

BTI 2012 | Sudan Country Report

Status Index	1-10	3.33	# 119 of 128	
Political Transformation	1-10	2.87	# 119 of 128	➔
Economic Transformation	1-10	3.79	# 113 of 128	➔
Management Index	1-10	2.55	# 118 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

More on the BTI at <http://www.bti-project.org>

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Key Indicators

Population	mn.	43.6	HDI	0.408	GDP p.c.	\$	2256
Pop. growth ¹	% p.a.	2.5	HDI rank of 187	169	Gini Index		-
Life expectancy	years	61	UN Education Index	0.247	Poverty ³	%	-
Urban population	%	45.2	Gender inequality ²	0.611	Aid per capita	\$	54.1

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The future status of democracy, the health of the market economy and the performance of the government in Sudan has deteriorated in every respect in the period under review. Amid the successful January 2011 referendum over independence for southern Sudan (with 98.8% yes votes), the cruelties committed by the government in Darfur have continued. The International Criminal Court (ICC) warrant issued against President Omar al-Bashir (on 4 March 2009 and renewed on 12 July 2010) and against Ahmed Muhammad Harun, al-Bashir's state minister for humanitarian affairs (27 April 2007) have not only increased tensions between the central government and the international community but also encouraged the government's oppression against opposition forces allegedly accused of being "spies and collaborators of the West."

The Comprehensive Peace Agreement (CPA), enacted in 2005 to settle the decade-long civil war, has been largely implemented but with growing brinkmanship and acrimony. Following dubious elections in 2010 in which the Islamist National Congress Party (NCP) dominated in the north while the Sudan People's Liberation Movement (SPLM) dominated in the south, the country's separation in 2011 looked ever more likely.

Despite rising oil exports to China, India and Malaysia as well as to Ethiopia, no improvement of the disastrous economic situation for most of Sudan can be attested in the period under review. Due to the government's gross mismanagement and rampant corruption, living conditions have become worse for hundreds of thousands of Sudanese, especially the uncounted numbers of refugees in the multiple conflict areas.

Much of Sudan's fate now relies on the country's major transformation from one country to two states. For the north, the first political priority will be to ensure stability within the military-security cabal that runs the territory, and then seek to control the more developed central regions while seeking a settlement in Darfur. The former objective may involve current political players reaching out to historical opponents, but this is as likely to happen through informal channels as

through more transparent democratic processes. Should current actors relinquish control there is a chance of Sudan entering a new democratic period, yet there is no guarantee that such a change would lead to the formation of a better government than has been experienced in earlier periods. Much will depend on how the economy adjusts to the south's separation and the expected reduction of oil revenues in the short run, at least.

The new southern government faces a steep learning curve. With international support for the administration in particular, it is possible that the government can stabilize the territory. With limited political party development in the south, early efforts will likely focus on encouraging local participation to build democratic institutions from the bottom up and with the recognition of local cultures and traditions. Fulfillment of the south's economic potential will require greater diversification and engagement of local communities.

For both regions, the development of peaceful relations after separation is vital. With several issues outstanding, including the fate of the Abyei border area, the danger of conflict is real and thus far has kept military expenditures as the major item in the budget of both regions.

The future of the two Sudans is of great significance for Africa. It may prove that unlike the separation of Eritrea and Ethiopia in 1993, such a separation can be done peacefully. Or instead Sudan's separation may lead to further conflict, suggesting that splitting territories is not a viable solution to Africa's many governing problems.

History and Characteristics of Transformation

Following independence in 1956, Sudan alternated between electing civilian governments and being ruled by military regimes. Yet the adoption of a simple, British-style unitary system with a first-past-the-post election structure did not lead to stable government. Instead, the inability of any single party to win a legislative majority led to weak coalition governments which were dominated by two political parties with Muslim sectarian backing: the Umma Federal Party and the Democratic Unionist Party. These parties had limited developmental ambitions and perpetuated the inherited imperial economy based on agricultural exports, led by cotton. Both parties were linked to existing commercial interests that largely controlled and limited free market conditions.

