that depends upon what Khartoum wishes the world to believe; its relationship to actual national economic production is unclear, especially when military and security expenditures have been excluded or lumped underneath the rubric "other." These expenditures have been consistently and vastly underestimated by the IMF, an instance of culpable credulity in light of the number of informed observers of Sudan who believe that these expenditures

account for more than half of the national budget. The Government of Sudan has long been deceitful in its account of these expenditures, and the consequences for a calculation of true GDP are enormous.

The NIF/NCP regime has from the beginning "systematically dismantled or co-opted the country's trade unions, political opposition, university unions, free media and civil service" (*Financial Times*, 15 January 2014). Early on it also subverted the independence of Sudan's banks—the Central Bank most consequentially—and took large equity stakes in several banks. Early on the NIF/NCP also purged the army, creating a force in its own image, but with senior officers frequently of inferior quality. Discontent among the important middle ranks is reported to be growing significantly, as is a general distaste for the brutal and bloody counter-insurgency wars that they have been left to lead. This is one reason for the government's increasing reliance on militia forces such as the Rapid Support Forces (RSF), little more than recycled elements of the *Janjaweed* that were the primary instruments of genocidal destruction early in the Darfur conflict.

### **The Military and the Economy: Who is Running the Show?**

The regime at present is defined politically by military figures: President Omar al-Bashir elevated himself to the rank of Field Marshal several years ago; the current Minister of Defense (and former Minister of the Interior) is also a general. Both these men are subject to arrest warrants issued by the International Criminal Court for multiple counts of crimes against humanity in Darfur (al-Bashir also faces charges of genocide). In a telling change, First Vice President in the government is no longer Ali Osman Taha, someone with no military background, but rather General Bakri Hassan Saleh, former Defense Minister and senior minister for presidential affairs; he has proved exceptionally influential in current political environment, and has supported al-Bashir from the first days of the coup, putting down rebellions with notorious brutality. Indeed, there can be no understanding of the current government in Sudan without a sense of how much it has changed since 2010 – 2011. It was during this period that men like General Bakri Hassan Saleh issued an ultimatum to al-Bashir and others about their weariness with the weakness of Sudan's military posture vis-à-vis the contested Abyei region and growing restiveness in South Kordofan and Blue Nile States.

In an important assessment offered in summer 2011, based on a series of extraordinary communications with officials in Khartoum, long-time Sudan researcher Julie Flint demonstrates a major shift in power within the GOS. Evidence that the regime was undergoing a "creeping coup," orchestrated by elements in the military leadership, had been growing steadily. Flint's piece, however—based on communications with distressed regime officials in Khartoum—concluded that if a "creeping" military coup from within were successful, there would be very little room for civilians in the new configuration of power:

[A] well-informed source close to the National Congress Party reports that Sudan's two most powerful generals went to [Sudanese President Omar al-] Bashir on May 5 [2011], five days after 11 soldiers were killed in an SPLA ambush in Abyei, on South Kordofan's southwestern border, and demanded powers to act as they sought fit, without reference to the political leadership.

*[One of these men was **General Bakri Hassan Saleh**, the other was **Lt. Gen. Ismat Abdel Rahman al-Zain**—implicated in Darfur atrocity crimes because of his role as SAF director of operations (Khartoum); he is identified in the "Confidential Annex" to the report by UN panel of Experts on Darfur; the Annex was widely leaked in February 2006—ER.]*



"They got it," the source says. "It is the hour of the soldiers—a vengeful, bitter attitude of defending one's interests no matter what; a punitive and emotional approach that goes beyond calculation of self-interest. The army was the first to accept that Sudan would be partitioned. But they also felt it as a humiliation, primarily because they were withdrawing from territory in which they had not been defeated. They were ready to go along with the politicians as long as the politicians were delivering—but they had come to the conclusion they weren't. Ambushes in Abyei...interminable talks in Doha keeping Darfur as an open wound.... Lack of agreement on oil revenue...." "It has gone beyond politics," says one of Bashir's closest aides. "It is about dignity." ("The Nuba Mountains War Isn't Going Away," Julie Flint, *Lebanon Daily Star*, 2 August 2011)

I also outlined in August 2011 the implications of this shift in power away from civilian to military control, and it must be stressed how consequential this shift has been, not only for the politics of Sudan, especially on issues of war and peace—and what the army wants—but the economy as a whole. For what the generals want is a war-making capability that makes nonsense of any effort to halt the "monetizing of the fiscal imbalances." There may be taxes on the poor, or those who have no political means of insulating themselves from taxation; there will be—if the increasingly unpopular, indeed despised government dares—further and more consequential cuts in subsidies to food and fuel. But the military and security budgets will not be touched: those wielding power in Khartoum know that their very survival depends on the loyalty and effectiveness of military and security services. The regime is in a full-on survivalist mode, and the fact that the IMF and World Bank can't bring themselves to utter more than platitudes about the political situation vitiates their economic analysis.

It falls to the Sudanese themselves to speak the fullest truth, and, Khalid Tijani, chief editor of the weekly economic newspaper *Elaff*, said bluntly (and courageously) before last November's economic forum in which al-Bashir called for a "fight" against inflation:

"The economic situation is getting worse," Khalid Tijani said ahead of the conference. "Without addressing the political problem you can't solve this economic situation," Tijani said. "The government, actually, I don't think they are taking things seriously." (News24, 25 November 2013)

Indeed, if the only recourse is to substitute bombastic military metaphors for profound political and structural economic change, it is hard to believe that the government is "taking things seriously," except in the sense of engaging in actions that serve only a ruthlessly narrow self-interest.

If we want to understand the economy of Sudan, we must first understand the government that oversees that economy; such an understanding is rarely revealed in accounts that come from the Bretton Woods organizations or from journalists generally, with a few notable exceptions. The following economic data have not been previously aggregated.

## II. The Twenty Leading Economic Indicators: Key Figures and National Rankings

**[1] Inflation:** The current official rate for **August 2014 is 46.4 percent** (Central Bureau of Statistics); many economists believe this figure significantly understates the real rate of inflation, especially for food and fuel in peripheral regions of Sudan (the rate for **July 2014 was 46.8 percent**).

**[2] Foreign currency exchange rate:**

**Official:** 5.6 Sudanese Pounds buy one U.S. dollar

**Currency black market:** 9.5 Sudanese Pounds buy one U.S. dollar

The IMF explains this gap with a bracing, if unusual, honesty as reflecting "insufficient availability of foreign exchange in the banking system...weak economic fundamentals, including a large currency account deficit, low level of international reserves, and continued monetization of the budget deficit" (*Sudan Tribune* [Washington], 1 August 2014).

**[3] Total external debt:** according to the most recent IMF report (July 2014) Sudan's total external debt is **US\$ 46.9 billion** (up from **US\$39.5 billion in 2010** and approximately **US\$13 billion in June 1989** when the National Islamic Front military coup occurred; a great deal of this debt is in the form of arrears, but more than US\$10 billion in new loans have been secured by the current regime, even as it immediately, on taking power, reduced the country's commitment to repaying then current loan balances.

**[4] External debt in 2013 equaled 87.6 percent of GDP** (the figure for 2012 was 82.2 percent).

**[5] Foreign exchange reserves held by the Central Bank of Sudan:** according to the IMF, approximately US\$1.5 billion in March 2014, the equivalent of roughly two months of essential imports; the figure for 2013 was US\$1.6 billion; for 2012, US\$1.7 billion; the World Bank estimates that Sudan's **Current Account Balance as a percentage of GDP is at an all-time low of -17.3 percent.**

In judging how willing Khartoum is to distort economic realities we should take note of the preposterous comments made (as reported by the government-controlled *Sudan Vision*) by the Minister at the Higher Council for Investment, Mustafa Osman Ismail:

*Sudan has attracted more than \$30 billion dollars from across the world* as part of its efforts to boost the investment sector, the Minister at the Higher Council for Investment has said. Dr. Mustafa Osman Ismail, who made the remarks in his address to an economic forum in Rome. (*Sudan Vision* [Khartoum] 6 October 201) [*all emphases in quoted material are mine—ER*]

**[6] Gross Domestic Product:** The World Bank estimate of **GDP for 2013 was US\$66.55 billion**; the IMF estimate for 2014 is 2.6 percent growth; the economy actually shrank by an equivalent figure in 2012 (IMF Staff-Monitored Program for Sudan, July 2014).

**[7] Annual goods and services trade deficit for 2013: US\$7.1 billion** (IMF estimate); for a country with virtually no foreign currency reserves, this is simply unsustainable.

