

Expert Consultation Sudan – German Federal Foreign Office

March 4, 2019, 10:15 am to 5 pm

Presentation by **Professor Emeritus Dr. Karl Wohlmuth**, University of Bremen, Faculty of Economics and Business Studies, Research Group on African Development Perspectives Bremen

Title of Presentation: **International and regional economics and politics impacting on conflict and stability in the Sudan**

Location of Meeting: Federal Foreign Office, Werderscher Markt 1, Berlin

International and regional economics and politics impacting on conflict and stability in the Sudan

Omar al-Bashir took power in 1989. To survive such a long period of **thirty years in power** requests a skilful handling of internal and external affairs. In this short presentation it is argued that the regime restructured the internal forces and actors and adapted flexibly to the various levels and impacts of global players and regional actors, although at high cost.

For Germany's policy towards the Sudan **it is necessary to understand how the regime overcomes financial and policy constraints through balancing out conflicting interests** among the global players and the regional actors.

International and regional economics and politics impacting on Sudan

Source of Map: Sudan Embassy, Washington D. C.



Ultra-Radical Economic Stabilization Policies of Sudan – Not following the more recent inclusive growth policies of IMF and World Bank

The current wave of protests against the cuts of fuel and wheat subsidies is only an expression of Sudan's policy since decades to portray the ***image of financial stability***, of private sector promotion and privatization, and of openness to foreign investors. The Doing Business Indicators and the Budget and Current Account Balance Data considered over time are not favourable, but always it is argued that change is in the right direction. Current IMF and World Bank strategies on growth-promoting and poverty-reducing policies are not followed. The Interim Poverty Reduction Strategy for Sudan is an example.

Sudan and WTO Accession – Preparing for Global Integration, Competitiveness and Economic Diversification?

The WTO Accession negotiations which have started again in 2017 after an impasse of 13 years are an important step for Sudan to reach a deeper global integration and to overcome finally the sanctions on financial transfers of Sudan. Japan is leading the countries pushing for the WTO accession of Sudan. The Government of Sudan promises to use the WTO accession as a tool for economic reforms. Negotiations with selected bilateral partners are under way on market access; also the multilateral technical discussions are proceeding. But ***still the foreign trade regime of Sudan is very weak.***

Confronting the Global Players to Exploit Their Geostrategic, Economic and Political Interests

The regime is adapting to the priorities and interests of the major global players: of **USA** (fighting terrorism through cooperation of secret services), of **China** (to become the major economic and military power in Africa and consolidating the positions on oil and other natural resources), of **Russia** (to gain geostrategic advantages in key African countries through military assistance and to claim support in its geostrategic rivalry with USA), of the **European Union** (to get a migration pact with key transition countries at low cost), and of **Japan** (to improve its trading position in Africa via WTO policies).

Using the political and economic interests of the BRICS countries

The regime uses all its possibilities to gain advantage through economic and political support from the BRICS countries. Brazil, Russia, India, China and South Africa have **core agreements with Sudan** on cooperation in sectors as agriculture, infrastructure, energy and raw materials. China and Russia are **depositing foreign exchange** at the Central Bank of Sudan to help Sudan out because of arrears on debt and low foreign exchange reserves. China and Russia support the strong military sector of Sudan. The multinationals of the BRICS countries are used to diversify the exports of Sudan.

A Strategic Partnership between Sudan and South Sudan – Can a Border States Development Programme solve the dilemma?

In the transition period 2005 to 2011 after the CPA successful development projects and programmes were undertaken in the five northern and the five southern states of Sudan. As these ten states are a resource base and an economic powerhouse of Sudan/South Sudan, a Border States Development Programme could mobilize resources for cooperation in agriculture and food self-sufficiency, industry development, mining and oil exploration, market development, water and forest development, climate change adaptation and mitigation, and for science, technology and innovation (STI).

A Strategic Partnership between Sudan and South Sudan – Further Reasons for a Close Cooperation

Sudan has also other reasons for deep agreements with South Sudan: First, millions of migrant workers, displaced people and refugees wait for secured rights in Sudan. Similar to the agreement with Egypt a ***Four Freedoms Agreement*** could be negotiated. Second, the rising cost of the military and of security in both countries is not longer sustainable. Third, any further production stop in the oil-producing areas would be a fiscal shock for both countries. Fourth, coordinating regional integration policies of the two countries would be favourable for both countries, as well as the WTO aspirations.