This conservative situation led to ideological movements led by intellectuals, initially from the Sudan Communist Party and later its main rival, the Muslim Brotherhood. Knowing they were unable to win elections, such groups became increasingly inspired by military coups as the route to power. The first coup in 1958 was not ideological but due more to coalition chaos, however it set a precedent for military intervention. A popular uprising in 1964 led to a return to elections and civilian rule, but only briefly. Following another weak coalition the Communists supported another coup in 1969, which duly brought economic nationalization in the name of socialism.

That military regime retreated from socialism before its overthrow by another uprising in 1985 and a return to ineffective democratic coalitions.

In 1989 however it was the turn of the Islamists to stage their own coup, starting the most ideological and repressive era since Sudan's independence, in the name of building an Islamic state. Economically, the Islamists pursued a liberalized policy behind which, however, the main beneficiaries were the Islamists themselves and their business collaborators who built a system of crony capitalism with much corruption. This economic situation expanded rapidly after China, Malaysia and India developed oilfields, which after 1999 made Sudan the third-largest oil exporter in sub-Saharan Africa.

Shortly after independence, however, opposition groups formed in south Sudan, and the growth of which led eventually to civil war from 1962-1972, followed by a period of peace before hostilities began again in 1983. Southern Sudanese, in contrast to northerners, were non-Muslim and rejected the north's "Arab" identity and felt economically excluded despite the south's agricultural and mineral potential (most oil is located in the south but exported via the north).

By 2000, ideological division in the Islamist regime and continuing war in the south encouraged a movement toward serious peace negotiations, backed by regional and Western pressure. These negotiations led to an agreement in 2000 in Machakos, Kenya and proposed that if the northern government wished to retain an Islamic state, the south should have the right of a referendum on secession. Further detailed negotiations resulted in the internationally guaranteed Comprehensive Peace Agreement (CPA) of 2005, heralding a government of national unity in the interim period before the referendum in January 2011. The two parties would use the interim period "to make unity attractive" yet they failed to do so; the referendum in January 2011 received an overwhelming 98.8% in favor of separation.

Meanwhile, the perceived success of the south's goals through conflict contributed to new conflicts in the north, in Darfur (west) and in the east; the former is unresolved, though the latter has a somewhat fragile peace.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

For security reasons Sudan is divided into two parts. At the end of the civil war in 2005, a Comprehensive Peace Agreement (CPA) was signed. Under its terms the national armed forces, known as the Sudan Armed Forces (SAF), were withdrawn from southern Sudan, and the former rebel army, the Sudan People's Liberation Army (SPLA), was responsible for the south under the new largely autonomous Government of South Sudan (GoSS). The SAF controls most of northern Sudan, though there are still conflicts in the western region of Darfur. The SPLA controls much of south Sudan, though there have been a number of local conflicts in the region. In 2009 the United Nations Mission in Sudan (UNMIS) reported more deaths through conflict in the south than in Darfur.

Monopoly on the
use of force
4

The legitimacy of the state has been challenged by the agreement in the Comprehensive Peace Agreement (CPA) that southern Sudan could hold a referendum on separation in January 2011. Here, the overwhelming support of southern independence with 98.83% "yes" votes (voter turnout, according to official sources, was 97.58%) clearly showed the south's discontent with the centralized state and the region's wish for independence. The main issue, besides economic and social neglect, was the role of Islam in the state. In 1983, the military regime of President Gaafar Muhammad Nimeiri introduced Islamic law, while the 1989 coup that brought President Omar al-Bashir to power was to ensure the maintenance of that law. The ruling National Congress Party insisted in the CPA that northern Sudan should remain under Islamic law, though the semi-autonomous south could adopt secular laws and decide in 2011 if it wished to secede.