**[8] Employment/under-employment:** there are no credible statistics, since the GOS believes they would be unacceptably depressing and discouraging to Sudanese looking for work. Official government figures for unemployment hover around **16 percent**, but there is no reason to believe them trustworthy. Anecdotally, the evidence would suggest unemployment **as high as 30 percent** and **under-employment (in relation to education) at over 50 percent**; beyond this Sudan faces the enormous challenge of absorbing as many as **300,000 expatriate workers** currently in Saudi Arabia, which has promised to deport those who have not adjusted their residency status on the basis of new rules (*Sudan Tribune*, November 5, 2013). A Saudi diplomat is quoted in *Gulf News* (December 2, 2013) as saying there are **500,000 Sudanese nationals** working in the kingdom. Absorbing such a large number of people into the

current economy would pose immense challenges; some 12,000 had left Saudi Arabia by the beginning of December 2013.

#### **Other views of Sudan's unemployment figure:**

Reuters reported ([Khartoum] 15 May 2013):

Analysts estimate ***unemployment is running at between 20 and 30 percent***, although there is no official data. [The official rate of] annual inflation topped 41 percent in April and the Sudanese pound has more than halved in value against the dollar since South Sudan's independence, making life unbearable for many. ***Nearly 95,000 Sudanese, from laborers to teachers, nurses and engineers, left the country last year compared to only 10,032 in 2008***, according to official data. ***Some analysts say the number is even higher because travel movements are hard to monitor.***

Agence France-Press reported ([Khartoum] 7 March 2013) that "Estimates of unemployment range up to 40 percent."

***The July 2014 IMF report has not a single line item on employment rates in Sudan.***

**[9] Sudan had the greatest number of Internally Displaced Persons** and persons severely affected by conflict in Africa during 2013 according to the UN Office for the Coordination of Humanitarian Affairs: **2.9 million.**

**[10]** The UN Office for the Coordination of Humanitarian Affairs estimated in December 2013 that "A total of **6.1 million people, or 17% of Sudan's population**, have been identified as **requiring some form of humanitarian assistance in 2014.**"

**[11] 80 percent of all health professionals in Sudan are leaving the country**, according to the National Population Council of Sudan. Of those with graduate degrees, including PhD students, more than one in three wishes to work in another country, the same survey found (Radio Dabanga, 10 December 2013).

#### **Other surveys find results just as dispiriting for the people of Sudan:**

Reuters reported ([Khartoum], 15 May 2013) that for lack of professional opportunities, ***"more than 6,000 doctors left for Saudi Arabia alone between 2009 and 2012."***

*Sudan Tribune* reported (June 26, 2013) one poll suggesting that **54 percent of Sudanese** wish to emigrate. Among these people are some of Sudan's most talented and well-trained professionals and skilled workers of all sorts.

Agence France-Presse reported (7 March 2013):

Nurses and other skilled health workers are also moving abroad as part of what [Dr. Al Shaikh Badr] called ***"massive migratory flows" of medical personnel.*** "The magnitude is of real concern to the Ministry of Health," said Badr, the ministry's deputy director general for human resource development. Low salaries are not the only reason for the flight, said Anshu Banerjee, the World

Health Organisation's representative in Sudan. ***"If the drugs are not there, if the instruments are not there,*** if you're trained as a doctor and you don't have the means to perform your profession, then of course, it becomes demotivating."

**[12] Sudan ranked 182 out of 185 in "ease of doing business"** ([IMF, July 2014](#), page 24).

**[13] Sudan ranked 174 out of 177 countries surveyed in the Global Corruption Perceptions Index for 2013** (published by [Transparency International](#)).

**[14] Sudan ranked 157 out of 162 countries surveyed in the Global Peace Index;** the [GPI](#) measures "peacefulness on the basis of three broad criteria: safety and security in society; extent of domestic or external conflict; degree of militarization; data from a range of academic and institutes is collected and collated by *The Economist: Intelligence Unit*.

**[15] Sudan ranked 170 out of 179 in the 2013 World Press Freedom Index** (compiled by [Reporters Without Borders](#) annually)

**[16] Poverty levels: 46.5 percent** of Sudan's population lives below the international poverty threshold ([IMF, July 2014](#)); poverty rates run as high as **70 percent in North Darfur** and **61 percent in South Darfur**; government figures indicate that the poverty rate for **Red Sea State** is **75 percent**;

**[17] Sudan ranked 154 out of 169 countries in UNDP's 2010 Human Development Index** ([IMF, November 2013](#));

**[18] Labor force participation rate** (ration of female to male workers): 0.4 (one of the lowest in the world) ([IMF, July 2014](#))

**[19] Food security:** there are [famine warnings in eastern Sudan](#), and [Global Acute Malnutrition indicators for many states](#) in Sudan are above the UN World Health Organization's "emergency threshold," and in some cases well above the threshold;

**[20] Effects of U.S. sanctions:** The effects of the criminal conviction of the French banking giant BNP Paribas in July 2014 have not yet been fully measured, but indications are that they have been significant. An official of the U.S. Justice Department described BNP Paribas as the Government of Sudan's "de factor banker." It is highly unlikely that any other large international bank will take its place, given the \$US8.9 billion in penalties that were leveled against the bank. Individual sanctions, targeting those in the regime determined to have been involved in atrocity crimes in various regions of Sudan, have not yet been put in place, and would require a serious commitment of forensic resources in locating and seizing the assets of such individuals. Lack of European cooperation in sanction efforts have weakened existing U.S. sanctions and made much more difficult targeted sanctions.

But Sudan itself is well aware of the potent effects of American sanctions alone: *Sudan Tribune* reports ([1 August 2014](#)):

Earlier in July, Sudanese officials disclosed that the country's strategic reserve of wheat declined sharply due to refusal of several banks in western countries and Gulf States to open documentary credits for importing the commodity.

### III. Inflation: The Ultimate Threat

What is the real level of inflation in Sudan? What are inflationary expectations (a critical issue in understanding inflationary trends)? What fuels Sudan's inflation? What prevents the Government of Sudan from taking the measures necessary to rein in inflation? Will present high levels of inflation lead to hyper-inflation, which would destroy the cash-based sectors of the Sudanese economy?

These are all complex questions, but reduce in the end to a simple fact: the government in Khartoum has for a number of years spent far more than it has. It has spent extravagantly on itself and its important political cronies; it has spent even more extravagantly in conducting wars, which have been constant since the National Islamic Front (now National Congress Party) came to power by military coup in 1989—over twenty-five years ago. To be sure, for almost a decade following the first oil exports (August 1999), oil revenues fueled very significant apparent growth. But these revenues were badly misdirected—not only did corruption siphon off many billions of dollars, but key infrastructure tasks were left unaddressed and the agricultural sector of the economy was badly neglected, so badly that a country once billed as the "bread basket of the Arab world" now needs to import almost a US\$1 billion of wheat per year. The "service industry" sector of the Sudanese economy (the largest at 41 percent) is a catch-all category that includes everything from "policing" to serving as conduits for corruptly acquired funds. (According to Quandl [[September 2014](#)], services account for 41.11% of GDP; manufacturing and industry account for 31.24% of GDP; agriculture accounts for 27.65% of GDP.)

Moreover, there has been since the beginning of the oil boom a wasteful and misdirected effort to produce armaments of all kinds domestically. Help in this regard has come from Iran and China. Many other countries have sold significant, often inordinately expensive weaponry to Khartoum: Russia has sold some twenty-four MiG-29s to the government at a total cost of hundreds of millions, including service contracts and pilot training. Yet the highly advanced MiG-29 has no true role in any imaginable conflict in which Sudan might find itself; Khartoum is simply too far from other capital or major cities in the region, and Khartoum has no in-flight refueling capacity. Arms acquisitions have been equally extravagant in other forms. Russia, China, Belarus, Ukraine, and Iran have been the largest arms suppliers over the years.

The annual cost of maintaining the Sudan Armed Forces (SAF)—the regular army—as well as various paramilitary or militia forces, is staggering, although neither the IMF nor the World Bank has ever provided credible estimates of these costs. The Popular Defense Forces (PDF), the *Janjaweed* in Darfur in its various guises (currently the "Rapid Support Forces," or RSF), Misseriya militia in the contested Abyei region between Sudan and South Sudan, and the many security agencies (including Military Intelligence), whose tasks include monitoring one another as well as potential political threats to the regime—all require large annual expenditures.

The inevitable effect of inflation, in the absence of foreign exchange currency (Forex), is to debase the national currency. And the Sudanese Pound has taken a terrible beating over the past few years. Currently the black market exchange rate with the dollar is 9.5 Sudanese Pounds per dollar, even as the official rate is 5.8 SDG. Unsurprisingly, the black currency market gives us a much clearer sense of the rate of devaluation. Since the Pound is no longer accepted anywhere as a currency for imports, and since the government tightly controls external expenditure of hard currencies, it has become impossible for most international companies to remit profits—and for Sudanese businesses to import critical

supplies and equipment. Radio Dabanga reports, "Saudi Arabian Airlines intends to halt its flights [to Sudan] because of the high fuel prices and difficulties within the Sudanese banking system which affects airfreight and the export and import trade" ([17 March 2014](#)). This report comes amidst other sign of economic friction between Khartoum and Saudi Arabia as well as the United Arab Emirates.

