

**GETTING READY FOR ECONOMIC
GLOBALIZATION: THE STRATEGIC
RESPONSE OF THE SUDANESE
IMPORT-SUBSTITUTION
MANUFACTURING ENTERPRISES TO
EMERGING COMPETITION**

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Abstract

This paper seeks to report research results of an empirical study which examines attitudes of managers and owners of the Sudanese import-substitution manufacturing enterprises towards economic globalization, its impact on import-substitution manufacturing enterprises and their response thereto. The study used both interviewing and questionnaire to collect data from participants. The study concluded that the majority of the participating companies had not worked out strategies to face tougher competition, which they are likely to face once Sudan becomes a full-fledged member of the WTO. The fewer ones that had contemplated some strategies had not been able to carry them out. This situation is basically because of infrastructural problems the manufacturing sector is facing in Sudan: electricity shortage, expensive foreign currency, poor sanitation & transportation facilities, high inflation rates & tax tariffs, & bureaucratic system. Managers and businessmen, however, maintain that the government and the businessmen associations have a role to play to make them better prepared to face the consequences of economic globalization. In view of the lack of these strategies, one can expect more manufacturing enterprises to lose out to foreign competition.

1. Background: The Industrialization Drive in Sudan

Following independence many developing countries strived to industrialize in a serious effort to achieve rapid and sustainable economic development. In many countries the drive towards industrialization was based on import-substitution policies and public enterprises were the main vehicle used to achieve this policy (Adhikari and Kirkpatrick, 1990.) This drive towards industrialization emerged as a recurring theme in policy statements of developing countries because industrialization was believed to lead to a more rapid rate of economic growth than would otherwise be possible (Knight, 1989.) In Sudan, for instance, industrialization was seen as a means of diversifying and widening the economic growth base of the country and the most appropriate strategy to implement the economic development targets envisaged by the policy makers (Abu Affan, 1985).

To speed up the industrialization process, the various national governments have issued industrial acts to promote public and private investment in the manufacturing industry. In Sudan, these include the Approved Enterprises (Concessions) Act 1956, the Organization and Promotion of Industrial Investment Act 1968, the Development and Encouragement of Industrial Investment Act 1972, and the Encouragement of Investment Act 1980. These acts promised a wide range of concessions such as tax holidays, easy and cheap access to land, power and transport, remittance of profit for foreign investors and protection against nationalization and confiscation. Consequently, the number and private manufacturing enterprises, mainly in the import-substitution sector, increased to 592 medium-sized and large firms by the end of the 1970s (Abu Affan, 1985).

Moreover, in the early 1990s the promotion of the private sector in general, and the manufacturing sector in particular, took an unprecedented U-turn due to the homegrown Sudan Structural Adjustment Program (SSAP) which fully liberalized the entry of the private enterprise to all sectors of the economy except oil production. The private initiative was promoted as the engine of growth in the country. The investment Acts of 1990, 1996 and 1999 were issued and embodied similar and even more generous concessions and privileges such as the extension of tax holidays for the strategic investment projects to ten years and the abolishment of discrimination between investors on the basis of ownership (foreign or national, public or private). Moreover, the government pledged to tackle all the problems that hindered the development of the manufacturing industry. Therefore, it is no wonder that the number of the manufacturing enterprises significantly proliferated in the 1990s. Table 1 shows the number of manufacturing enterprises in central Sudan where the industry is concentrated. Nonetheless, the contribution of the manufacturing industry to the GDP continued to slide as indicated in Table 2. The manufacturing sector contributed

only 7.4 percent in 1997. This is because of the immense problems the sector continued to face (see section 4).

