

С В І Т О В Е   Г О С П О Д А Р С Т В О

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## ECONOMIC DEVELOPMENT OF SUDAN

The article presents the descriptive analysis of level of economic, political and social development of Sudan according to the global trends. An analysis of the country's development trends and the dependence of the national market on the global movements of the world economy will provide an important channel for formulating forecasts for the development of the economy of Sudan.

**Key words:** *KOF Globalization Index, Political Globalization, Economic Globalization, Social Globalization, GDP, Export, Import, Population, Unemployment, Foreign Direct Investment, Inflation, Tax.*

У статті наведено описовий аналіз рівня економічного, політичного та соціального розвитку Судану стосовно світових трендів фінансових ринків. Аналіз тенденцій розвитку країни та залежності національного ринку від глобальних рухів світової економіки є важливим каналом формування прогнозів розвитку економіки Судану.

**Ключові слова:** *Індекс глобалізації КОФ, політична глобалізація, економічна глобалізація, соціальна глобалізація, ВВП, експорт, імпорт, населення, безробіття, прямі іноземні інвестиції, інфляція, податки.*

Sudan is the least developed country in the world, but it stands out among low-income countries in terms of available domestic resources. Sudan is much better off than all other post conflict cases in recent history with a projected outturn of over \$185 per capita in Southern Sudan in 2007, compared with Afghanistan (\$5) or Timor Leste (\$22). Despite strong economic growth, the country still faces formidable economic challenges, as it starts at a level of deep poverty. With few linkages to other productive sectors of the economy, growth in the oil sector will not raise incomes for the many poor, while pro-poor spending is very low, standing at 3% of GDP compared with an African average of 7.5% [10].

The economic development of Sudan shows a big fluctuation last twenty years. This is primarily due to the unstable political situation, long military conflicts and serious economic problems. Twenty-year trends show a serious deterioration in the mid-90s despite the presence of large oil fields. Oil production allowed Sudan to increase foreign direct investment in 2012 to more than \$ 2 billion and stabilize inflation at 11%. At the same time, the level of a country's political and economic globalization differs significantly from social globalization. According to the KOF globalization index, Sudan ranks 186 out of 208 countries, being at the very bottom of the list of countries with strict conditions for regulating the social life.

The research is based on the official reporting of international financial organizations such as the World Bank [2] and the International Monetary Fund [5]. Studies of the level of globalization and development trends of the political, social and economic components of state development are based on research the KOF Globalization Index [1]. Deep theoretical and practical studies are presented in the reports of **European Coalition on Oil in Sudan** [10], Energy Information Administration [11], US Department of the Treasury [12].

Explanatory research was used for deeper understanding of the sense of economic development and identify competitive position of Sudan in the global market. Descriptive statistics was used to describe the basic features of the data number of GDP, export, inflation, population, unemployment, foreign direct investment, etc in Sudan. The main aim of the study is to examine the level of economic, political and social development of Sudan according to the global trends of financial markets.

The KOF Globalization Index measures the economic, social and political dimensions of globalization. Globalization in the economic, social and political fields has been on the rise since the 1970s, receiving a particular boost after the end of the Cold War [1].

The average value for Sudan during that period was 46.92 points with a minimum of 34.29 points in 1973 and a maximum of 58.93 points in 2016.

In the beginning of 1970 Sudan focuses more on trading of goods and services basically in exporting and importing sector and it keep on increasing until 1995 where De facto and De jure meets at an equilibrium point and De facto start to decline slightly, De jure started to increase further more.

The sub-domain of economic globalization covers both trade flows as well as financial flows. De facto trade is determined with reference to the trade in goods and services. De jure trade covers customs duties, taxes and restrictions on trade. [1]