State identity
4

The acceptability of an Islamic state by the northern Sudanese was expected to be indicated by the elections of 2010. While the north is overwhelmingly Muslim, the flawed character of the elections, with main opposition parties having withdrawn from the contest, makes it difficult to confirm that the present Islamic laws and their enforcement amounts to a confirmation of the legitimacy of the state in the north. In

addition, Darfur remains a challenge to the state, and to a lesser extent, other outlying areas of the north do as well.

From 1983 the state officially governed by Islamic law, a situation re-affirmed by the 1989 military coup. From 1983 the rebel movement in the south sought a secular “New Sudan.” A major reason for the 1989 coup was to prevent a possible peace agreement between the government and the Sudan People’s Liberation Army (SPLA) which would have involved rescinding Islamic law. The civil war’s military deadlock recognized by 2000 led to the negotiation of the Comprehensive Peace Agreement (CPA) in 2005, which created a hybrid Government of National Unity (GNU). While dominated by the ruling National Congress Party (NCP), this also included representatives of the southern Sudan People’s Liberation Movement, which opposed Islamic law. With the NCP wanting to maintain Islamic law, the issue led to the granting of the southern referendum on separation in January 2011. For the new state in the north, one of the questions for the future will be how far a hegemonic concept of Islam has been established over the past 20 years.

No interference of religious dogmas

3

As Africa’s largest state that is sparsely populated aside from its central regions, Sudan has always been difficult to administer. Since the 1970s Sudan claims to have transitioned to a federal system, (before separation) with 26 states. However, the system is in reality a “top down” version of federalism, with varying capacities across the country. Administration is strongest in the central areas, but increasingly weak in both the north and south in outlying districts, increasingly referred to as “marginalized” areas. As the conflict ended in the south, Darfur in the west became the least administered area. Social services provided by the state are limited in even the most administered areas, and poor to non-existent elsewhere.

Basic administration

3

2 | Political Participation

Since independence in 1956, Sudan has alternated between elected civilian and military governments, and during the civilian periods, prided itself on holding free and fair elections, though this record is open to criticism. Elections were held once more in 2010 (one year later than intended) in accordance with the Comprehensive Peace Agreement (CPA) of 2005, and were the first attempt at competitive elections since 1986. The elections were complex, being held at the national presidential and legislative levels, as well as for the semi-autonomous government of south Sudan, and the country’s 26 federal states. The holding of elections was fraught with difficulties, with organizational delays reflecting both technical problems and the growing distrust among participating parties. The incumbent President Omar al-Bashir ran as a candidate for the dominant National Congress Party (NCP), which was established a decade earlier by his military regime. The main opposition candidate was expected to come from the southern Sudan People’s Liberation Movement (SPLM), which also had some support in the north. Traditional northern

Free and fair elections

3

parties, such as the Umma Federal Party and the Democratic Unionist Party, were weak and divided. The SPLM withdrew its candidate shortly before the election, giving al-Bashir an easy victory, and the NCP also claimed a majority of seats in the national legislature. However, there were numerous complaints, from the arbitrary restrictions opposition candidates encountered to the conduct of the elections themselves and the fairness of the results.

In the elections for the government of south Sudan, there was a comparable victory for the SPLM's incumbent President Salva Kiir, who was not opposed by the NCP as well as SPLM legislators. And as in the north, there were repeated complaints about the electoral process.

The elections across the country were observed by international monitoring teams whose general assessment was, despite overall mixed impressions, that the elections were generally as good as could be expected in the difficult circumstances prevailing in a number of areas.

The competitive presidential elections in 2010 were intended to herald a breakthrough in Sudan to a more democratic era. It was to be underlined by the election of a first vice president from the south and a second vice president from the north to form a consensual presidency which would in turn share power with the elected legislature. However, the creation by the military rulers of a "party-state" through the formation of the National Congress Party (NCP) and its dominance of the elections in the north has left power largely in the hands of the northern members of the executive; while a similar situation pertains to the Sudan People's Liberation Movement (SPLM) in the south. In the north in particular, the Darfur crisis has further concentrated power in the hands of the leading security positions within the NCP executive. Such concentrations of power have never been greater since the country's independence, but challenges may come from a variety of quarters and perhaps show the fragility of the current ruling structures.