Over and above the traditional incentives mentioned earlier, the local manufacturing industry was given protection against foreign competition. All the investment encouragement acts from 1956 until 1996 had provided protection. According to the policy makers, the argument in favor of protection was two-fold. Firstly, to enable the local manufacturing industry to develop and give it enough time to stand foreign competition of the well-established manufacturing industry in other countries. Secondly, full protection was deemed as appropriate in view of the subsidies that the manufacturing industry receives in other countries. Protection took two forms: firstly, quantitative restrictions which limits imports wholly or partially according to the local production and consumption; and secondly, tariff restrictions which imposes higher tariff rates on imported goods to favor the locally produced goods. Officials of the Ministry of Industry were in favor of this policy in the pursuit of national interest and development of the local manufacturing industry irrespective of the negative consequences of protectionism. To add to the problem, no time framework was specified for the protection period that practically prolonged the infancy stage indefinitely and made the local manufacturing entrepreneurs dependent on protectionism. Although the trade liberalization policies of the government of the 1990s have removed the quantitative barriers they left the tariff restrictions intact.

2. Sudan and the Changing Regional and Global Economic Environment

It is widely believed that the liberalization policies of the developing and transitional economies, embodied in their SAPs, are in effect a prelude to globalization of the world economy (UNCTAD, 1996, p.7). The term globalization has been defined in different ways. A more concrete definition of globalization, as it relates to economics, is given by Oman (1996) who states that “globalization is the growth, or more precisely the accelerated growth, of economic activity across national and regional political boundaries.” Scholars and international organizations seem to be divided on the implications of economic globalization for the developing world (O’Neill, 1997, p.7). The World Bank, a proponent of economic globalization, for instance, is very optimistic. The World Bank report (1993, p.362) argues that “Despite this heightened competition, several trends suggest that expanding global markets will remain to developing economy manufactured exports.” For some, globalization represents hope for development of the developing nations. A recent article in the Economist (Sept.2000) argues that “globalization is the difference between South Korea and North Korea, between Malaysia and Myanmar even between Europe and Africa. It is in fact the difference between North and South. Globalization is a moral issue all right.”

Not many share this optimistic view, however The UNDP Human Development Report (HDR, 1996, p.103) warns that “the risk is not just that the benefits of globalization will bypass these (developing) nations, the risk is that these countries will become increasingly marginal as their shares of world trade and international capital flows continue to decline. “The United Nations Conference on Trade and Development (UNCTAD,1996) takes the same position and argues that “the least developed countries, particularly those in Africa and other developing countries, remained constrained by weak supply capabilities and are unable to benefit from trade. Marginalization, both among and within countries has been exacerbated”(UNCTAD, 1996, p.3). In Africa many believe that economic globalization could destroy the already weak industrial base and halt the industrialization efforts of many countries (Lall and Wangwe, 1998). This is because of the weak competitive position of the African Enterprise mainly due to poor infrastructure (Rutihinda,2000). It is because of these grave concerns that some believe that economic globalization represents a serious threat to the international economic security in terms of threats of unemployment, income inequalities, insecure jobs, poverty and homelessness (UNDP, HRD, 1996).

The experience of adjusting economies in the developing and East European countries, which adopted trade liberalization policies in the 1980s and 1990s seem to justify worries about the possible dangers of economic globalization. In Africa, “Simple entrepreneurs were squeezed by higher input costs and an inability to raise prices due to eroded domestic demand and competing low-cost imports.” (Steel and Webster, 1990, Frischtak, 1990). An analysis of the prospects for the Ghanaian firms in 1989 revealed that the process of adjustment envisioned by the policy makers for the state enterprise was in full swing in the private sector. Firms that could not compete in the post reform environment were failing and those that had located niche markets were expanding. Weaker firms manufactured mass-produced, undifferentiated goods -typically textiles, clothing and simple metal products that competed or rather failed to compete with imports.”(Steel and Webster, 1990).In Sudan, a survey by the author has indicated that while some import-substitution manufacturing enterprises have made use of the liberalization policies to increase exports, others have closed down because of inability to compete price and quality-wise. The study concludes “the Sudanese manufacturing enterprises had been slow in formulating and implementing their strategies in response to the tough competition that emerged in the wake of the liberalization policies of the 1990s.”(Musa, 2000, c). This is mainly because dealing with the hostile business environment and the political instability has distracted or handicapped the businessman’s ability to plan for future.