There is no clear way for the economy to grow out of its inflationary spiral. Oil revenues have shrunk even beyond what might have been expected because of the government's refusal to negotiate with South Sudan in good faith over oil transit fees for oil pumped from the South and exported through the very long pipeline leading to Port Sudan on the Red Sea. This led to a dispute that lasted sixteen months, during which neither country was able to realize any oil revenues, as production was shut down by Juba in January 2012.

Even the optimistic views of growth for the Sudanese economy do not see Gross Domestic Production (GDP) rising to 2006 levels in the foreseeable future ([through 2016](#)). Notably, 2012—the last year for which we have completed records—saw negative growth.

### "Monetizing Fiscal Imbalances"

This phrase, so characteristic of the euphemizing language of the IMF, has a simple translation: Khartoum can't balance the national budget so it prints more money. More money in circulation with no economic growth results directly in inflation. The IMF has been pushing for fiscal reform in Khartoum as a condition for continued engagement, with the ultimate reward of debt relief—something the IMF is actually in no position to award or deny. A great deal of Sudan's approximately **US\$47 billion** in external debt—which was **\$13US billion** when the NIF took power in a coup in spring 1989—is owed to Paris Club members, and there is unlikely to be any consensus among the major players about debt relief so long as the present regime engages on multiple fronts in ethnically targeted destruction and the aggressive attitude toward Western humanitarian organizations. The IMF does provide a useful breakdown of the structure of Sudan's external debt:

The structure of external debt had not changed since the early 2000s. The bulk of the external debt is public and publicly guaranteed (PPG) (adding to US\$39.9 billion, with 87 percent in arrears). From this total, Sudan owns 73 percent to bilateral creditors (roughly equally divided between Paris and non-Paris Club creditors) and 13 percent to multilateral and commercial creditors. Private external debt to suppliers amounted to US\$1.6 billion.

Wishing to keep at least the auspices of IMF oversight, Khartoum responded to the Fund's directive to eliminate fuel subsidies. This occurred in September 2013 and led to the bloody crackdown on demonstrators protesting the immediate price increases ranging from 65 – 75 percent. Our best synoptic account of this crisis has been provided by the International Institute for Sustainable Development ([January 2014](#)):

In September 2013 Sudan introduced the third and most dramatic in a series of fuel subsidy cuts, raising prices of petrol, diesel and liquefied petroleum gas (LPG) by 65 to 75 per cent each. This came in a context of high economic pressure, following the loss of oil revenue from South Sudan after July 2011. That resulted in significant structural imbalances in the fiscal and current accounts, sending the black market exchange rate out of control and requiring the Central Bank to print money to finance excessive government spending.

The overall pricing system was not changed by the subsidy cuts, and no explicit linkage to the market was introduced, meaning that further reforms are likely to be required. However, that may be politically difficult, given the highly negative public reaction (with the worst riots seen in the capital city for at least two decades) and the lack of support for the reforms among the media and other political forces—including sections of the ruling party itself. Internal disunity appears to have been one of the main factors preventing the government from launching an effective communications strategy and broader consultations.

The uprising of September/October 2013, which spread to a number of cities in Sudan, occasioned a brutal suppression by the regime's security forces. Shortly after the demonstrations—and in apparent justification of the brutal "shoot to kill" orders given to security personnel—President al-Bashir compared protestors of the hike in fuel prices to "the armed groups in Darfur and some other regions," an obvious reference to South Kordofan and Blue Nile (Radio Dabanga, 21 October 2013). The conflation of the armed opposition and those outraged at precipitous price hikes in a crucial commodity tells us much about the political perceptions of the NCP. It also makes nonsense of a claim by the IMF that,

"[Subsidies for] fuel prices are not only fiscally costly but also inefficient and inequitable; their removal would deliver substantial gains to Sudan ... ***International experience shows most subsidy reforms occur without major civic unrest.***" (cited by Patrick Smith in *The Africa Report*, 13 November 2013)

In the wake of the deadly uprising, the IMF felt obliged to continue pushing the government to lift subsidies, but also urged greater expenditures on a social safety net and deferring "non-priority" public works projects. There is no sign that this safety net is being fashioned—on the contrary. But the IMF is undeterred in arguing that the government should lift additional subsidies, and that a phasing out of fuel and wheat subsidies is needed to allow economic growth. In the macroeconomic abstract, this may be correct; but amidst the political and military realities that prevail in Sudan, and the deep resentment of the regime by ordinary Sudanese, it is sheer nonsense and an invitation to greater economic burdens on those least able to afford them.

Bread lines that began last November are likely to become more common as Sudan's Forex continues to diminish. Agence France-Presse reported (17 November 2013) in considerable detail on the crisis, beginning its dispatch by noting:

Sudan battled a politically explosive bread shortage Tuesday that has forced Khartoum residents to wait hours for the staple food because a lack of foreign exchange is limiting wheat imports. AFP reporters saw lines of seven to 20 people at Khartoum-area bakeries on Tuesday, about three days after shortages began.

As a consequence of the lifting of subsidies, the prospect of more such actions, and more bread and fuel shortages, this past year—leading up to the presidential and other elections of 2015—has seen growing political turmoil, with deepening divisions among the ruling NCP and a growing political opposition, both in Khartoum and among the various rebel groups that have come together as the Sudan Revolutionary Front (SRF), committed to overthrowing the government by force if necessary. Notably, a recent meeting in France resulted in the so-called "Paris Declaration," in which the SFR and the National Umma Party (NUP, the most important of the traditional sectarian parties) signed an agreement to remove the current regime. The NUP is led by former Prime Minister Sadiq el-Mahdi, widely regarded as supremely politically expedient; but he has a nose for any possible role he might play in any future government of

Sudan. The Paris Declaration, if nothing else, demonstrates a recognition that the current regime survives only because of divisions among its political opponents—divisions it energetically encourages. On its own, the regime enjoys very little support—only the ruthless backing, at present, of the army and security forces.

#### IV. Foreign Exchange Currency (Forex) Reserves and Exchange Rates

Pressure is growing even from the IMF for the Government of Sudan to allow the market to determine the value of the Sudanese Pound rather than to continue with a wholly unrealistic official rate that virtually no one uses. On September 11, 2014 comments by the IMF senior official Edward Gemayel were published in the local news media in Khartoum, and focused on reducing the enormous disparity between the official rate (5.8 SDG to the dollar) and the black market rate (9.5 SDG to the dollar). His evident assumption was that the GOS would finally be compelled to acknowledge the reality of market forces. The *Sudan Tribune* reported Gemayel's comments, noting his conviction that,

...adopting this policy will reduce the gap between the official rate and the black market one in light of a near dependency by individuals, private sector and even the government on the parallel [black] market to obtain foreign currency. "Do you know anyone dealing at the official rate? Companies, individuals, importers and even the central bank depend in its purchase of gold on the parallel market [price]?" [Gemayel] added. (*Sudan Tribune* [Khartoum] 11 September 2014)

To be sure, this official recognition of the rapid decline in the value of Sudan's currency will be a further humiliation to the government. It will make conspicuous as well that the weakness of the Sudanese Pound is a source of inflation and the growing lack of imports. For when denominated in real terms, the Forex holdings of the CBOS has been slowly moving downward over the past several years: the IMF has reported that the Central Bank was holding US\$1.5 billion in March 2014; US\$1.6 billion in 2013; and US\$1.7 billion in 2012. This represents approximately two months' worth of essential imports; any further diminishment in holdings jeopardizes the ability of the government to import essential food and refined petroleum products.

Moreover, whereas the IMF expects the CBOS to be increasing its Forex, the year-to-year diminishments are a sign that the CBOS continues to finance significant budget deficits. Some of this is obscured by *ad hoc* efforts to assist Sudan in its ongoing crisis. Qatar, for example, has pledged US\$1.22 in credit guarantees to the CBOS, and the Arab Monetary Fund extended a US\$360 million loan to Sudan in January 2014 (*Sudan Tribune* [Khartoum], 16 January 2014). Whether the money has actually been deposited seems an open question; it is not reflected in the Forex figures provided most recently by the IMF (July 2014).

The IMF offers at least one interesting piece of research amidst much that entirely misses the point about Sudan's economic situation:

Using various methods, staff estimated that the transactions diverted to the curb [black] market may broadly account for 10 to 30 per cent of total imports. This, in turn, generates more pressures on CBOS's international reserves. ("IMF sees weak growth prospects for Sudanese economy in 2014," *Sudan Tribune* [Washington] 2 August 2014)



In short, preserving the artificial official exchange rate actually works to diminish foreign exchange reserves.