Effective power to govern

2

Following independence, Sudan maintained a comparatively open society in African and Middle Eastern terms, supporting a variety of civic groups, though successive military regimes have tightened control thereby limiting freedoms. The hopes that following the Comprehensive Peace Agreement (CPA) of 2005 there would be new opportunities and freedoms have been largely diminished. Independent political groups have found themselves increasingly obstructed, especially as the elections of 2010 approached. In the end some groups decided not to contest the elections rather than suffer the "irregular" defeats they came to expect. The civic groups that organized after 2005 also found themselves increasingly restricted; instead the ruling party in the north encouraged and supported a number of alternative "Islamic" civic groups.

Association / assembly rights

4

Following the signing of the Comprehensive Peace Agreement (CPA) in 2005 the press enjoyed greater freedoms and new newspapers were established, although a degree of somewhat arbitrary censorship and a general threat against journalists persisted. Already in 2006, Muhammad Taha Muhammad Ahmed, the prominent editor-in-chief of the privately owned newspaper al-Wifaq, was found beheaded apparently for his remarks critical of the government's policies in Darfur. Following research from the Committee to Protect Journalists (CPJ), the Sudanese government executed nine Darfuri men found guilty of involvement in the assassination in April 2009, though many observers saw the prosecution as a "miscarriage of justice, spurred by a thirst on the part of President Omar al-Bashir's regime for settling scores with the rebellious region of Darfur."

Freedom of
expression

3

During the run-up to the 2010 elections, there were reports of greater media intervention, and increasing tensions with the media were also apparent as the referendum on the south's independence in January 2011 approached. December 2009 saw security forces attacking and beating journalists reporting from demonstrations in Khartoum, and throughout 2010 the National Congress Party-controlled National Press Council repeatedly accused journalists of insulting the president. In August 2010, journalists were requested by official authorities to fill in an extensive government questionnaire, which asked questions about the journalist's political attitudes, personal data, private relations and residence information. Those who refused to answer the questionnaire were threatened with detention. Unsurprisingly journalists reacted skeptically following the announcement of the director of the National Intelligence and Security Services (NISS) in the same month that all censorship would be lifted in Sudan.

In general, radio and television output is dominated by the National Congress Party in the north and the Sudan People's Liberation Movement in the south, however in urban areas citizens have wide access to international media.

3 | Rule of Law

While there is formal separation of powers in the government, tensions exist as critics allege that the National Congress Party (NCP) continues to exercise control in many areas. Much of this stems from the introduction of Islamic law in 1983 and the opportunities it presented for executive management of the legal system. Questions still remain over what the character of the legal system should be. In the south, the new government has introduced government separation of powers, though the legal system is still in its infancy.

Separation of
powers

3

After Sudanese independence there was much conflict between the judiciary and the executive. However, following the introduction of Islamic law in 1983, the independence of the judiciary was seriously undermined, and with many new

Independent
judiciary

3

appointments it was eventually perceived as ill-trained and corrupt. However, following the Comprehensive Peace Agreement (CPA) international efforts attempted to better train judges. Similar training was provided for the new secular legal system in the south, where the judiciary is still working to establish its independence.

The issue of office-holder accountability has been highlighted by the charges brought by the prosecutor of the International Criminal Court (ICC) against President Omar al-Bashir over the conflict in Darfur. While the National Congress Party (NCP) has resisted this prosecution, three junior officials were arrested. An African Union (AU) commission led by former South African President Thabo Mbeki recommended a hybrid system of international and Sudanese judges to investigate crimes against humanity in Darfur, but this too has been resisted by the NCP.