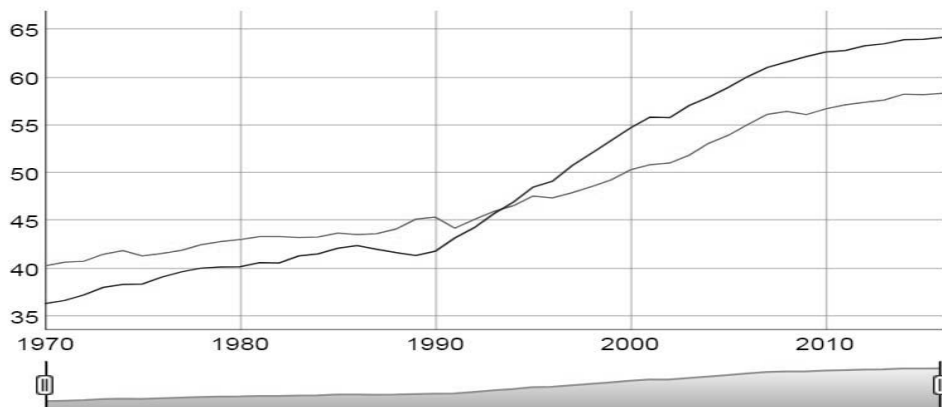


Fig. 1. The KOF Globalization Index of Sudan in 1970–2016. [1]

Table 1

Ranking of the KOF Globalization Index of Sudan between 208 countries [1]

Country	Globalization index	Economic globalization	Social globalization	Politic globalization
Sudan [0-100]	36.79	39.92	19.64	56.84
Rank	168	138	186	129

The chart shows the changes that occur in Sudan due to economic changes from 1973 up to 2016. According to the chart, the slightly decrease in Sudan economy that was caused due to the loss of the three quarters of the oil production that caused due to the conflict that driven the Sudan's GDP growth. Conflicts and civil war in Sudan cause an overall decrease that has lower score of the fiscal health, trade outbalance, weak investor confidence, currency risk and shortage that cause inflation, lower growth, weak rule and solid labor markets.

The sub-domain of political globalization is regarding the de facto segment measured with reference to the number of embassies and international non-governmental organizations (NGOs), along with participation in UN peacekeeping missions. The de jure segment contains variables focusing on membership of international organizations and international treaties.

The bar chart of political globalization of Sudan showed to have various patterns throughout the 1970s to 2015. In 1973 to 1976 showed a steady increase in political globalization, this is due to the events of Khartoum in the Saudi embassy where a terrorist attack took place from a Palestinian terrorist organization called black September organization. This lead to multiple countries with different political system to get involved

with the event such as Palestine Liberation Organization was involved in taking care of the punishment of the terrorist after the events of the attack. This shows that political globalization can be influenced by occurring events that are either are negative or positive but involves different political system present in different countries.

The sub-domain of social globalization is in turn comprised of three segments, each with its own de facto and de jure segment. Interpersonal contact is measured within the de facto segment with reference to international telephone connections, tourist numbers and migration.

Within the de jure segment, it is measured with reference to telephone subscriptions, international airports and visa restrictions. Flows of information are determined within the de facto segment with reference to international patent applications, international students and trade in high technology goods. The de jure segment measures access to TV and the internet, freedom of the press and international internet connections.

Cultural proximity is measured in the de facto segment from trade in cultural goods, international trade mark registrations and the number of McDonald's restaurants and IKEA stores. The de jure area focuses on civil rights (freedom of citizens), gender equality and public spending on school education [1].

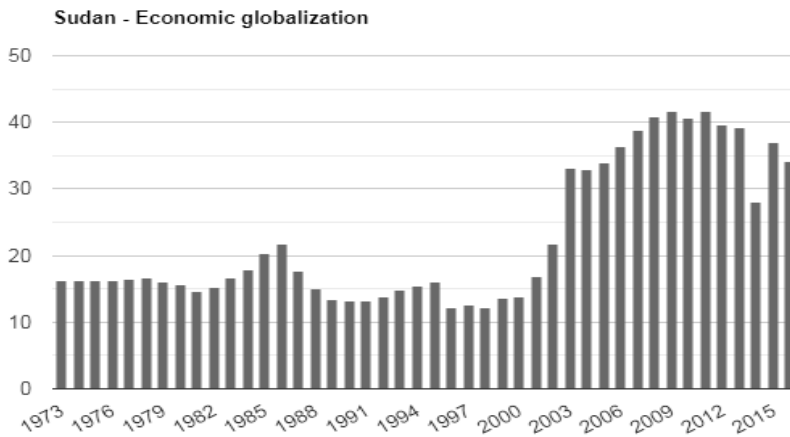


Fig. 2. The Economic Globalization of Sudan in 1973–2016 [1]