The lack of Forex and restrictions on repatriation of profits have forced a number of airlines to cut services to Sudan, including Germany's Lufthansa (2014), Holland's KLM (March 2013), and Sudan's own Marsland Aviation (2013). Even Sudan Airways is facing what have been described as "unsolvable" financial problems (*Sudan Tribune*, 7 February 2014). And things may get much worse: *Sudan Tribune* reported (7 November 2013) that the *al-Khartoum* daily,

...said that up to 15 foreign [air] carriers are also considering pulling out of Sudan as a result of the central bank restrictions on repatriation of its profits. The central bank undertook these measures to battle chronic Forex shortages that followed the secession of the oil-rich south in July 2011. [*Southern secession took some 75 percent of the oil reserves of former Sudan—ER*]

More consequentially for ordinary Sudanese, the lack of Forex means that the government is choosing to import weapons rather than medicine:

Sudan's General Authority for Medical Supplies disclosed that Arab and international banks refuse to receive funds from the country, which sharply curtailed drug imports.... The subcommittee chairman Abdul-Aziz Itnain said in press statements that the difficulties facing drug imports is serious, adding that 50% of the population do not have access to basic drugs with 79% of them having to pay out of their own pockets to buy medicine. Last November, Sudan's Drug Importers Chamber (DIC) revealed that **31 foreign pharmaceutical companies refused to deal with Sudan until outstanding credits amounting to \$90 million are repaid and accused CBOS of failing to provide the necessary foreign exchange for drug importation.** (*Sudan Tribune*, 24 February 2014)

Most consequential are the wheat shortages that resulted from insufficient Forex and created the bread shortages that began in November 2013 and became acute in January 2014. *Sudan Tribune* journalists in Khartoum interviewed bakery owners, and offered a much fuller and more detailed account than anything the IMF has presented:

Several Sudanese states including the capital Khartoum have witnessed sharp shortages in bread and cooking gas as large numbers of people queued in front of bakeries and gas cylinders distribution shops. The bakeries union attributed the shortage to dissolution of bakeries unions in all states. Several towns in Gezira state besides River Nile state town of Shendi saw severe shortage of bread while residents of north Khartoum and East Nile localities in Khartoum state complained of the same problem. **In a tour made on Sunday, a Sudan Tribune reporter verified the extent of the crisis at several bakeries due to lack of wheat flour.**

A similar situation erupted last November with the government attributing it to an administrative glitch in the distribution of baking flour quotas. Several bakery owners said that they are getting 50% less flour quotas assigned to them. **The owner of a bakery in al-Sahafa neighborhood east of Khartoum said that shortage in baking flour began two months ago when distributing agents reduced quotas of bakeries by 25%**, pointing [out] that quota was again **reduced by another 25% two days ago**.... Sudan currently **imports more than 2 million tons of wheat annually at a cost of \$900 million.** ("Severe bread and cooking gas shortages hit Sudan," *Sudan Tribune*, 19 January 2014)

Radio Dabanga had reported earlier ([19 November 2013](#)):

The bread crisis that continues in Khartoum is caused by the policies of the Central Bank. Due to lack of hard currency there is only 25% of the 1,000 tonnes wheat flour in stock. The finance minister of Khartoum State, Sadig Mohamed Ali El Sheikh told the Legislative Council that Sudan does not have enough cash required for the import of wheat flour. He questioned also the productivity of the country's agricultural sector to provide food security.

Forex reserves are diminishing, not increasing in Sudan; the inevitable consequences are future shortages of essential commodities. Indeed, it was the *Sudan Tribune* again that reported on yet another feature of the financial straits facing the current government:

***A number of Sudanese banks were notified by their peers in China, Europe, Asia and Middle East that their accounts will be closed which would lead to a cessation of incoming and outgoing wire transfers to and from Sudan, sources said.*** These same sources mentioned that three Sudanese banks received official letters informing them that financial transactions and trade with them have been suspended. A group of Sudanese importers and exporters spoke of tremendous difficulties they face in obtaining letters of credit from foreign banks. The director of the Inspection Department of the Central Bank of Sudan Asmaa Abdul-Rahman Khairi on Saturday acknowledged that Sudanese banks had their accounts closed abroad.

Kamal Karrar, an economic analyst, attributed the move to the existence of previously unsatisfied financial obligations by these banks which he said have created a bad reputation for them. He warned that this could deprive these banks of international funding sources calling it a testimony to the lack of confidence in Sudan's banking system. ("Foreign accounts closed of several Sudanese banks," [Khartoum] 18 January 2014)

Katrina Manson of the *Financial Times* has written one of the few truly insightful accounts of the Sudanese economy in recent years. Among the many interviews she conducted in Khartoum, several stand out for their larger significance. She reports, for example, on how the government's exchanges rate policy has produced a major loss of hard currency, another reflection of the very large gap between the official and black market rates:

"We used to get \$400m of remittances from [Sudanese in] Saudi Arabia a year but now only \$10m comes through; the rest is coming through the parallel [black] market," says Fadi Salim Al Gaqih, head of Bank of Khartoum, the country's largest bank. (January 15, 2014)

For its part, despite this massive evidence to the contrary, the Government of Sudan maintains a public posture denying that there are Forex shortages, claiming:

This week central bank sources told the pro-government *al-Rayaam* newspaper that they are now in a comfortable position to combat the shortage in hard currency that has plagued the market since the country's partition. (*Sudan Tribune* [Khartoum] [15 January 2014](#))

This is nonsense, as is so much of the data accepted at face value by the IMF Staff Monitoring Team. Certainly so long as IMF monitoring does not detail the financial realities actually confronting the people

of Sudan, so long as "Sudanese authorities" serve as its primary source, it cannot present an accurate picture of the Sudanese economy.

### **"There's Gold in Darfur!"**

One government strategy for dealing with inflation is by way of increasing the supply of Forex—if not with oil revenues, by means of a much-expanded gold export business. This requires two conditions: that there be gold in sufficient quantity to justify commercial (as opposed to artisanal) mining; and that all gold produced is sold to the government at government prices. For it does nothing to resolve the Forex crisis if artisanal gold production is sold privately to traders, either domestic or from neighboring countries.

The IMF supports Sudan's efforts to export more gold, and points to the very significant year-over-year increases from 2008 to the present (from US\$112 million to a projected US\$1.911 billion in 2014 ("Sudan: Selected Issues," IMF [October 2013] Table 3). But yet again there are no credible data presented—only IMF "staff estimates and projections." It would be useful to know precisely which data sets the IMF is using in these "estimates and calculations," and the degree to which they reflect data provided by the Government of Sudan. Gold may indeed be, as the IMF declares, "Sudan's most important export earner," at least with the loss of very substantial oil export revenues. But these exports are still not enough to bridge the budgetary gap that looms. Moreover, gold is not always conveniently located.

One reason for the heavy fighting in late 2012 in the Jebel Amir region of North Darfur—the territory of the Beni Hussein Arab group—is that Khartoum had decided upon the rival Northern Rizeigat as their source of military security to protect the mines at Jebel Amir. A report from the Enough Project ([May 2013](#)) gives a trenchant summary as well as a detailed account of how Jebel Amir mirrors the patterns of rapacious behavior that have defined the current regime for twenty-five years. Drawing on extensive interviews, including inside Darfur, the authors conclude that:

Abbala [camel-herding] militias' recent power-play to gain control over lucrative gold mines in North Darfur is a continuation of state-sponsored atrocity and plunder. Even a casual observer of the conflicts in Sudan cannot fail to notice the overlap between the resource-rich regions on Sudan's peripheries and the conflicts that inflame them. For over a decade, the government of Sudan has pursued a strategy of economic plunder of the periphery through violence and forcible demographic change. This approach has led to the repeated displacement, fragmentation, and ethnic polarization of the vibrant and diverse communities occupying areas on its periphery, including South Sudan, which seceded in 2011, Darfur, Abyei, the Nuba Mountains, Blue Nile and eastern Sudan.

It remains unclear just how suitable Jebel Amir is for commercial mining, and the whole gold production export project has had an air of desperation about it from the beginning. But there can be no denying the terrible destruction brought upon the Beni Hussein in the Jebel Amir area:

Historically, the Beni Hussein community, a sedentary farming and cattle-rearing Arab community, has been exempted from attack by state-sponsored militias. However, the recent discovery of gold reserves in their home area, and intense economic pressure on the Sudanese government following South Sudan's secession, has fundamentally altered that dynamic. In this latest phase of state-sponsored violence, even sedentary Arab tribes have found themselves

under attack by the government-armed militias on camels, horseback and in “technicals,” state-supplied Land Cruisers fitted with high-caliber machine guns.

This is how the Khartoum regime is prepared to deal with shortages of Forex.

### **The Here and Now**

The black currency markets are temporarily affected by such actions, and variously announced policy shifts; and there is always speculation about whether or not there has indeed been a large influx of hard currency. The announcement by the CBOS that it had received US\$1.22 billion in credit guarantees from Qatar, for example, comes in the wake of many months of very bad economic news (*Sudan Tribune* [Khartoum] 13 August 2014). (Whether these guarantees actually materialize is not a question that can be answered with certainty).