All the same, it is not conceivable that any country can afford not to go global. Accordingly, whatever the consequences of economic globalization on the local manufacturing industry might be, Sudan cannot stay outside the global economy.

Consequently, the government took practical steps to join the WTO in June 1994. By then the government had formed a national committee in the Ministry of Trade to investigate the likely impact of joining the WTO on the Sudanese economy. Subsequently, the government agreed to join the WTO. Then the government submitted a detailed report to the WTO describing the commercial, economic, legal and regulatory policies prevailing in the country. Upon the investigation of this report, the WTO secretariat asked for more information and clarifications. Sudan was then admitted to the WTO as an observer.

In February 1998 a new national committee was formed comprising government officials of the different ministries, the Sudanese Businessmen Association and the Trade Unions. In August 1998 this committee filed a statistical report with the Council of Ministers for consideration. Meanwhile some practical steps were taken to meet the WTO requirements. Most important of these is the introduction of the value added tax (VAT) and amendment of the Constitution to that effect. At the same time the Council of Ministers formed a senior ministerial committee headed by the Foreign Trade Minister. The object of the committee is to prepare for the negotiations with the WTO. At present the government is awaiting further enquiries from the different WTO member states.

Hence, it seems that the ability of the local manufacturing industry to maximize the benefits of economic globalization and minimize its dangers depends, inter alia, on how they respond to these opportunities and challenges. A number of strategies were proposed to respond to the dangers posed by globalization. Lall and Wangwe (1998) conclude that the industrial policy challenges of the globalization process in Africa will involve:

(i) Promoting competitiveness, especially improving technological capabilities in a market economy; (ii) shifting the incentive structure strongly toward export orientation; (iii) helping import-substitution industries to restructure and upgrade their technologies and skills; (iv) investing in infrastructure, education, training and technological support services; and (v) promoting regional co-operation to enlarge markets.

In the Arab World, a number of seminars have discussed the response of the local industry to the expected tough competition. In Bahrain, a regional grouping discussed the industrial strategies and policies under conditions of global and regional change (ESCWA, 1995).Moreover, a recent workshop in Beirut, Lebanon discussed the possible strategies to be employed by the production and service enterprises to face globalization (UNIDO, 1998). According to the conclusions of the workshop, the manufacturing enterprises can adopt a combination of the following strategies to prepare for emerging competition:

(i) upgrading the product design and quality and adherence to international standards,

- (ii) technological development to improve productivity and reduce costs,
- (iii) human resources development through training and incentives,
- (iv) promote research and development(R&D),
- (v) pursuit of more aggressive marketing efforts to expand in the Arab and external markets, and
- (vi) organizational and administrative development to improve efficiency.

Moreover, the workshop concludes that businessmen's associations can help manufacturing enterprises face the challenges posed by globalization through:

- a. providing legal and financial services and consultancies,
- b. providing marketing and information services about foreign markets,
- c. unifying specifications and promote quality controls, and
- d. developing human resources.

Finally, the workshop urges governments to do the following to help the import-substitution manufacturing sector face the consequences of globalization:

- a. implement stable and conducive economic policies to improve productivity and competitive advantage (e.g. reduce inflation rate),
- b. improve infrastructure: electricity, water, drainage,...etc,
- c. develop higher education, scientific and technological research,
- d. develop legal framework and reduce bureaucracy,
- e. design and enforce quality standards and specifications,
- f. create a conducive business environment to promote production and exports through transparency, democracy and by combating corruption.
- g. conclude trade agreements with other Arab countries within the Arab Free Trade Area.

3. Research Question, Objectives and Methods

3.1 Research Question

Certainly globalization has created "a huge research agenda waiting to be tackled on the convergence/divergence implications of globalization" (O'Neill, 1997). This study is an endeavor in this direction. It seeks to investigate how the manufacturing enterprises (public and private) plan to face the potential tough competition posed by economic globalization when Sudan becomes a full-fledged member of the WTO in the near future. Specifically speaking, this study endeavors to address the following research question:

Have the Sudanese import-substitution manufacturing enterprises worked out and implemented appropriate strategies in response to the potential competition posed by joining the WTO?