Prosecution of
office abuse

2

In the south, the Sudan People's Liberation Movement (SPLM) government has made moves to prosecute individuals in a few cases of alleged corruption.

There have been regular civil rights violations, especially since the 1989 coup. Following this time detentions without trial, torture and even death of citizens were frequent. Since 2000 the situation has eased somewhat in terms of the number of arbitrary seizures, but this is seen as a political rather than judicial decision, and citizens' protections remain in doubt, though this situation is challenged by some human rights lawyers who are themselves intermittently harassed.

Civil rights

2

The concept of civil rights in the south is still in its infancy, though some liberal-minded lawyers both inside the country and outside have endeavored to keep the concept of civil rights alive, sometimes at some cost to themselves.

4 | Stability of Democratic Institutions

Until the Comprehensive Peace Agreement (CPA) of 2005 Sudan claimed nearly 50 years of alternating military and civilian rule. During the democratic eras the elected legislature was able to hold the government to account. However, the mechanisms for this existed in the unstable balance of political parties that required coalition governments. It was when the coalition parties fell out that governments failed, rather than due to the exercise of power of the legislature as an institution. In other words, it is not the performance of the parliament that has had an influence on the government's functionality, but instead the ability of the governing parties to cooperate in respective coalition governments was decisive in determining the government's duration. Party differences tended in practice to undermine respect for the democratic institutions and bolster an acceptance of military coups, at least for a short period of time.

Performance of
democratic
institutions

1

Since 2005 the legislatures in the north and the south have been seen as dominated by single parties, by the National Congress Party and the Sudan People's Liberation Movement, respectively.

Since the signing of the Comprehensive Peace Agreement (CPA) committing the National Congress Party (NCP) and Sudan People's Liberation Movement (SPLM) to democratic institutions, there has been slight progress leading to the 2010 elections. However with the two parties emerging as dominant in the north and the south respectively, there remains a trying time ahead with regard to the acceptance of democratic institutions. The five-year transitional period has not been encouraging, however, and with the political scene dominated by the issue of the possible secession of the south in 2011, it has been difficult to assess the legitimacy of institutions.

Commitment to
democratic
institutions
3

5 | Political and Social Integration

Sudan has a long tradition of forming political parties, but the practice has changed substantially over time. After World War II, two dominant parties emerged which drew for support from major Muslim sects and between them dominated coalition governments of the liberal democratic period of post-independence Sudanese politics. However, the parties were seen by newly educated and urbanized elements as failing to modernize the country, and subsequently more ideological movements emerged. One of these, an offshoot of Egypt's Muslim Brotherhood, organized the 1989 coup which eventually led to the formation of the dominant National Congress Party (NCP). In addition to its ideological base, the NCP has used oil revenues to build a clientelistic base of "crony capitalists" while working to undermine the support base of parties ousted in 1989. This work was an important factor in the defeat of those parties in the 2010 elections; yet the breadth of the NCP's social support remains in doubt especially if the oil-based economy should falter.

Party system
3

Party building in the south has been historically more difficult, with ethnic fragmentation and rivalry hindering its development. A combination of military success in civil war and oil revenues since 2005 has helped the Sudan People's Liberation Movement (SPLM) become dominant, but ethnic tensions persist.

Sudan has a long history of influential interest groups. Its well-educated elite produced a number of professional groups, especially among doctors, engineers and lawyers, as well as an active student movement; while trade unions, led by railway workers, have also been significant. NGOs work in many areas on a variety of humanitarian and human rights affairs. Such groups were at their strongest in the periods of liberal-democratic government, and since 1989 in particular, the National Congress Party (NCP) has sought to contain and sometimes repress these groups. Additionally, the NCP has encouraged the growth of "loyal" associations and trade

Interest groups
4

unions, as well as encouraging “Islamic” NGOs with which it feels comfortable. The security apparatus, and to a lesser extent the military, remain an important influence in government. The rapid growth of the economy since the development of the oil industry has given the NCP more resources with which to gain support for its rule. Wider rural society has been represented by ethnic movements which the NCP has sought to repress, as in Darfur, or manipulate; while also seeking to fragment the support of the large “traditional” Muslim sects.