There are certainly substantial quantities of gold in Sudan, although it is far from clear that production can be ramped up quickly enough to have a significant impact on the amount of Forex in the CBOS or on black market currency rates (the IMF estimates for 2016 project no significant growth in gold exports). And all of this circles back to inflation: the Sudanese Pound will continue to lose value because it is backed not by gold but only by a small and diminishing supply of foreign exchange currency; to the extent it can be used abroad (exceedingly little) it buys much less; and what it does purchase will cost commensurately more domestically.

The ways to have avoided much of the current fiscal, and thus monetary crisis are obvious, if unarticulated by the IMF: make just peace with the peoples of the peripheral regions and scale back military expenditure and the armaments industry, which produces nothing that actually adds value to the economy as a whole. By refusing to address the issue of Khartoum's military and security expenditures, the IMF cannot speak with any real credibility about how the budget must be reformed.

Just as important as a reduction in military spending—and here the IMF is able to find its voice—is a commitment to revitalizing the agricultural sector. In the twenty-five years the current regime has been in power, agriculture has been relentlessly neglected and badly overseen. Much of the best arable land has been given to political cronies as a way of buying their continued support. More disturbing is the decision to sell or lease for extended periods some of the best farmland in Sudan—to both Arab and Asian countries worried about their own future food security. This secures short-term funds but at the expense of the long-term viability of the Sudanese agricultural sector. The more land that is sold or leased to foreign governments or businesses, the less opportunity exists for Sudan to achieve food security.

To the IMF there is only one solution to Khartoum's habit of "monetizing fiscal imbalances," and that is to increase taxes and reduce expenditures—in short, "austerity." To be sure, the IMF would like taxes to be progressive rather than regressive; they would rather see expenditures go to a social safety net for those most affected by the astringency they recommend (and a deferral of infrastructure projects); and they would like to see an invigoration of the agricultural sector. But by failing to take note of corruption in all its forms, and the tremendous drag this creates on the economy, the IMF ignores the largest "subsidy" within the Sudanese economy.

And by failing to address in serious terms the implications of massive military expenditures, which give all signs of continuing, the IMF simply refuses to see the impossibility of creating any meaningful "safety

net." This is especially true given the uneven distribution of inflation, especially food inflation, throughout Sudan. Many peripheral areas are experiencing food and fuel inflation rates much greater than those in riverine Sudan, although this is typically reported only by Radio Dabanga and *Sudan Tribune*. Moreover, there are significant spot increases in food prices that are far above the official inflation rate: *Sudan Tribune* reports that "The price of a 16 kilogram can of peanut oil rose to 550 SDG, up from 170 SDG [*a more than 300 percent increase—ER*], while other kinds of cooking oils reached 450 SDG, with the exception of sesame oil which hit 800 SDG" ([Khartoum] 17 August 2014). Notably, the government exports significant quantities of oilseeds.

In Darfur, enormous spikes in food prices are common, often a function of insecurity. Radio Dabanga reported recently ([Sirba] 20 November 2013):

The population of Sirba locality in West Darfur is suffering from a severe shortage of sorghum as well as a steep price increase as a result of fees security forces are demanding for its transport. The spokesperson of the Sirba camps reported to Radio Dabanga about a severe shortage of sorghum in the locality.... The price of a large sack (approximately 100 kg) of sorghum has risen within three months from SDG110 (\$19) to SDG280 (\$49) [*an increase of more than 150 percent—ER*], in some places even to SDG350 (\$61).

There are many such reports of extraordinary price increases, inflicting severe hardship on various populations. The government, while recognizing the problem and its political implications, can offer only vague exhortations, such as that of President al-Bashir at an economic forum in November 2013: "We must fight high market prices which affect the economy and the people" (News24 [Khartoum] 25 November 2013). Predictably, no "weapons" in the "fight" were specified.

Prospective gold exports cannot feed people now or slow inflation.

## V. Revenues and Expenditures

Revenues accruing to the Government of Sudan sank precipitously with the independence of South Sudan and the loss of approximately 75 percent of oil production. Manson of the *Financial Times* makes a number of telling observations of a sort the IMF never offers:

The oil boom of the 2000s generated an estimated \$80bn. But Sudan's economy collapsed after the 2011 secession of South Sudan deprived it of petrodollars. While times were good—and even after—the short-termist government spent lavishly on wars and property, but it failed to invest in alternatives to oil, notably the agricultural sector. The capital's skyline is shaped by outlandish buildings towering over the Nile: state military edifices are built to resemble boats and aircraft.

There was an incomprehensible lack of planning for the consequences of secession, which became inevitable with the signing of the Comprehensive Peace Agreement (January 2005), guaranteeing the South the right to a self-determination referendum in six years (January 2011). During this time, a regime that has no concern for the long-term health of the economy behaved exactly as Manson describes. And having deferred planning for alternative sources of revenue, the Government of Sudan soon found itself in a rapid spiral downward following Southern secession.

Current revenues come primarily from limited exports, various taxes, customs duties, domestic oil production, and oil transit fees (from South Sudan and the oil companies operating in the Petrodar consortium of Upper Nile State). Half of the transit fees, however, must be used to pay back loans from the members of the Petrodar oil consortium. Moreover, oil transit fields of South Sudan's Unity State have been shut down since the outbreak of serious fighting in South Sudan in December 2013. Fees have shrunk dramatically with the decline in production in Upper Nile State (South Sudan). Bentiu, the capital of Unity State and the epicenter of this oil region in South Sudan, is now hotly contested militarily and there appears to be little chance that oil will flow soon or generate the transit fees that were such a large part of government assumptions about revenue. Oil production in Upper Nile State has fallen from 260,000 barrels per day before the violence that exploded on December 15, 2013 to its current 140,000 barrels per day. Military events could shut down oil production entirely if foreign technical workers are obliged to leave, as their counterparts in Unity State did. This would be on top of the precipitous losses incurred when South Sudan seceded in July 2011.

Moreover, the threats to the integrity of the oil pipeline infrastructure posed by fighting in South Sudan are extreme. As Luke Patey, a leading authority on Sudan's oil industry, observed last January (2014):

If the fighting intensifies in Unity and Upper Nile in the coming months, it will have two devastating consequences for South Sudan's oil industry. The first will be for the 1,300-kilometer oil pipeline stretching from Upper Nile across the border to Sudan's Red Sea coast. In January 2012, a dispute with neighbouring Sudan over pipeline fees led South Sudan to close its oil production for 15 months. Chemically treated water was used to flood and fill the Upper Nile pipeline in the interim, but the solution and residual oil only increased the normal rate of corrosion to the pipeline's interior. ***If the conflict leads to another closure of Upper Nile oilfields, a second shutdown will do significant damage to the billion-dollar pipeline, or even render it obsolete.*** (*African Arguments*, 10 January 2014)

There are many reports, none yet fully confirmed, that Khartoum is militarily aiding the rebels forces in South Sudan—the very forces that would be most likely to seize or compel evacuation of critical technical personnel from the oil regions of Upper Nile (there are no credible accounts of other sources for the rebels' military resupply). The effect may be to cripple South Sudan's economy, and government; but Khartoum would then have neither direct oil revenues nor transit fees—a crippling blow to an economy already on life-support.

So strapped for Forex is Khartoum that it has actually reneged on payments to one of its key oil partners,

Sudan has four skipped installment payments that were due to India's ONGC Videsh Limited (OVL) since 2011 in connection with a multi-product pipeline built by the company, according to a news report. The 'Times of India' English daily said that as a result of Khartoum's default, OVL invoked the sovereign guarantee clause included in the pipeline construction agreement. *[ONGC Videsh Limited is a 25 percent partner in the Greater Nile Operating Company (GNPOC based in Unity State, where oil production has come to a halt)—ER]* (*Sudan Tribune* [Khartoum] 2 November 2013)

The immense significance of the loss is clear when we recall that when Sudan was one country, the government in Khartoum derived nearly 55 percent of its fiscal revenues—and about 70 percent of its foreign exchange earnings—from oil exports. (According to Khartoum officials, Sudan is itself now

producing approximately 150,000 barrels per day from the remaining oil production sites within the country; there are reasons for skepticism.)

Government-controlled export of cotton, groundnuts, oilseeds, and other agricultural products produce modest revenues. More significant are gum arabic and gold—both lucrative, but not nearly enough to close the large budget gap that currently prevails. The government also has major stakes in a number of key businesses throughout Sudan, and can wield heavy-handed control, as recently evidenced by the dissention within the giant Kenana Sugar Company (the government is a 35 percent stakeholder). Still, none of this is enough to close the immense budget gap that has been created, with many subsidies still in place. To its dismay, Khartoum has found that even expedient leasing and sales of rich agricultural land to Asian and Arab business concerns has provided only stop-gap revenues.

Moreover, the taxation system is poorly organized and unfair; it allows the rich and businesses with government connections to escape paying anything remotely commensurate with their wealth and income, and is riddled with corruption. Custom duties on imported goods—whose prices are already rising rapidly—have become the focus of growing resentment and political opposition.