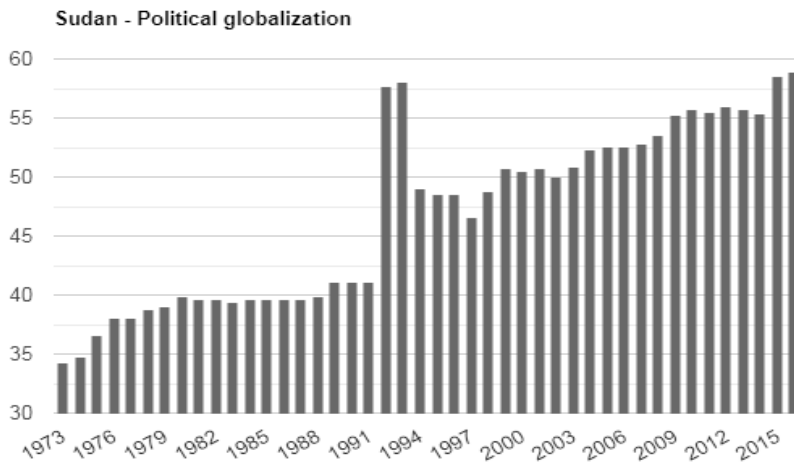


Fig. 3. The Political Globalization of Sudan in 1973–2016 [1]

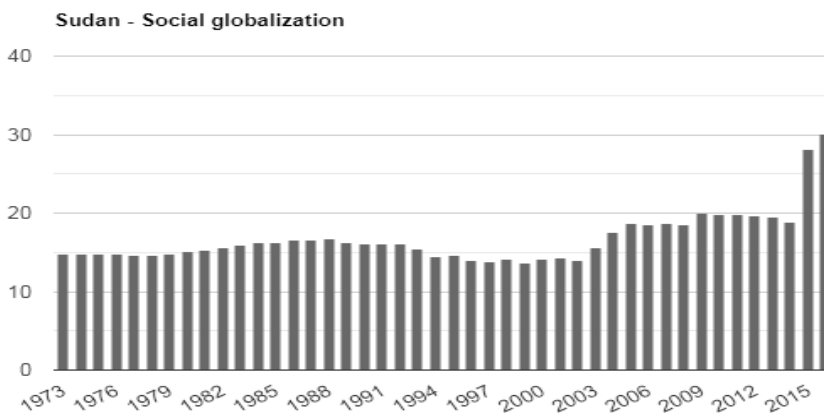


Fig. 4. The Social Globalization of Sudan in 1973–2016 [1]

The bar chart of Sudan’s social globalization throughout the 1970s to 2015 shows to go through various patterns. In 1973 to 2000 to have a stable and a slight decrease in social globalization is because of the lack of mode of communication between different countries such as internet and social media. However, after the year of 2000 the social media presence was dominant such as the creation of social networking sites of Habbo, Friendster, LinkedIn and MySpace as well the birth of Facebook. This influenced multiple way of communication to develop which aided Sudan to easily communicate with people by using these sites. In 2015 and

afterwards showed a significant increase in social globalization because of the events of general elections which caused a topic of discussion between Sudan and different countries as well the boom of the social media dependence by popular sites or applications such as Instagram, snapchat and YouTube. This indicates that social globalization is affected by the way and how fast the nations communicate by using various tools of communication such as social networking sites. [3]

Also, it is very important role and influence of international unions on economic development of Sudan. *The Arab League,*

which is called officially as the League of Arab States, is a regional organization of Arab countries in Southwest Northeast and North of Africa and Asia. It has been formed on March 22, 1945 in Cairo (Egypt) including six members: Iraq, Egypt, Jordan, Saudi Arabia, Lebanon, and Syria. Yemen, Sudan and other fourteen states joined as members after. According to website of The Arab League, the league's main goal is: "to draw closer the relations between member States and co-ordinate collaboration between them, to safeguard their independence and sovereignty, and to consider in a general way the affairs and interests of the Arab countries." [6]

*Council of Arab Economic Unity* is an Arab economic organization which was established in June 1957 by a determination of the Arab League. Members include Iraq, Egypt, Kuwait, Jordan, Libya, Mauritania, Somalia, **the Palestine Liberation Organization (PLO)**, United Arab Emirates, Sudan, Yemen, and Syria. [6]

The organization keens for achieving integration within the economic framework and to achieve social development in addition to the promotion of the movement freedom for services, capital and labor within the members. [4]

Sudan joined the Arab League in January 19<sup>th</sup> 1956, after ten days from Anglo-Egyptian rule independence, in 2012 when South Sudan seceded was given the option to join Arab league.