-If they have, what is the nature of these strategies?

-If not, why not?

Furthermore, on the basis of the available literature, the hypothesis this study seeks to test is:

The import-substitution manufacturing enterprises have been slow in formulating and implementing adequate strategies in response to globalization because of the unfavorable business environment in Sudan.

3.2 Research Objectives

This study is designed to achieve the following objectives:

(i) to shed light on this least investigated aspect of economic globalization; (ii) to provide empirical evidence that can be useful in provoking an informed debate on the issue in Sudan and other countries; (iii) to draw the necessary policy implications on how best the local manufacturing industry can prepare for economic globalization, maximize its benefits and minimize its dangers. To this effect, the research is expected to investigate the strategies which the manufacturing enterprises plan to adopt and implement to overcome these dangers and the perceived role of businessmen's associations and the government. To publicize the research results, the researcher will convene a one-day seminar for businessmen, employer's organizations and government officials and publish the findings in an article form. This is in order to increase awareness of the issue.

3.3 Methods of Investigation

To address the research question, the author will make use of three research methods. Firstly, the author will administer a questionnaire survey. The full text of the questionnaire appears on Appendix 1. The questionnaire will be administered among a representative sample of managers of the manufacturing enterprises in the import substitution sector throughout the country. All in all, 113 manufacturing enterprises in the import-substitution sector had participated in this research. The breakdown of the participating companies in terms of size, ownership, and type of manufacturing industry is shown on table 3 below. Secondly, the researcher will also use the text of the questionnaire survey as an interview guideline to hold extensive discussions with managers of manufacturing companies to probe some issues that are likely to emerge from discussions. Thirdly, to supplement the questionnaire survey and interviews, document analysis will also be used. Accordingly, the researcher plans to get

hold of and analyze the written documents of the government and SCIA on their strategies to help the manufacturing industry prepare for economic globalization.

It is worth mentioning here that the use of these methods may not completely alleviate the measurement problem. For instance, it might have been meaningful had it been possible to measure the competitiveness of the manufacturing sector in Sudan as another indicator of its readiness, or otherwise, for economic globalization. However, data in Sudan does not permit a more thorough examination of this issue by computing measures of competitiveness. Nonetheless, it is well established in the literature that the competitive position of the African enterprise is weak (Collier, 1999, Rutihinda, 2000).

4. Strategies of Import-substitution Manufacturing Enterprises to Respond to Economic Globalization

A previous study has shown that almost all managers of the import-substitution manufacturing enterprises in Sudan are aware of the fact that they will have to face tough competition once Sudan joins the WTO (Musa, 2000, a). The question we put to managers, therefore, is whether these companies have plans to respond to this emerging competition. 76 managers out of 113 (or 67 percent) responded positively. Table 4 shows the various strategies these managers have adopted to compete in future. Accordingly, table 4 shows that 66 managers (or 87 percent) who have developed strategies to face emerging competition had opted for upgrading the quality of their products to match the international quality standards to stand tough competition. This is understandable in view of the fact that, because of long addiction to protectionism, most of the locally produced and consumed products are of lower quality. Manufacturers are therefore worried that they will lose out to foreign competition. It is no wonder therefore that a considerable number of manufacturing companies have sought to obtain ISO 9002 in the last two years. Although few of them were successful, this trend would have been unthinkable had it not been for the growing consciousness of the importance of quality as a success factor in a more competitive market. It is also interesting to note that a considerable number of this group of managers (54 or 71 percent) are keen to develop their technology to improve their productive efficiency and thereby reduce their production costs and prices. This growing cost-consciousness reflects worries of managers that they are running the risk of being driven out of business unless they bring their costs and prices down to the prices of the imported goods. The long-term policies of the sellers' market are partly to blame for the producers' inefficiency. Poor infrastructure and unfavorable economic and financial policies are also contributory factors. Managers therefore will find it difficult to reduce their production prices because of these uncontrollable factors. Consequently, some factories have already closed down because of inability to compete price-wise following the liberalization policies of the 1990s (see table 6). In addition to these two main strategies, managers have also adopted a combination of other strategies to that effect.