Notably, the budget itself is misleading, as conceded by Sabir Hassan, head of the NCP's economics secretariat. The *Financial Times*' Manson reports:

[Hassan] is nevertheless uneasy that wheat and oil subsidies persist. "The subsidy is very heavy but it's not reflected in the budget—that's another problem," he says of the continuing 49 per cent wheat subsidy provided to importers via a favourable exchange rate.

The response of the government has been all too predictable:

The central bank makes up this shortfall by printing money, which also funds the crude oil subsidy, pays for locally mined gold on the black market to exchange for hard currency at official rates, and fills the budget deficit. "The central bank is fuelling inflation. The economy now is in crisis," says Abda El-Mahdi, independent economic consultant and former opposition minister, adding that the government is also defaulting on domestic bond payouts to local commercial banks and has exhausted credit lines to import wheat. Spending remains high because Sudan is still fighting several wars at home, consuming more than 70 per cent of the budget. *[This is only one of many estimates of how exorbitant military and war-making expenditures actually are, as opposed to what the IMF accepts from Khartoum—ER]*

Real growth in revenues must eventually come from the agricultural sector or the economy as a whole is not sustainable in the long term. This includes revitalizing lands that have been neglected, better oversight, and a commitment to industrial production that will support agriculture.

## VI. Agricultural and Food Security Consequences of a Mismanaged Economy

These urgent needs make all the more telling recent reports on food security throughout Sudan, which are exceedingly grim—especially for Darfur and the largely invisible eastern states of Sudan. In June of this year the Famine Early Warning Systems Network (FEWSNet) offered a grim overview:

According to the Famine Early Warning Systems Network, the below-average harvest during the last agricultural season, excessively high prices, and prevailing insecurity conditions in Darfur, South Kordofan, and the Blue Nile, have exacerbated food insecurity in Sudan this year. In its monthly report for June [2014], *FEWSNet warned that at least five million Sudanese will probably face varied levels of acute food insecurity until September.* “Expected poor rainfall and another bad main harvest will most likely worsen the situation.”

This report came in the context of a sorghum crop failure in El Gezira State (sorghum is a staple food for many Sudanese):

Farmers in El Gezira State reported that pests have ruined the germination of sorghum seeds more than once during the current planting season. Hasabo Ibrahim Mohamed, Secretariat member of El Gezira Farmers’ Association told Radio Dabanga that the production of sorghum this year will certainly fail, because mice and birds have ruined most of the sprouts in Gezira, one of Sudan’s largest agricultural schemes. (Radio Dabanga [El Gezira], 5 August 2014)

Blue Nile State, facing a campaign of ethnic extermination by Khartoum and collapsing agricultural production, is traditionally one of the stronger sorghum-producing states in Sudan. The lack of sorghum from Blue Nile is likely to be felt for a great many months to come.

Most worrying, however, are the figures for Global Acute Malnutrition (GAM), recently leaked from UNICEF to Nicholas Kristof of the *New York Times*. GAM rates are perhaps the best measure of humanitarian conditions in food insecure regions; the UN's World Health Organization (WHO) has established for children under five a GAM "emergency threshold" of 15 percent. The figures are produced in graph form in the Appendix; here it seems appropriate to note the GAM rates for several of Sudan's most food insecure states:

**North Darfur State:** GAM rate for children under 5 (GAM/U5): 28 percent (nearly twice the WHO emergency threshold)

**Red Sea State:** GAM/U5: 20 percent

**Blue Nile State:** GAM/U5: 19 percent

**South Darfur State:** GAM/U5: 18 percent

**Kassala State:** GAM/U5: 15 percent

**East Darfur:** GAM/U5: 15 percent

**River Nile State:** GAM/U5: 15 percent

No meaningful economic growth can occur amidst such terrible food insecurity. GAM frequently leads to or is accompanied by Chronic Malnutrition among children (sometimes referred to as "stunting"). Here the UNICEF figures leaked to Kristof are just as shocking; this is hardly the vibrant workforce of the future for Sudan (WHO defines chronic malnutrition rates of 30 percent to 40 percent as representing a "high prevalence"; rates great than 40 percent represent a "very high prevalence"):



**Kassala State:** Chronic Malnutrition Among Children (CMAC): 55 percent  
**Gedaref State:** 52 percent CMAC  
**Blue Nile:** 50 percent CMAC  
**Red Sea State:** 45 percent CMAC  
**Central Darfur:** 45 percent CMAC  
**North Kordofan:** 42 percent CMAC  
**East Darfur State:** 40 percent GMAC (The graph for all states appears in the appendix)

(The plight of the badly neglected and almost invisible east of Sudan is discussed in an important report by the International Crisis Group: "Sudan Preserving Peace in the East" [[November 2013](#)]. The "fragile peace" could clearly give way to renewed conflict in the region.)

The attitude of the NCP regime toward humanitarian efforts to alleviate this malnutrition in Sudan is perhaps best captured in a remark by President al-Bashir in a speech in North Kordofan, one he perhaps thought would not be reported because of the relative remoteness of the location from Khartoum: ***"If a white man brings you relief, don't take it and whip him on his back"*** (*Sudan Tribune*, October 25, 2013). This attitude plays out in various ways, including the expulsion of major humanitarian organizations, the humanitarian blockade of rebel-controlled regions of South Kordofan and Blue Nile, and the decade-long war of attrition against humanitarian efforts in Darfur.

Hostility to all humanitarian efforts, including those of the UN, often includes ludicrous accusations, many involving participation in a "Zionist conspiracy." One example must suffice, although it reveals Khartoum's failure to respond adequately to the persistent threat of locusts to agriculture. The Secretary General of the General Administration for Protection of Plantation, Khidir Gibreel, declared:

***[The UN Food and Agriculture Organization] FAO is plagued with politics. He singled out FAO's Executive Secretary of the Commission for Controlling the Desert Locust in the Central Region Mamoon Alalawi, whom he said is leading the conspiracy.*** Gibreel said that Sudan will seek to have Alalawi removed from his post over his hostile stance against Sudan. He said that his position is backed by the federal agricultural minister and the president. He claimed that Alalawi blocked a \$25 million grant from Saudi Arabia in the form of vehicles and other equipments. ***Furthermore, the FAO official sent a spying device to Sudan that is disguised as one used for locust control.*** (*Sudan Tribune*, 10 March 2013)

In fact, the FAO is one of the most effective of UN agencies. Such vehement and irrational hostility does nothing to encourage investment in Sudan.

### **Capital expenditures**

The failure to make essential capital expenditures is continually reflected in the news from independent sources. Radio Dabanga reported (6 July 2014) on a severe water shortage in Port Sudan caused by power outages; this is one of the poorest and most underserved cities in all of Sudan. Very recently *Sudan Tribune* reports on shortages in Khartoum itself:

Sudanese police fired tear gas to disperse hundreds of people who were protesting against power cuts and water outages in al-Daim neighborhood in the center of the capital Khartoum. The same area has been the scene of some of the bloodiest confrontations between demonstrators and police during last year's protests. ([Khartoum]14 September 2014)

The lack of commitment to supply electricity in sufficient quantities to the major port city or even to all sections of the capital of the country suggests again economic short-sightedness that the IMF fails to specify in any detail.

If a country's economy cannot produce the resources necessary to alleviate such gross malnutrition and accompanying suffering, if it cannot secure safe water supplies for its citizens, how can that economy be described as a success in any sense? The IMF touts minor improvements in economic performance, highlighting the (still partial) lifting of fuel subsidies, while neglecting to pay any significant attention to the brutal human cost in lost or shattered lives during protests against that economic move, a move which of course increased prices for those who could least afford to pay them. It was in effect a form of regressive taxation.

Yet again it must be stressed that the IMF seems not to recognize that the larger question for Sudan is the government's spending priorities: profligate military and security expenditures, and the continuous conduct of ruinously expensive wars since coming to power in the June 1989 military coup. If to this we add the costs of massive corruption and cronyism, which has siphoned of countless billions of dollars over the past twenty-five years, the IMF seems in its concerns to nibbling at the edges of Sudan's real "macroeconomic" problems.

