

Sudan: Trade Brief*

Trade Policy

According to the latest Trade (MFN) Tariff Restrictiveness Index (TTRI), on which it is ranked near the last at 118th (out of 125), Sudan's trade barriers are substantially greater than the Sub-Saharan Africa (SSA) and low-income country averages. In fact, the 2006 MFN applied tariff average of 20.1 percent and the import-weighted average of 16 percent are both higher than the regional (13 percent and 12.3 percent) and low-income (12.6 percent and 11.3 percent) averages. Nonetheless, Sudan's trade regime is substantially more open now than it was before the reforms of the 1990s, when the government reduced tariffs, abolished most export monopolies, and eliminated exchange rate controls. MFN duty-free imports were 12.3 percent of total imports in 2006, much lower than regional and income group comparators (according to national sources MFN duty-free imports were higher, at 18 percent of total imports). The nontariff measures (NTM) frequency ratio of 1.8 percent is negligible. The country's International Telecommunication Union (ITU) telecom competition index is 1.0 (on the scale of 0 to 2, better). There are few formal restrictions on FDI in services, and there is substantial foreign commercial presence in telecommunications and banking sectors. Sudan's WTO accession process has been stalled in recent years for reasons unrelated to economic policy, but is expected to eventually lead to the liberalization of the import regime and to commitments that would reinforce past services sector liberalization.

Market Access

Constraints on Sudan's exports are primarily, but not exclusively, internal. The country has much better access to international markets than an average SSA or low income country according to the latest Market Access TTRI (including preferences), on which it is ranked a very high 23rd (out of 125). Such good market access is a common characteristic of most oil- and gas-exporting nations, as is the high level of MFN duty-free exports, which for Sudan was almost 90 percent in 2006. Likewise, the rest-of-the-world average tariff (weighted average) of 1.2 percent faced by Sudan's exports is much lower than regional and income group comparators. As the country succeeds in revitalizing traditional non-oil exports and diversifying into new products, it will face many of the same market access barriers as comparator countries. The United States has imposed an economic embargo on Sudan since 1997 and blocks U.S. firms and individuals from conducting any business transaction with the national government or state-owned enterprises, including a range of Sudanese companies operating in all sectors (except gum arabic). Sudan has not signed an interim economic partnership agreement (EPA), a comprehensive trade and development agreement to replace the African, Caribbean, Pacific (ACP)-EU Cotonou Agreement, which expired at the end of 2007. As a least-developed country, however, Sudan continues to benefit from duty-free access under the EU's "Everything But Arms" initiative. Its utilization of EU preferences, derived overwhelmingly from sugar exports, was high (75 percent in 2006), but their value is negligible at less than 1 percent of bilateral exports. Regionally, Sudan is a member of the Common Market for Eastern and Southern Africa

* All policies and trade outcomes discussed in this section are based on data reported by the national government. Throughout 2007, Sudan was still in the transition toward a common national tariff regime, and international trade with southern Sudan was not yet recorded in national statistics. As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>

(COMESA), the Arab League, and the Inter-Governmental Authority on Development (IGAD). The country's real effective exchange rate (REER), like many energy-exporting economies' REER, has appreciated significantly since 2004.

Behind the Border Constraints

Sudan's Doing Business rank is a relatively low 143rd (out of 178). The ongoing crisis in Darfur, with its political implications and unstable security environment, have constrained the country's ability to do business globally. The quality of governance has improved since the early 2000s; however, like much of the SSA region, governance quality is poor. Surpassing its comparators on all aspects of the 2006 Logistics Perception Index, the country was ranked 64th (out of 150). However, roads, bridges, railways, and inland water transport are all in poor condition, especially in southern Sudan, and require repair. Charges and fees at Port Sudan are among the highest in the region. The geographical size combined with poor domestic logistics imposes substantive costs on potential export commodities from the country's interior. Sudan's Doing Business—Trading Across Borders subcategory rank of 143rd represents a substantive improvement over its previous rank of 174th, and is due to improvements in documentation requirements and time and cost factors of trade. Regarding telecom indicators, Sudan's 2006 per capita rate for Internet users (9.3 percent) is higher than the regional and the low-income country group averages, while the telephone per capita rate (14 percent), although trebling since the early 2000s, is still lower than regional and income group comparator rates. The secondary education enrollment rate (33.8 percent in 2006) is comparable to the SSA regional mean but is less than the low-income group average. The government introduced a new currency, the Sudanese pound, in January 2007.

Trade Outcomes

Despite its poor trade policy, institutional environment, and international political standing, Sudan's real growth of trade of 25.2 percent in 2007 represents the second-highest growth in the world for that year among all countries and is a substantial increase from the already high historical trade growth rates. Exports have grown faster than imports since the late 1990s except during the 2005–06 period. Most of the recent growth of the country's exports (and its trade) is attributable to increased production of oil and gas, especially from newly exploited fields, as well as the increase in the international price that has boosted the country's terms of trade. Trade as a share of GDP is a low 43.6 percent, and is lower than regional and income group mean integration ratios. Foreign direct investment (FDI) inflows at 9.4 percent (2006) of GDP are high and are related to investments in the oil and gas sector. Services' share in total exports is a very low 2.3 percent, as is the share of nonoil and gas merchandise exports at just 13 percent of total—reflecting Sudan's overarching dependence on its hydrocarbon sector for export incomes, despite the country's tremendous potential for international integration beyond the booming oil sector. The major non-hydrocarbon exports are shellac, sheep, and sesame seeds. Sudan's imports include a wide range of products such as food, manufactured goods, refinery and transport equipment, medicines and chemicals, textiles, and wheat. The country's main export destinations are China, Japan, and the Republic of Korea. Import goods are mainly obtained from China, Saudi Arabia, and the United Arab Emirates.

References

Dingle, Mohamed. 2007. "Case Study on Sudan." United Nations Conference on Trade and Development, (UNCTAD), October. Available at: http://www.unctad.org/sections/wcmu/docs/uxii_ldcs_007-Sudan_en.pdf.

- European Commission. 2006. "Development and Relations with African, Caribbean, and Pacific States—EU Relations with Sudan." Available at: http://ec.europa.eu/development/body/country/country_home_en.cfm?cid=sd&status=new.
- International Monetary Fund (IMF). 2006. "Sudan: 2006 Article IV Consultation and Staff-Monitored Program—Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Sudan." Country Report No. 06/182, May. IMF, Washington, D.C. Available at: <http://www.imf.org/external/pubs/ft/scr/2006/cr06182.pdf>
- . 2007. "Sudan—Staff-Monitored Program: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding." July. IMF, Washington, D.C. Available at: <http://www.imf.org/external/np/loi/2007/sdn/072707.pdf>.
- World Bank. 2003. "Sudan Stabilization and Reconstruction Country Economic Memorandum (In Two Volumes) Volume 1: Main Text." Report No. 24620-SU, June. World Bank, Washington, D.C. Available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2003/08/23/000094946_03081404004140/Rendered/PDF/multi0page.pdf.
- . 2008. World Trade Indicators 2008 Database, including the Trade At-A-Glance (TAAG) country table. World Bank, Washington, D.C. Available at: <http://www.worldbank.org/wti2008>.
- World Trade Organization (WTO). 1999. "Working Party on the Accession of Sudan—Accession of Sudan—Memorandum on the Foreign Trade Regime." January 26. WTO, Geneva.
- . 2000. "Working Party on the Accession of Sudan—Accession of Sudan—Questions and Replies." November. WTO, Geneva.