Preference for Strategic Tripartite Agreements (Egypt, Ethiopia, Sudan)

The regime uses skilfully the conflicting interests of Egypt and Ethiopia (on water, agriculture and industry development, governance, political power) to position its own interests (cheap energy from the Grand Ethiopian Renaissance Dam, irrigation water for new land, access to the huge market of Egypt, consolidation of the “four freedoms agreement” with Egypt, etc.). Egypt is dominating COMESA and other regional economic communities (RECs) in Africa. Ethiopia is now for many years a fast growing economy. Both countries can support Sudan in overcoming fully the remaining sanctions.

Preference for Joint Missions and Economic Incentives to Mediate Conflicts (Eritrea, Chad, Libya and Central African Republic)

The normalization of relations between Sudan and Eritrea, long after the agreement in 2006 with the Eastern Front (Beja Congress), is supported by the negotiations between Ethiopia and Eritrea. But the improvement of relations with Chad, Libya and the CAR is more complex. The Qatar crisis affects the relations between Sudan and Chad, the lack of a unified government in Libya has repercussions on Sudan, and the continuation of insecurity in the CAR also impacts on Sudan. In all four cases it is tried to normalize relations through joint military missions and economic cooperation initiatives.

Instable Financial, Economic and Political Relations with Saudi Arabia, United Arab Emirates, Qatar, Turkey and Iran

Sudan's financial status and political stability is affected considerably by the tensions between Saudi Arabia and Iran, between Saudi Arabia and the United Arab Emirates with Qatar, and between Turkey and Saudi Arabia. Saudi Arabia, Qatar and the Emirates are important financiers through their companies and state funds. But the figures presented are often promises, projects in progress, and projects in the pre-execution phase. Many of the projects have to do with land acquisition, agriculture and agro-industries. Financial assistance is volatile and conditional on political behaviour.

Instable Financial, Economic and Political Relations with Saudi Arabia, United Arab Emirates, Qatar, Turkey and Iran

Sudan is impacted by these three Arab countries also through their relations with Sudan's neighbour countries (as examples, the strategic cooperation of Egypt with Saudi Arabia, the mediating role of Qatar on Darfur between Sudan and Chad, and the political, financial and economic relations between UAE and South Sudan). The Qatar crisis since June 2017 reveals how dangerous this may be for Sudan as new tensions between Chad and Sudan may arise and as Sudan is interested in strong economic and political relations with Qatar and Turkey. Political and military ties with Iran continue.

Preference for Multiple Memberships of Sudan in Regional Economic Communities (RECs)

Source: Sudan, Africa Regional Integration Index (ARII)

Sudan is member of COMESA (performance position 18), IGAD (position 6) and CEN-SAD (position 26); it is poorly performing in all the three integration projects. In COMESA, Sudan is weakest in the category ***Free Movement of People***, then in ***Financial & Macroeconomic Integration***, followed by ***Productive Integration***, but it is achieving better results in ***Regional Infrastructure*** and in ***Trade Integration***. Ethiopia, Egypt and Kenya are also members in COMESA, with Egypt and Kenya being strong performers, while Ethiopia is a weak performer. Sudan has applied also for EAC membership.

Preference for Multiple Memberships of Sudan in Regional Economic Communities (RECs)