We rarely see a public airing of corruption issues, but we gain some sense of the scale in a recent dust-up between the government's Inspector General and the Finance Ministry:

A report by the Sudan's Inspector General accused the Ministry of Finance of "cooking the books" by hiding 16 billion pounds [approximately US\$1.5 billion] in liabilities from its financial statements. The head of the auditing body al-Tahir Abdul Gayoom said in his report that his office is in the process of tracking down the money which was discovered when reviewing the central bank's records. The report also revealed the existence of 451.9 million pounds in obligations owed by the ministries of defense, interior, foreign affairs and public administration at the Ministry of Finance and Customs that has been carried over for years. It also accused certain influential figures in the government of directly awarding bids to people linked to them using higher than market prices without writing contracts to protect the interests of the ministries in question. (*Sudan Tribune*, 14 January 2014)

*Sudan Tribune* also reported on the scandalous deficiencies of Sudan's grain storage system, a system desperately in need of significant upgrading:

The Strategic Reserves department at the Agricultural Bank of Sudan (ABS) has acknowledged that the lack of storage capacity in the country has resulted in losing a quarter of grain production in the country. The department's director at the ABS Fadul Hassan Mohamed, ***disclosed that 25% of grain production was damaged due to poor storage.*** (11 May 2013)

Seen in light of recent grain shortages, allowing storage capacity to become so compromised must be highlighted as one of the most consequential failures of the GOS to direct capital expenditures where they are most needed, and can so quickly repay themselves.

In another example of the destructive misallocation of capital resources, Small Arms Survey (SAS) reported this past July (2014) on the state of Sudan's Military Industry Corporation (MIC):

Sudanese-made ammunition, mortars, rocket launchers and their associated ammunition are increasingly appearing in conflict zones within and beyond Sudan and South Sudan, but the full extent of Sudan's weapons manufacturing capabilities remains unknown. This report briefly reviews what open sources and some limited field research in Khartoum and elsewhere reveals about Sudan's Military Industry Corporation (MIC). Further research is required to verify the true extent of MIC's manufacturing abilities. ("The Military Industry Corporation," Small Arms Survey, [July 3, 2014](#))

In at least seven different production sites, the Government of Sudan is actively working to create an arms export industry, using Chinese and Iranian engineering and expertise. This large-scale commitment of national resources is inevitably at the expense of other domestic economic needs. The goal is made clear in the SAS conclusion:

In 2013, the MIC stepped up efforts to appeal to international buyers. From 17 to 21 February, it participated in the 2013 IDEX weapons convention, held bi-annually in Abu Dhabi. This event marked the first time Sudan put its weapons on public display, showcasing a variety of infantry and crew-served weapons, including general-purpose and heavy machine guns, RPGs, a copy of the Chinese CQ assault rifle, rocket launchers and ammunition, mortars, and one 4x4 vehicle. It also displayed military communication devices, optical equipment, and laser devices. Simultaneously, the MIC developed product brochures, 18 released a 10 minute promotional video on YouTube (YouTube, 2013), and redesigned its website (MIC, 2013). During the IDEX convention, MIC's director of external relations, Ali Othman Mahmoud, highlighted that the purpose behind encouraging local production "is to meet the needs of the Sudanese Armed Forces **and to export surplus weapons to other countries, mainly African states.**"

Khartoum has also signed contracts for a new airport in the capital area costing US\$1.38 billion. The second phase of contracts was recently signed with China for US\$700 million, backed by "soft loans" from Chinese banks. The military components of the vast airport (103 million square meters) are unspecified, but could be substantial (*Sudan Tribune* [Khartoum] 29 November 2013).

Instead of developing an agricultural manufacturing capacity, the ability to build tractors and other vital farm equipment, the Government of Sudan has chosen to expend huge amounts of capital on weapons manufacture—for its own wars and for export to other African countries, many of which are already flooded with precisely the sorts of weapons Sudan is advertising. Any recovery of capital costs for such an ambitious manufacturing program will be years away, and yet the needs of the people of Sudan have themselves been urgent for years. Because of current GOS spending priorities, the people of Sudan must live with constant reports of agricultural failure of the sort reported last November (*Sudan Tribune*, 2 November 2013):

[A member of the team investigating failure of wheat seeds to germinate in the Gezira Scheme] predicted failure of the agricultural seasons, saying that they found agricultural machinery worth 7 billion SDG not conforming to the specifications, as well as expired pesticides.

Such critical failings are innumerable, yet only rarely reported in Sudanese news media; notably, *Sudan Tribune* originates from Paris, France.

## VII. External Debt

Sudan's total external debt in August 2014 came to **US\$46.9 percent billion**, according to the IMF, and rising continually. This is up from **US\$39.5 billion in 2010**—and approximately **US\$13 billion in June 1989** when the National Islamic Front military coup occurred. A great deal of the debt is in the form of arrears, but well over **US\$10 billion in new loans** have been secured by the current regime over the past 25 years, even as it immediately, on taking power, reduced the country's commitment to repaying then current loan balances. Capital investments in Sudan, especially by China, have also added to loan obligations

Additional debt obligations on the part of the GOS are little discussed; some have not been revealed, to the IMF or anyone outside the NCP. Others are simply not highlighted in accounts of the Sudanese economy. For example, the GOS owes \$1.3 billion to China National Petroleum Company for purchases of oil in the years since the independence of South Sudan. And in January 2014 Khartoum secured from Beijing an additional US\$1.5 billion loan—a lifeline at a crucial moment, given the steady depletion of Forex held by the CBOS:

Sudan has secured a \$1.5 billion loan guaranteed by Chinese state oil firm China National Petroleum Corp, its finance minister said, throwing a lifeline to the African country battling its worst economic crisis for decades. Sudanese Finance Minister Ali Mahmoud said the loan, agreed on December 31, would come from a Chinese bank, which he declined to identify. It comes at a crucial time for Sudan, which has been unable to stop a slide in its currency since losing three-quarters of its oil production when South Sudan seceded in 2011. (Reuters [Abu Dhabi] 9 January 2014)

But there is now a clear reluctance to extend further loans to the Government of Sudan or Sudanese capital projects. Even China has refused to lend money to Sudan for a large electricity-generating project; Platts reported from Kampala, Uganda (March 12, 2012):

The Chinese government has canceled funding for an electricity project in Sudan as it has lost collateral for the loan, which is in the form of oil supply, following the separation of Sudan and South Sudan last year, Sudan President Omer al-Bashir said, according to media reports Monday. ("China cancels Sudan electricity project loan on lack of oil collateral: report")

Without the collateral it once enjoyed so abundantly, Khartoum must now scratch out new sources of funding and there are no signs of great success. Citing a report by Reuters, the *Sudan Tribune* reported in March 2014 that there are

...growing difficulties facing Chinese investments as a result of the deteriorating [Sudanese] economy. China's exports and imports to and from Sudan, which totaled \$11.5 billion in 2011, amounted to just \$3.3 billion in the January-November period of 2012, Reuters [said quoting] official Chinese data. The drop in oil trade accounted for much of that decline. But even while the oil industry has been shut down trade has continued to fall. In the first five months of 2013, Chinese exports to Sudan fell 8 percent from a year earlier to \$1.7 billion, the data shows. (*Sudan Tribune* [Khartoum] 24 March 2014)

Any discussion of Sudan's external debt—a subject about which the government never tires of speaking and haranguing—must begin with the fact that debt forgiveness is virtually impossible. Even the IMF acknowledges here the political realities. Edward Gemayel, Director of the Middle East and Central Asia department within the IMF, declared in 2013 that,

“I’m not saying this is impossible but it is difficult because it is linked to political issues which requires a public relations effort with member countries,” IMF’s deputy director of the Middle East and Central Asia department, Edward Gemayel, said during a visit to Khartoum. He said that any debt relief deal with Sudan would require the unanimous consent of all 55 countries in Paris Club, which he suggested would be improbable. (*Sudan Tribune* [Khartoum], [April 16, 2014](#)) [*See above for a breakdown of Sudan's external debt—ER*]

Here, however, we should also recall another statement by Mr. Gemayel which does much to reveal the expedient, indeed disingenuous side of the IMF. In an October 12, 2013 IMF press release, he declared: "Sudan has a long track record of implementing sustainable economic policies." This is utterly preposterous, as Gemayel well knows. It is nothing but flattery with no discernible connection to the truth about the Sudanese economy for the past twenty-five years. It is not accidental that in the same press release, beyond flattering Khartoum, Gemayel indicated the possibility of debt relief:

"... a successor [IMF Staff Monitored Program] supporting an appropriate policy framework would help Sudan establish a sound track record of performance in the period through the Decision Point that would ***one crucial element in gaining creditors support for the debt relief process.***"

But Gemayel himself would declare only a few months later that debt relief for Sudan was in fact virtually impossible, given the need for consensus among Paris Club members who hold so much of Sudan's debt. Both the IMF and Gemayel are discredited by this obvious expediency.

Moreover, if Khartoum had in fact a "long track record of implementing sustainable economic policies," why is the economy such a disaster at present? In fact for more than fifteen years, IMF monitoring of Sudan has failed, particularly on issues of military and security expenditures.