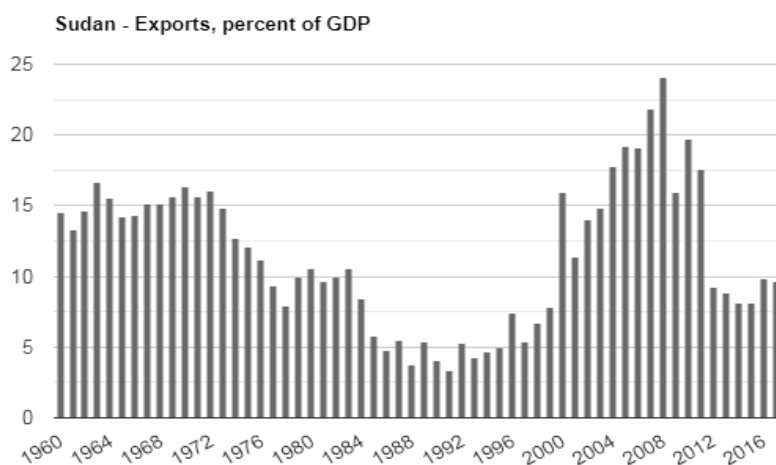
The economic situation improved starting from 1961 in Sudan four years after it joined Arab league as GDP shows that it has increased from \$1.307 billion in 1961 to \$117.488 billion in 2017. [2] The inflation rate has dropped with a little of fluctuating from 12.472% in 1981 to 2.192% in 2017. After the independence from the British-Egyptian rule and the joining in Arab League and Council of Arab Economic Unity Sudan government started to work on oil as a major part of income generation which helped in the improvement of the economic situation.

GDP per capita based on purchasing power in 2017 GDP of Sudan was 4,349 international dollars which shows an increase from 2,447 international dollars in 1998 it has grown and increased with an average annual rate of 3.40%, as number of population increase it will affect the overall economic and that will increase the standard of living.

The export graph shows that Sudan was shown to be having a high and low pattern. In the 1960 the export rate began to start decreasing due to civil conflicts in the country and reoccurring wars that caused the relationship with other countries to be jeopardized. However, the export rate began to increase in 2000 and afterwards because of the high demand of crude oil and gold which are goods that are in constant high demand.



Fig. 5. GDP per capita based on purchasing power parity of Sudan in 1980–2017, international dollars [2]



**Fig. 6. Export of Sudan in 1960–2017, percent of GDP [2]**

The import rate chart of Sudan is shown to have a similar pattern as the export graph. This is because the import and export rate were influenced by the same factors which are political conflicts and war. These factors caused the country to have a limited exchange rate between countries in the 1980s until 2000 where the demand of oil and gold was high. This demand caused an opportunity for the country to regain the exchange relationship with other countries.

The chart of population showed to have a steady increase from the 1960s until 2016. This is because the death rate in the country is less than the birth rate making the birth rate ratio to be high. This is caused by the development of medical field to prevent early death and also child birth death as well developing medicine for curing or treating diseases. In addition, the increase in economy and decrease in unemployment is also a major factor because people are now more encouraged to reproduce due to good living condition.

The chart of unemployment shows that the rate of unemployment is decreasing since the start of 1995 until 2017. This is because the number of educated people and the need of job demand has increased as well the increase of economy status in the country. This causes a higher opportunity of employment throughout the country.

According to the World Bank collection of development indicators, in Sudan exclud-

ing LCFAR the Portfolio investment was \$ 428267 in 2016. The chart below shows the fluctuation in the investment portfolio according to World Bank trading economics in the years (2006–2016).

In the chart you can see that Sudan was verifying its investment portfolio However the portfolio investment was almost zero at the years 2008 until 2012 as a result of economic crises that the whole world suffered from, there were also internal conflicts in the state before South Soudan seceded in 2012, the year after in 2013 the country economic situation tried to cover up loses by the verification of investment portfolio, however, it started to decrease again in 2016 after oil crises invaded the whole world.