These included human resources development, R&D, aggressive marketing, managerial and organizational development, seeking foreign partnership, product diversification and relying on local raw materials to improve competitive advantage. On the whole, therefore, this shows managers' awareness of the tough competition that they have to face once the country goes global. Most importantly, however, it indicates that managers are under no illusion as to what they should do to survive this potential competition.

It would be erroneous to conclude, however, that all companies are aware of this challenge or are in a position to respond to it swiftly and adequately. This is because out of the 76 managers that have developed strategic plans to survive increasing competition, only 49 of them (or 43 percent) have managed to implement some of these strategies so far. The other 27 managers argued that they failed to put their strategies in action because of the immense problems they face. These include:

- i. the government rigid rules and regulations (red tape),
- ii. lack of control over key success factors such as electricity and raw materials,
- iii. lack of/ high cost of finance from commercial banks,
- iv. the high business taxes and other charges by the federal and regional governments.

Worse still, the other group of 37 managers (33 percent) has not contemplated any plans to face tough competition in the first place. This group is partly discouraged by the previous problems. However, managers in this category cited two main reasons for lack of strategies to get ready for economic globalization: firstly, they have no idea about the implications of globalization for their companies. That may well be because of their low level of education or difficult access to government publications on the subject; secondly this group, having been long addicted to protectionism, still thinks that the government can protect them against potential competition. It is fair to conclude, therefore, that the majority of the import-substitution manufacturing companies in Sudan have not adequately responded to the likely competitive environment by adopting and implementing the appropriate strategies.

Overall, therefore, immense problems remain to be tackled if the local manufacturing industry can respond to and survive the expected tough competition. These problems are well documented and have been experienced since the early 1980s. A recent survey of the business environment in Sudan reached the same conclusions. The survey has reflected various aspects of a hostile business environment as table 5 shows (Musa, 2000, b). As in many parts of Sub-Saharan Africa (Rutihinda, 2000), this poor infrastructure and hostile environment is certain to negatively affect the competitive advantage of the

Sudanese manufacturing enterprises. This is because in spite of companies' plans to face the increasing competition that followed the liberalization policies of the 1990s, many of them were forced out of business as table 6 indicates. Economic Globalization, therefore, is also highly likely to take its toll.

5. The Potential Role of the Sudanese Chamber of Industries Association(SCIA).

Asked about whether SCIA, the umbrella organization of the private manufacturing enterprises, can do any thing to help the import-substitution manufacturing industry in Sudan to face the possible dangers of economic globalization, managers expressed high expectations.⁹⁶ managers (85 percent) are hopeful that SCIA can come to their help one way or another. As table 7 shows, 68 managers (71 percent) think that SCIA can help them through providing marketing information and services. This is understandable in view of the marketing problems these companies are certain to face because of competition. It also indicates interest to explore foreign markets. 65 other managers (68 percent) look for SCIA to help them on improving product quality. This indicates managers' awareness that they have to improve quality of products if they are to stay in the market. Moreover, 54 managers (56 percent) see room for SCIA to help on human resources development, whereas 45 managers (47 percent) think that SCIA can play a vital role in providing legal, financial and consulting services. Finally, 20 managers (21 percent) think that SCIA can help on a range of other matters such as urging the government to solve the above-mentioned problems (section 4) and provide raw materials for some industries.