In the south, where economic and social development has been impeded by war for much of the past 50 years, there has been less social group formation, beyond the growth of ethnicity as a factor in southern politics.

Though Sudan experienced three periods of democratic rule prior to 1989, it was not clear that the governments were supported by the populace as they both lacked purpose and were not stable. As a result, many citizens expressed relief when squabbling politicians were replaced by military intervention, especially in 1958 and 1969. The 2010 elections were intended by the National Congress Party (NCP) to indicate public approval of the transitional democratic system established under the Comprehensive Peace Agreement (CPA) in 2005. However as a result of the flaws in the election process, it is questionable how far the result represents approval. No reliable, independent survey material is available.

Approval of
democracy
n/a

In the north there is some tradition of associational activity, especially in urban areas. The tradition of Koranic schools, or khalwas, and the limited availability of government schools encouraged the formation of voluntary local schools known as ahlia. There has also been the development of some agricultural cooperative schemes, with government encouragement, to help in agricultural marketing in particular. Away from the central areas of commercial agriculture there has been less associational activity; and indeed where there has been competition over land, as in some of the most arid areas, such competition has sometimes led to ethnic conflict, as in parts of Darfur and the south.

Social capital
3

II. Economic Transformation

6 | Level of Socioeconomic Development

Sudan is a country of great inequality and poverty. With a stunning 0.38 on the 2010 UNDP Human Development Index, it clearly belongs to the world’s least developed countries. Wealth has historically been associated with the riverine region of the north where trade has been centered for millennia and settled agriculture was at its most developed. In the imperial era, Sudan became more

Question
Score

Socioeconomic
barriers
2

integrated into the global economy as a significant producer of cotton as a result of the central irrigation Gezira Scheme, as well as through other agricultural exports such as gum arabic, which allowed wealth to be accumulated by major merchants operating from the capital through agents in outlying towns. There was little development in the outlying rural areas themselves, while the south was particularly neglected.

Following the coup of 1989, the National Congress Party (NCP) effectively gained control of the main drivers of the economy, and especially since 1999 amid the oil boom. The figures for the following decade show considerable growth, with per capita GDP rising from \$1,800 in 2006 to \$2,201 in 2006, and export growth rising from -10.7% in 2001 to 23% in 2009. However, the national debt remains very high at \$37 billion, for which Sudan is urgently seeking debt relief, while the rate of growth has slowed in the past three years and inflation (at 14.3% in 2008 and 11.2% in 2009) has returned.

The condition of an estimated 40% of the population which lives below the poverty line has been worsened by years of conflict in the south and in Darfur, which left millions displaced, many in squalid camps and slums, with few if any services. People from these “marginalized” areas have little opportunity for advancement. Those excluded point increasingly to ethnicity and racial identities as major factors of their situations.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	46533.2	58032.1	54633.4	62045.8
GDP growth	%	10.2	6.8	4.0	4.5
Inflation (CPI)	%	8.0	14.3	11.2	13.0
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	5.2	4.5	4.9	4.7
Export growth	%	33.6	23.0	-	-
Import growth	%	-4.4	0.3	-	-
Current account balance	\$ mn.	-3268.4	-1313.6	-2998.4	156.8
Public debt	% of GDP	82.3	69.8	78.9	68.0
External debt	\$ mn.	19468.0	20105.9	20746.3	21845.9
Total debt service	\$ mn.	371.2	368.1	490.7	492.2

Economic indicators		2007	2008	2009	2010
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	15.5	15.8	13.9	15.2
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	6.0	6.9	7.3	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Since the 1990s, the government has sought to present itself as supporting a system of liberalized market competition but there have been numerous criticisms of its actions. The privatization program of the 1990s that turned back much of the nationalization process of the early 1970s did less to create competition and more to benefit leaders of the National Congress Party (NCP) and businessmen that the NCP approved of, thus the system was less “free market capitalism” and more “crony capitalism.” That said, it is possible for outsiders to participate in the market, especially since the banking system in the north is predominantly Islamic. Widespread corruption is also a problem and endemic; the scale however has grown as oil exports (especially to China and India) have grown.