The foreign direct investment chart is shown to be really low before the year 2000 but a sudden increase occurred after that. This because Sudan used to have a very fragmented and distorted political state in the country that lead to war and conflicts in the country which discouraged investors to consider investing in Sudan. Moreover, after the year 2000 the foreign investment rate was booming due to the decrease of conflicts and the end of the wars which made a more civil environment for business and investors as well the promising opportunity to invest in Sudan's most desired good which are gold and Crude oil.

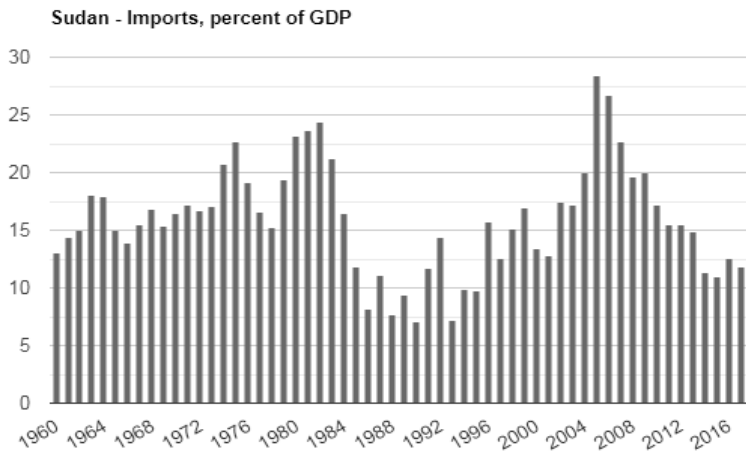


Fig. 7. Import of Sudan in 1960–2017, percent of GDP [2]

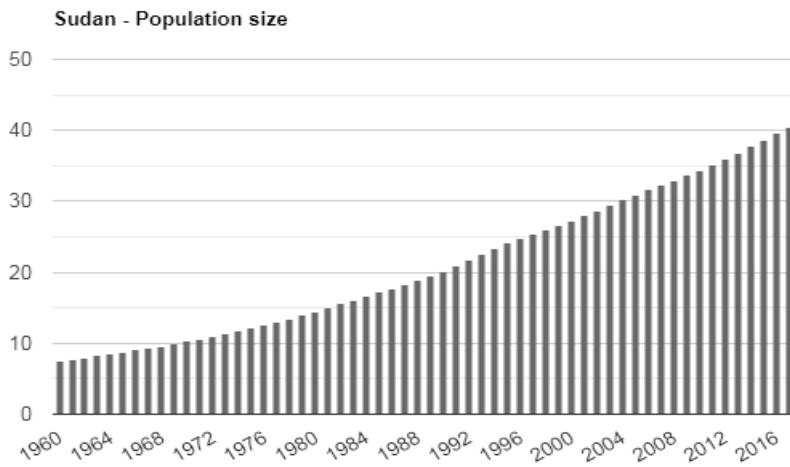


Fig. 8. Population of Sudan in 1960–2017 [2]

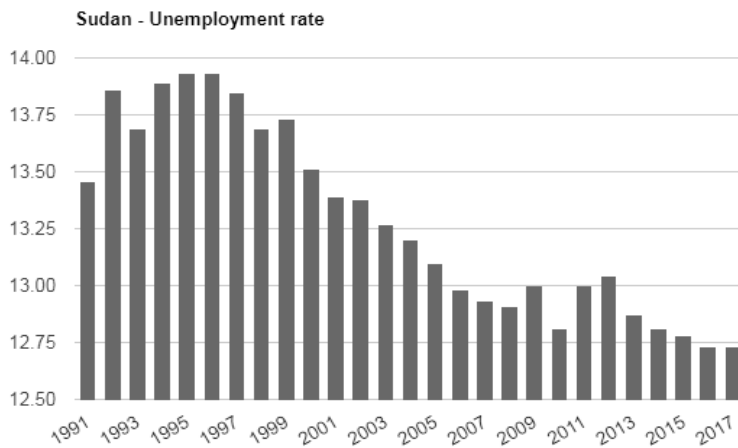


Fig. 9. Unemployment rate of Sudan in 1991–2017, % [2]