In practical terms, however, SCIA is doing too little to meet these expectations. This is mainly because SCIA does not have the capacity to help in the development of product quality and human resources and providing marketing, legal, financial and consulting services. SCIA has neither the human resources nor the institutions to provide such assistance. For the last two years, however, SCIA has been seeking the technical assistance of the United Nations Industrial Development Organization (UNIDO) to set up a research unit that can investigate and respond to the needs of the manufacturing industry in view of economic globalization. This UNIDO integrated program of technical assistance is not progressing well because of donor fatigue. Instead, SCIA seems to be concentrating on tackling the immediate problems of poor infrastructure and poor economic and financial policies. SCIA spared no effort to voice these problems with the relevant government department. Last October, being frustrated with the inability of the government's departments to solve these problems, SCIA had taken its case to the President of the Republic (Rayaam, Oct.2000). In a joint meeting with the President, SCIA had repeated these problems and pointed out that 60 percent of the manufacturing enterprises have already closed down. According to the SCIA officials, more are on their way because of the forthcoming abolishment of customs in line with the agreements of the Common

Market for Eastern and Southern Africa (COMESA) in January 2001. Although the President promised to take presidential procedures to save the manufacturing industry, that remains to be seen. Also, SCIA is trying to mitigate some of these problems through establishing a commercial company that imports furnace and glucose for the use of some member companies. Occasionally, SCIA also organizes seminars on economic globalization and total quality management (TQM).

Thus, although managers of the manufacturing enterprises attached high importance to SCIA in helping face the challenges posed by economic globalization, there is little SCIA is doing on the ground. This is because the operating problems the industry faced have persisted for the last twenty years. It is because of this that a minority of 5 managers think that SCIA cannot deliver any thing to face economic globalization. They think that the present politically appointed leadership of SCIA is pro-government and cannot influence government's policies and decisions nor participate effectively in the National Committee for Globalization. The other two managers of the two public enterprises did not expect SCIA to help them because they are members.

6. The Potential Role of Government

When it comes to the potential role of government to help the manufacturing industry respond to economic globalization, almost all managers look to it for that matter. Accordingly, 105 managers (93 percent) think that the government can do many things to face the tough competition. This is only natural since businessmen and managers see the government as the policy maker and the main actor. Obviously, therefore, managers attach high importance to the government playing a key role. It is not surprising therefore, that 99 managers (94 percent out of 105) think that the best thing the government can do is to improve the business environment in general. See table 8. That entails improving infrastructure (especially communication, electricity, and transportation), streamlining bureaucracy and legal systems, adopting conducive economic and financial policies, facilitating transparency and democracy and combating corruption. Managers see this as a top priority. They tend to think that once these problems are tackled, that the next step is to tackle the other problems to improve the competitiveness of the local manufacturing industry.

Since upgrading the quality of the locally produced goods is a headache for the local manufacturers, 68 of them (65 percent) think that the government should design and enforce quality standards and specifications to match the international requirements. 65 other managers (62 percent) think that the government should develop human resources and research capacity, through advancing higher education and R&D, to improve the competitive advantage of the local manufacturing industry. It is also interesting to note that 61 managers (58 percent) see promotion of regional co-operation with the Arab and African

countries as important to help manufacturing enterprises to survive economic globalization and expand into foreign markets. It is worth mentioning here that the government joined some regional groupings such as the Common Market for East and Southern Africa (COMESA). But because Sudan's trade with COMESA does not exceed 4 percent, it is unlikely to help mitigate the threats posed by economic globalization. Moreover, 13 other managers see other ways in which the government can help. These include creating political stability in the country, stabilizing the exchange rate of the US \$ to the Sudanese Pound, involving businessmen in negotiations with the WTO and using foreign expertise in repairs and maintenance. Some members of this group, being long addicted to protection, think that the government can help them through protection.

So far, however, the government did not live up to these expectations. In spite of many promises to solve these problems ten years ago, it is now getting worse. A recent survey by the author revealed that a significant number of managers are dissatisfied with the way the federal and state (regional) governments are doing business (Musa, 2000, b). See table 9.

It is because of this dissatisfaction that eight managers in this survey said that the government couldn't help them with the problems posed by economic globalization.