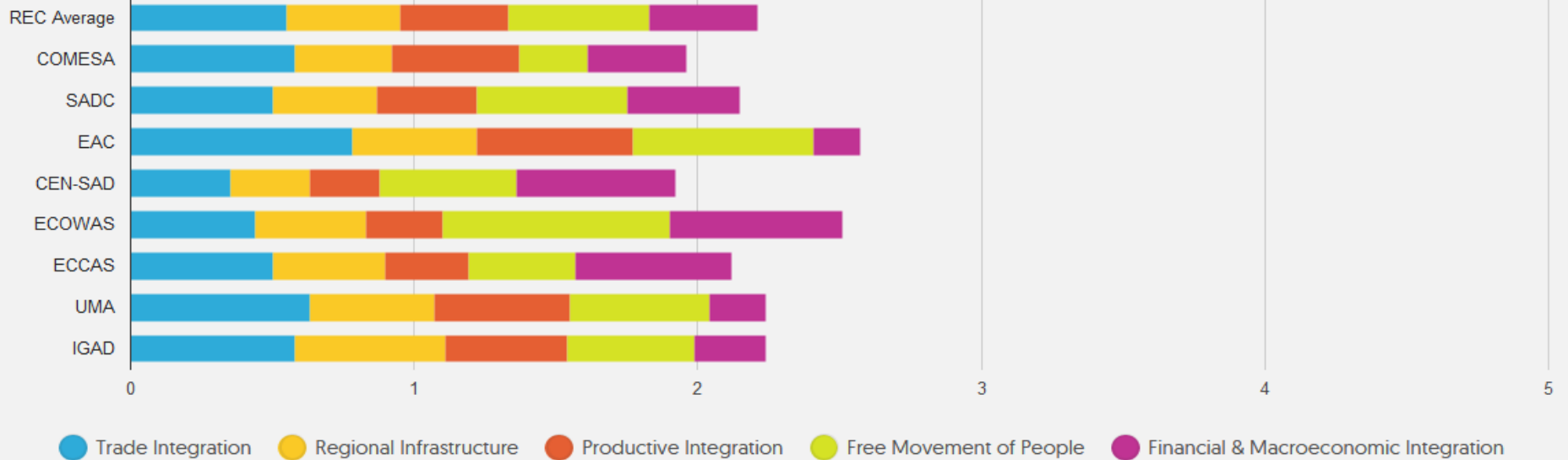
Source: Africa Regional Integration Index (ARII), REC scores broken down by dimension

REC scores broken down by dimension

This chart shows how well each regional economic community is performing overall. It is further broken down by *dimension*.

Chart

Data



Two Priority Programmes for Sudan: A Sustainable Economic Reform Programme for Sudan and a Strategic Cooperation Programme of Sudan with South Sudan

Sources: SERG 40 and SERG 41 Papers, by Karl Wohlmuth

All the actors mentioned above (IMF, World Bank, WTO, the global and geo-strategic players, the BRICS countries, the African Union, the League of Arab States, and Sudan's donors, financiers, partners and neighbours) could support these two programmes. Crucial is the commitment of the Sudanese government to sustain economic reforms over a long period and to establish a strategic partnership with South Sudan. The Economic Reform Programme has five major strategic and policy components, while the Strategic Cooperation Programme has ten (five core) components.

A Sustainable Economic Reform Programme for Sudan

Source for Full Paper: SERG Paper 41, by Karl Wohlmuth

The ***Sustainable Economic Reform Programme for Sudan*** has five elements: ***First***, initiating macroeconomic stabilization and structural reforms; ***second***, moving to medium term fiscal policy and development planning; ***third***, promoting sustainable non-oil/non-gold exports; ***fourth***, establishing effective social safety nets; and ***fifth***, reducing horizontal and vertical inequalities. It is interesting to note that South Sudan should follow a quite similar agenda for its economic reforms, but at a lower development level and with different initial conditions and adjustment perspectives.

A Strategic Cooperation Programme of Sudan with South Sudan

Source for Full Paper: SERG Paper 40, by Karl Wohlmuth

The Programme has five core elements:

Core Programme 1: Border-States Development Programme

Core Programme 2: Agro-industrial Development Programme

Core Programme 3: Medium- and Long-Term Public Finance Strategy

Core Programme 4: Development of STI Infrastructure and of National Innovation Systems

Core Programme 5: Environment, Climate Change Adaptation, and Land Policies

A Strategic Cooperation Programme of Sudan with South Sudan

Source for Full Paper: SERG Paper 40, by Karl Wohlmuth

Supplementary Programme 1: Foreign Trade and Foreign Investment, and Regional, South-South and Global Integration

Supplementary Programme 2: Private Sector Development, Private Public Partnerships, and Public-Private Sector Dialogue

Supplementary Programme 3: Infrastructure Development and Services Provision (for hard and soft infrastructure)

Supplementary Programme 4: Poverty Alleviation, Social Policy and Human Development (Pro-Growth Poverty Reduction)

Supplementary Programme 5: Coordinating and Integrating Donor Interventions and Humanitarian Assistance

Germany's Policies towards Sudan, its Neighbours and Partners

Learning from the history of German-Sudanese aid relations;
Having in mind all the neighbour countries of Sudan and the key financial, economic and political partners;
Considering the special relationship of Sudan and South Sudan;
Understanding the geo-strategic competition between the global players and the opportunities provided by the BRICS countries;
Identifying the diversity of political and economic conflict drivers in the Provinces/States of Sudan and in the neighbour countries;
Realizing that only long-term holistic packages of economic reform will work, not simply standard stabilization measures.