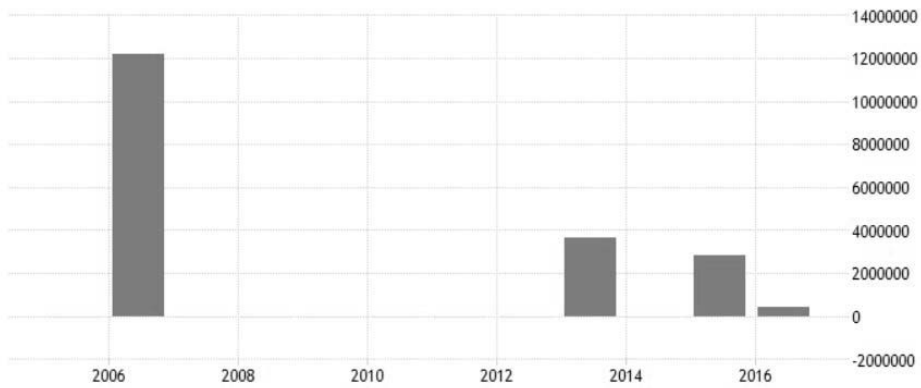


Fig. 10. The investment portfolio of Sudan in 2006–2016 [2]

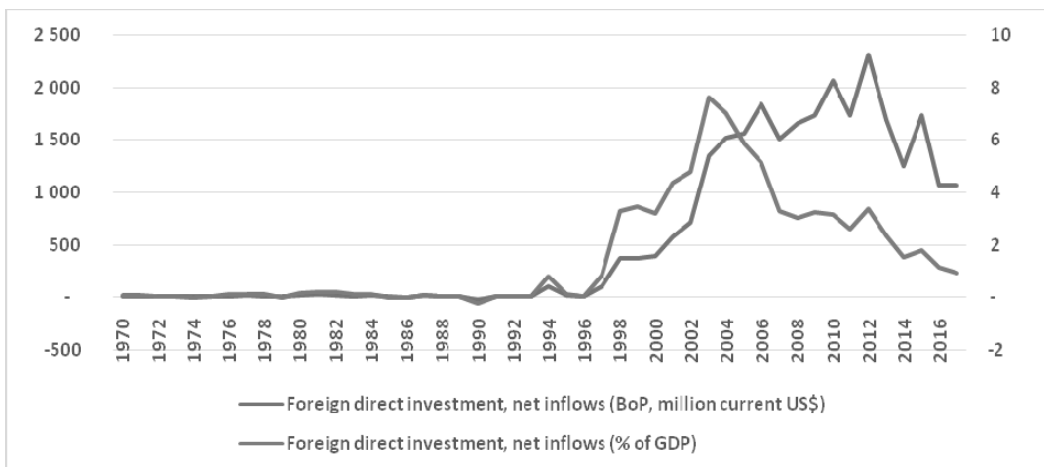


Fig. 11. The foreign direct investment of Sudan in 1970–2016 [2]

The currency in Sudan currently is Sudanese Pound which equals to 0.02101 USD (\$). The inflation rate has decreased in the last twenty years, according to World Bank the inflation rate was 132.8% in 1996 to reach 4.9% in 2001 and increased to 36.9% in 2014. The inflation rate compared to the previous year in 2019 is 49.24%. currently, the inflation rate was increasing as for October 2018 by 72.49%. [7] which has clearly increased. This line chart shows the inflation rate in Sudan from 1960 to 2015 according World Bank data.

Taxation system in Sudan: Personal taxes in Sudan showed a stable tendency as it was 19.2 % starting from 2005 until present. [8] The corporate taxes are 11.5% in 2018, but has showed unstable tendency

in the last ten years, trading economics the corporate taxes are presented in the chart. The reason why the corporate taxes was decreasing in 2006 is the economic crises, then before South Sudan seceded in the period 2012-2013 the other taxes payable by businesses started increasing to reach and fix to 14.7%. [9]

Macroeconomic development: Despite assessed income setbacks in 2017, government consumption stayed steady; the spending deficiency enlarged an expected 0.6 rate point to 2.4%, up from 1.8% in 2016. As indicated by the International Monetary Fund (IMF) [5], the real shortage is relied upon to be a lot bigger (7.7% of GDP) since endowments connected to official trade rates are recorded just in the Central Bank's accounting