7. Concluding Remarks

Sudan, like other countries, has taken practical steps to join the WTO. Economic globalization is likely to offer benefits to the import-substitution manufacturing industry in the country but it is also certain to pose dangers. Taking advantage of economic globalization and minimizing its dangers, however, depends on how the local manufacturing industry plans to face these challenges and threats. The local manufacturing enterprises are highly unlikely to gain benefits of economic globalization because of the enormous infrastructure problems they face, which cause a serious supply constraint. At the same time the local manufacturing enterprises are certain to lose out to foreign competition so long as these problems persist, making them unable to implement their strategies designed to improve their competitiveness. In this sense, the manufacturing industry in Sudan, like its counterpart in Africa, is uncompetitive because of reasons related to policy rather than intrinsic endowments (Collier, 1999). To add to this difficulty, both SCIA and the government are not doing enough to tackle these problems and create a conducive business environment. In view of this difficult situation, therefore, one would conclude that the future of the Sudanese import-substitution manufacturing industry looks very gloomy indeed.

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Table 2: Contribution of economic sectors to GDP (%) for the period 1990/91-1996/97

Economic Sector	90/91	91/92	92/93	93/94	94/95	95/96	96/97
Agriculture	28.7	33.9	38.0	40.0	43.0	45.0	47.6
Irrigated agriculture	10.3	12.6	10.3	11.1	11.1	13.3	14.1
Mechanized rain-fed agriculture	1.5	4.8	4.6	2.3	2.7	2.2	3.2
Traditional rain-fed agriculture	1.9	2.5	3.9	4.1	6.7	6.0	6.9
Animal resources	11.9	11.0	16.4	19.5	19.2	20.0	20.0
Forests	3.1	2.8	2.7	3.1	3.3	3.4	3.4
Industry	17.5	17.0	17.5	16.4	14.1	14.5	15.1
Mining	NA	0.08	0.14	0.13	0.13	0.86	0.9
Manufacturing	9.4	9.6	10.1	8.8	6.6	6.5	7.4
Electricity & water	2.3	2.1	2.3	2.3	1.9	1.9	1.9
Construction	5.8	5.3	4.9	5.2	5.5	5.2	4.9
Services	53.8	49.1	44.5	43.5	42.9	40.5	37.3
Government services	11.7	10.3	7.8	7.8	8.4	7.5	5.9
Others	42.1	38.8	36.7	35.7	34.5	33.1	31.4

Source: Economic Review, Ministry of Finance and Economy, Republic of Sudan, Khartoum, p.54, 1997(the latest).

Table 3: Participating companies in terms of size, ownership and type of manufacturing industry

	No. of Companies
Size	
Small	6
Medium	23
Large	84
Ownership	
Public	2
Private	107
Joint	4
Type	
Food	42
Textiles & footwear	13
Wood and wood products	1
Paper & paper products	5
Chemicals	35
Mining products	1
Basic metals	14
Machinery & equipment	2

Table 4: Managers' strategies to face tough competition

Strategy	# of Managers Adopting Strategy	% (out of 76 Managers)
Upgrade product quality in line with international standards	66	87
Technological development to improve efficiency (reduce costs and prices)	54	71
Develop HR through training & incentives	46	61
Promote research and development(R &D)	40	53
Pursue aggressive marketing policies	39	51
Managerial & organizational development to promote efficiency	35	46
Looking for foreign partnership through licensing or other arrangements	14	18
Other strategies	3	4

Table 5: Managers' views on obstacles

	No Obstacle	Minor Obstacle	Moderate Obstacle	Major Obstacle	Total # of Responses
a. Financing	8	1	8	37	54
b. Infrastructure	4	3	23	35	65
c. Taxes & regulations	3	3	13	35	54
d. Policy instability/ uncertainty	0	7	27	29	63
e. Inflation	5	2	11	39	57
f. Exchange rate	5	4	10	20	39
g. Judiciary	29	3	2	1	35
h. Corruption	12	12	11	8	43
i. Street & organized crime	19	8	8	3	38

Source: Musa, 2000b.