## VIII. United States Economic Sanctions

The Government of Sudan is continually demanding—in tones that are at times pleading, at times angry, and at times merely petulant—that the United States lift economic sanctions against Sudan, first imposed in 1997, primarily because of Khartoum's support for international terrorism (Osama bin Laden was hosted by Sudan from 1992 – 1996, the years during which al-Qaeda came to fruition). But even though a significant if unofficial bilateral arrangement now exists between the U.S. intelligence community and its Sudanese counterpart—focusing almost exclusively on counter-terrorism intelligence—there is likely to be little political stomach on the part of this administration or the next to lift sanctions so long as the Government of Sudan wages war on its own people in Darfur, South Kordofan, and Blue Nile. Hundreds of thousands have been killed and millions displaced by these conflicts, and yet the generals insist that the wars continue. President al-Bashir declared in 2013 that this would be the year in which all the rebels in all areas would be swept away. Like so many statements

by al-Bashir, this bombast was designed to conceal the truth: the wars are unwinnable in any final military sense, and in late 2014 fighting and dying and displacement continue at intolerable rates.

American civil society, so active on Darfur from 2004 through 2008, has been largely quiescent; but there are signs that activism is again being galvanized, that human rights organizations are re-committing to reporting on Darfur, where civilians live amidst severe insecurity and continual gross violations of international humanitarian and human rights law, as so many hundreds of thousands do in Blue Nile and South Kordofan states. Lifting sanctions against Khartoum would surely engender a fierce political outcry that would prove a significant encumbrance for all foreign policy issues.

Some of the financial dimensions of U.S. sanctions, as well as their potential efficacy, have been brought into high relief by the recent guilty plea to criminal charges by French banking giant BNP Paribas. Obligated to pay penalties of a staggering US\$9 billion, BNP Paribas has sent shock waves through the international banking community, much of which evidently did not believe the U.S. was serious about applying sanctions to banks doing business on behalf of the Government of Sudan. With contempt for those sanctions, BNP Paribas "acted as the 'de facto' bank to the Sudanese government" in the words of James Cole, a senior Justice Department official—processing many billions of dollars in transactions by the Government of Sudan and Sudanese banks (*Financial Times*, [July 1, 2014](#)). Many international banks are now taking U.S. financial sanctions against Sudan a great deal more seriously.

If the U.S. sanctions regime had been supported by the countries of the European Union, the Khartoum regime would long ago have been compelled to change its murderous ways or face even greater challenges in the international world, challenges that would have certainly crippled the economy and effected much needed political change. Instead, many European countries have continued to do business with Khartoum, engaging in commercial and capital projects of significant scope. But in the absence of Forex, and an unwillingness to allow for the repatriation of profits in hard currency, Khartoum has seen many of its business partners leave. As noted above, airlines in particular have abandoned their routes to Sudan, including KLM and Lufthansa, with many more considering abandoning routes to Sudan.

Sudan itself attributes extraordinary power to U.S. financial sanctions:

The ambassador at the foreign ministry, Mohamed Abdalla, said in a hearing before the parliament on the U.S. sanctions and their impact on Sudanese citizens on Monday that...the total number of rejected financial transaction during the period from 2000 to 2008 reached 5,777 transactions at the value of \$745.3 million. (*Sudan Tribune* [Khartoum] [24 February 2014](#))

Some criticize U.S. sanctions as unfair to the average Sudanese, pointing for example to the claim that wheat reserves have been diminished because of sanctions, agricultural machinery does not function for lack of parts, and railroad cars also need American parts. This criticism seems misplaced: a regime that refuses to feed its own people even when it is financially flush, as Khartoum was during the years of the oil boom, is hardly likely to use a lifting of sanctions to alleviate malnutrition or re-direct domestic manufacturing to the production of agricultural tools and machinery. The *New York Times'* East Africa reporter, Jeffrey Gettleman, wrote an extraordinarily revealing piece on food production in Sudan when Darfur was still much in the news. Gettleman notes, *inter alia*:

Even as it receives a billion pounds of free food from international donors, Sudan is growing and selling vast quantities of its own crops to other countries, capitalizing on high global food prices at a time when millions of people in its war-riddled region of Darfur barely have enough to eat.

[*Speaking of the investment in Ed Damer, his dateline, Gettleman asks*]: But how much of this bonanza is getting back to the hungry Sudanese, like the 2.5 million driven into camps in Darfur? And why is a country that exports so many of its own crops receiving more free food than anywhere else in the world, especially when the Sudanese government is blamed for creating the crisis in the first place?

Take sorghum, a staple of the Sudanese diet, typically eaten in flat, spongy bread. ***Last year, the United States government, as part of its response to the emergency in Darfur, shipped in 283,000 tons of sorghum, at high cost, from as far away as Houston. Oddly enough, that is about the same amount that Sudan exported, according to United Nations officials. This year, Sudanese companies, including many that are linked to the government in Khartoum, are on track to ship out twice that amount, even as the United Nations is being forced to cut rations to Darfur.*** (Ed Damer, August 8, 2008)

In fact, despite the huge investments, cronyism has vitiated the results of the investments in agriculture that Gettleman spoke of six years ago. The Government of Sudan now imports roughly US\$900 million in wheat every year to supply its mills with enough to grind into flour necessary for bread, the staple food of most in and around Khartoum. The incongruities that Gettleman so trenchantly pointed out evidently had little impact in the thinking or public pronouncements of the IMF.

What becomes clear in dispatches such as Gettleman's is the importance of sanctions that target those who are most culpable in the destruction and suffering that have been concealed for so many years. Here the IMF will be useless, and unwilling to make the effort. But targeted sanctions—directed at al-Bashir, Bakri Hassan Saleh, Abdel Rahim Mohamed Hussein, Saleh Gosh, Nafie Ali Nafie, and a number of other officials and senior army officers—would serve not only as a warning to others who might reflect on the wisdom of becoming complicit in atrocity crimes, but would weaken these men politically as well as strip them of assets that belong to the people of Sudan. This will require the commitment of significant financial and forensic resources; they exist. But without at least the cooperation of the Europeans and enhanced efforts by the United States, the brutal men in Khartoum will continue to enjoy the days of tyranny remaining to them.

## IX. Final Political Overview

No economy in such desperate condition, leaving so many impoverished and malnourished, can recover by means of political repression. And yet this is precisely what the Khartoum regime is attempting by means extreme censorship, ruthless suppression of demonstrations, arbitrary arrests, torture, extrajudicial executions, and a clear willingness to use overwhelming armed force to end any popular uprising. *Sudan Tribune* reported (3 December 2013) on a particularly direct threat in the form of a continuous parade by elements of the National Intelligence and Security Services:

Sudan's National Intelligence and Security Services (NISS) asserted its ability to swiftly deal with rebel plots and squash them to protect the nation and its territorial integrity. The country's

security apparatus on Tuesday concluded a military parade that included 7,000 of its members which marched through different districts of the Sudanese capital over the last few days causing traffic jams and infuriating drivers.

But such a parade, while designed to instill fear, is itself a reflection of deepening fear on the part of the regime. It is hardly surprising that one hears more and more comparisons made to Sudan's successful rebellions of 1964 and 1985.

National elections are scheduled for 2015 but they inspire no confidence as a means for change, even among some members of the NCP. The general public appears increasingly disgusted and angered by al-Bashir's bombast and cruelty, and feel themselves—in ever-greater numbers—the direct effects of a collapsing economy. The army has always been al-Bashir's strongest source of support, but this may be changing. The *Financial Times'* Manson reports accurately:

Despite the role played by the army in propping up the regime, its loyalty is weak. Late last year the government arrested nine men, including senior army officers, for plotting a coup. “We were two weeks away [from executing the coup]. Everything was in our hands,” one of the coup plotters says. Many in the army dislike their defence minister and are jealous of more powerful security services. Soldiers complain that the Islamist revolution is off-track and that they are fed up with being sent to fight wars they cannot win.

This sense of fighting "wars they cannot win," wars that work only to keep rebellious elements on the periphery from having a fair share of national wealth and power, is reflected throughout the middle officer ranks, if less so in the most senior ranks. For it is the majors and colonels who have to lead men into these futile conflicts; they and their men—officers and ordinary soldiers—are the ones who die. Many are conscripted because this is the only way Khartoum can fill the ranks. But for a growing number of Sudanese, the days of settling for a future as cannon fodder are over. It will take a moment of great bravery by the people of Sudan to throw off the tyranny they have endured for 25 years: the response to any uprising will begin with the issuing of "shoot to kill" orders, as it did last September (2013). But my own sense speaking with many Sudanese is that the moment in which anger overcomes fear has drawn close, and closer by the day.

The cynical cooperation with Khartoum by the Europeans, and to a considerable extent by the intelligence-hungry Obama administration, gives Khartoum hope. The claim that what might succeed the NCP regime might somehow be worse, into another Libya or Somalia or Iraq, betrays a fundamental understanding of Sudanese political history and culture. It is little more than a fig-leaf for tolerating a regime that is among the very most destructive in the world, and incapable of restoring Sudan's economy.



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## XI. Appendix: Charts and Graphs Used or Referred to in This Report

**[1]** Tables 1 - 8 of IMF July 2014 Staff Monitored report, page 24 (full title: Sudan: Staff Monitored Program—Staff Report; Press Release; and statement by the Executive Director for Sudan)

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