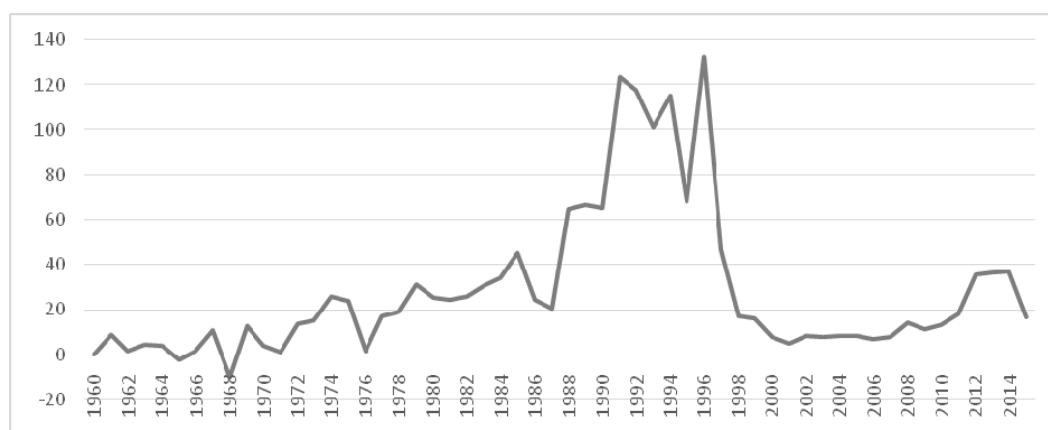


Fig. 12. Inflation, consumer prices of Sudan in 1960–2016, annual % [2]

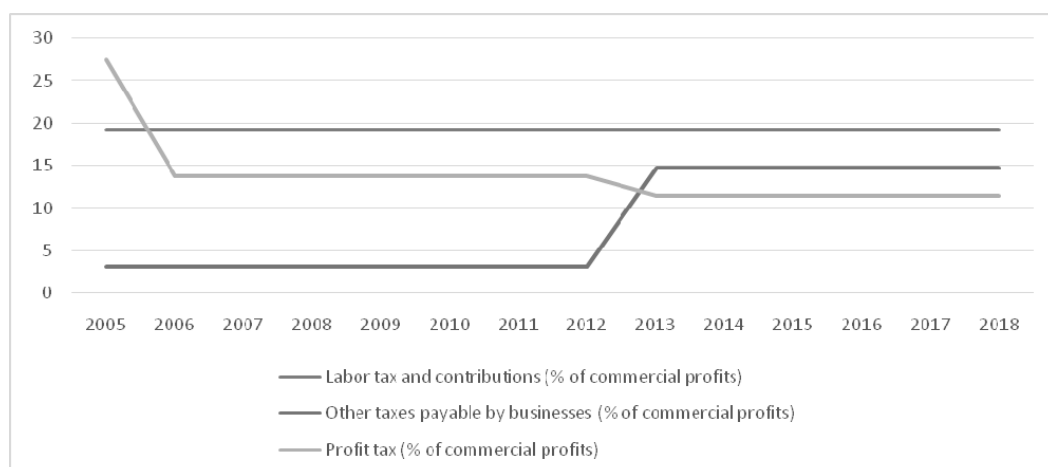


Fig. 13. Labor tax, profit tax and other taxes payable by businesses in Sudan in 2005–2018, % [2]

report. Money related strategy keeps on being expansionary to suit developing monetary financing needs. The Central Bank's higher buys of gold, which represented 39% of fares in 2017, combined with loaning to farming, caused hold cash to develop from 27.5% toward the finish of 2016 to 52% in June 2017. Swelling took off from 17.2% in September 2016 to 35.1% in September 2017. The present record limited, reflecting diminished imports. People in general outside obligation, the vast majority of which is financially past due, stays high and unsustainable.

Sudan is developing its significant oil resources. **The country's oil exports have increased rapidly** since the construction of a major oil-export pipeline in 1999. Exports of hydrocarbon account for 70% of total export revenues. Sudan's energy consumption mix was dominated by oil (93%), with the remainder coming from hydroelectricity (7%) [13]. Despite the current difficult political and economic situation, Sudan has been showing stable economic growth over the past five years. Real GDP growth is kept at more than 4%, which is higher than most countries in the region.

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