In the south, since 2005 a new economy has been emerging which is comparatively open, and experienced businesspeople from other African countries have taken advantage of new market opportunities, including the brewing giant SABMiller.

Since the creation of a state roughly corresponding to the contemporary Sudan (including the south) the government has been closely involved in the “modern” sectors of the economy. Gaining and holding political power since independence has been closely associated with access to economic opportunities. The government during the period under review claims that it is anti-monopoly, but in practice obstacles are often placed in the way of new business players that could challenge existing interests, unless those players are able to garner political patronage. The most notorious cartel is in the field of the now significant arms manufacturing sector. This sector is officially off-budget for security reasons, but is in fact in the hands of military-based companies that benefit regime military and security actors.

Market-based
competition
3

Anti-monopoly
policy
3

Historically Sudan's foreign trade was largely developed with Europe and the United States. In the late 1970s, it appeared that U.S. energy company Chevron would develop oil fields while Gulf investors focused on agriculture. This process was halted by the outbreak of civil war in 1983, though foreign trade since the mid-1990s has expanded as Asian countries, including China, Malaysia and India, started developing oil fields and exporting in 1999. There has also been expansion of other areas of trade, mainly with the Gulf states and Asia. Trade with the West is limited by U.S. sanctions, as Sudan since 1994 was listed as a state that supported terrorism.

Liberalization of
foreign trade

5

There is talk by the United States of lifting sanctions if the separation of the south goes according to plan; this could lead the way for more Western involvement.

The mainly Western banks in place when Sudan became independent were in 1970 nationalized, contributing to a period of instability in the banking sector. In the early 1980s there was a wave of Islamic banks from Gulf states that helped in the emergence of the Islamist movement. Since the 1990s, the banking system must do business in accordance with the principles of Islamic finance. The capitalization of the system came largely from Saudi Arabia and the Gulf states. Following 9/11, there were fears that at least some of the banks may have been used by Islamist terrorist groups, but in cooperation with the United States, with which Sudan has intelligence links, this has been addressed. This and other reforms of the system have been commended by the IMF. However specific data, such as the capital assets ratio, is not available.

Banking system

3

In the south a new secular banking system was established in 2005. In spite of some liquidity problems there has been growth, as outside support has helped establish new banks.

8 | Currency and Price Stability

Sudan has experienced decades of inflation, and in the 1990s inflation levels once reached 100%. The central bank has made the stabilization of the currency a top priority. In 2008 it introduced the Sudanese pound to supersede the dinar (which had itself replaced an earlier Sudanese pound). The new pound was set at SDG 2 to \$1. After appearing initially quite stable, a number of factors have seen rates fall to SDG 2.4 to the dollar. A higher inflation rate (14.8% in 2008 and 11.2% in 2009, following single-digits in the years before) has been one factor; worries about Sudan's debt had been another; while the uncertainty regarding the expected separation of the south and its impact on the economy in the north also increased pressures.

Anti-inflation /
forex policy

6

The government in the south has set up its own bank and currency, which has managed to sustain itself though greatly influenced by fluctuations in the price of oil. Government income is almost entirely based on oil revenues.

Controlling inflation is likely to be a major challenge for both governments in the future.