Table 6: Operating and non-operating manufacturing enterprises in the State of Khartoum for the year 1997/98

Sector	Operating cost	Non-operating cost	Total	% of non-operating to operating cost
Food	227	128	355	36
Textiles	52	72	124	58
Wood and wood products	73	24	97	24.7
Paper & paper products	50	11	61	18
Chemicals	166	71	237	30
Mining industry(except oil)	75	35	110	31.8
Basic metallic industry	20	19	39	48.7
Machinery, equipment, & others	11	9	20	45
Total	674	369	1043	35.4

*Source: Final Report of Second Industrial Survey for Khartoum State for the Year 1997/98, prepared jointly by the Ministry of Economic Affairs of the State of Khartoum and the Sudanese Chamber of Industries Association, Khartoum, Sudan, p.51.

Table 7: Managers views on expected role of SCIA

Managers' Expectations of SCIA	# of Managers	%
i. Providing marketing services and information	68	71
ii. Promote product quality and standards	65	68
iii. Development of human resources	54	56
iv. Provision of legal, financial & consulting services	45	47
v. Other	20	21

Table 8: Managers' views on the potential role of government

Managers' Expectations of Government	# of Managers	%
i. Improve business environment	99	94
ii. Develop higher education and technological research	68	65
iii. Design and enforce quality standards & specifications	65	62
iv. Develop regional economic integration	61	58
v. Other(specify)	13	12

Table 9: Managers' views on efficiency of federal and state governments

	# of Responses on Government Efficiency			
	Federal Government		State Government	
	Now	3 years ago	Now	3 years ago
a. Very efficient	2	1	1	0
b. Efficient	3	1	1	1
c. Mostly efficient	14	14	14	9
d. Mostly inefficient	26	18	17	14
e. Inefficient	13	18	18	18
f. Very inefficient	12	13	17	21
Total #.of Responses	70	65	68	63

Appendix 1: Questionnaire Survey (list of questions)

1. Size of the company.....employees.
2. Type of manufacturing industry:
3. Does your company have any plans or strategies to enable it face the likely emerging competition when Sudan joins the WTO? (i)Yes (ii)No
4. If your company has any plans or strategies to enable it face the likely tough competition when Sudan joins the WTO, what are these plans?
 - (i) upgrade product and quality in line with international standards,
 - (ii) technological development to increase productivity and lower costs,
 - (iii) develop human resources through training and incentives,
 - (iv) promote research and development(R&D),
 - (v) pursue aggressive marketing policies and look for foreign markets,
 - (vi) promote efficiency through managerial and organizational development
 - (vii) look for foreign partnership through licensing or other arrangement
 - (viii) other strategies(please specify).
5. If your company has plans/strategies to respond to the emerging competition because of globalization, have you implemented any of these strategies?
 - (i)Yes. Which ones?.....
 - (ii)No. Why not?.....
6. If your company does not have strategies to face the consequences of globalization, why is that?.....
.....
.....
7. In your opinion, can the SCIA do any thing to help your company (the manufacturing sector)get ready for globalization?
 - (i) Yes. What can the SCIA do?
 - a. provide legal and financial services and consultancies,
 - b. provide marketing and information services about foreign markets,

- c. unify specifications and promote quality controls,
- d. development of human resources,
- e. others(specify).
 - (ii) No. Why not?.....
- 8.In your opinion, can the government do any thing to help your company(the manufacturing sector) face the consequences of globalization?
 - (i) Yes. What can the government do?
 - a. implement stable and conducive economic policies to improve productivity and competitiveness advantage(e.g. reduce inflation rate),
 - b. improve infrastructure: electricity, water, telecommunications, drainage,
 - c. develop higher education, scientific and technological research,
 - d. develop legal framework and reduce bureaucracy,
 - e. design and enforce quality standards and specifications,
 - f. Create a conducive business environment to promote production and exports through transparency, democracy and combating corruption.
 - g. conclude trade agreements with other Arab countries within the Arab Free Trade Area.
 - (ii) No. Why not?.....