The national government has tried to create a more stable environment since Sudan became an oil exporter in 1999. Issues surrounding oil remain crucial in the short- to medium-term. The global price of oil is one factor, and though prices dipped following the global financial crisis oil prices are likely to remain high in the future. A second factor is the relationship between the governments in the north and south, following the south's expected succession. Currently 75% of Sudan's oil comes from the southern part of the country, but its outlet is through pipelines running through the north to the Red Sea (Port Sudan). The Comprehensive Peace Agreement (CPA) set out wealth sharing arrangements for the period until 2011, when the south makes its decision on separation. Agreement on arrangements following the likely separation of the south have yet to take place and are crucial for both governments. In the medium term, the government in the north is hoping that new oil fields are discovered.

The south, meanwhile, is hoping to link its oil development southwards with an outlet in Kenya to the Indian Ocean.

Agreement between the two governments on national debt will be another factor with regard to macrostability. Also, in the long term, the ability of north and south to realize more of Sudan's unquestionable agricultural potential will be significant for stability.

9 | Private Property

Property rights relate essentially to land, all of which is officially owned by the state. However, in urban areas private property rights have generally been respected, though squatters have been denied rights and experienced intermittent expulsions. After 1989 some leading figures associated with the ousted regime were deprived of their property, though some of it was later returned.

In rural areas there have been repeated problems regarding property rights. Some of these relate to "traditional rights," as the collective rights of farmers and pastoralists. This has been one dimension of the crisis in Darfur over the past 20 years. A further problem has been over the government's granting of leases to private individuals and companies to develop commercial agriculture on lands that were traditionally held by ethnic communities.

Macrostability

7

Property rights

3

In the south there have been problems over the displacement of local communities for the development of oil fields. Since the end of the civil war there have also been problems with returning refugees and displaced people finding that some land has been appropriated by others.

Recognizing the problems of rural property rights, and in particular land, commissions were set up for both the north and the south under the Comprehensive Peace Agreement (CPA). However both commissions have been slow to operate while the issues they should be addressing are escalating.

Private companies are viewed as central to the continued growth of the economy and do have legal safeguards, that are however subject to the performance of a judicial system which is itself flawed. The nationalization programs of the early 1970s were reversed with privatization programs beginning in the 1990s; however, privatizations favored those in or related somehow to the government. In the vital oil sector, however, the government has remained firmly in charge, with the state oil company entering into arrangements with both state and overseas private companies, mainly from Asia. In reality the sector has always been noted for its cronyism and clientelism, yet what has changed since the coup of 1989 has been the beneficiaries of the system, with Islamists and their friends as the leading group.

Private enterprise
5

10 | Welfare Regime

Social services are extremely limited and as such are to be found mainly in urban areas. Neglect of the outlying rural areas has been particularly notable, as was seen in the lack of government response to the famine in the 1980s as well as the government's reliance on the international community to provide humanitarian assistance to civilians in conflict areas. The priorities of the government as well as the south's autonomous government in the south are security and defense; in 2009, expenditures were six times the amount available for health and education combined. Much provision of services has been left to the NGO sector. Western NGOs are numerous especially in the south. In the north there has been tension with the government's preference for Islamic NGOs, some of which are themselves encouraged by government members, including the president's brother. The millions of displaced in Darfur and in the south are heavily reliant on U.N. agencies for food and general services, though these agencies themselves have come under threat following the indictment of President Omar al-Bashir by the International Criminal Court in 2008 for crimes allegedly committed in Darfur.

Social safety nets
1

The private sector has also been encouraged to provide health and education services, such offerings have expanded for the minority of Sudanese who can afford to access them. Many of the wealthy, including those in government, use overseas facilities.

Data on gender in Sudan is generally unavailable, but a number of observations are possible. After 1989 the government claimed to be seeking to advance the position of women within the context of an Islamic society. Thus in education women are now more prominent, with a number of universities having more female than male students. Women also have greater opportunities in the professions; recent advancements include the country's first female ambassadors in the foreign service. However discrimination remains, especially against women deemed to be un-Islamic both in the Muslim community and by many non-Muslim southern women who sought refuge in the north through decades of civil war. Such practices as the detention and beating of such women was notable in the 1990s, and eased for much of the last decade but has increased again, especially as it seemed likely that the south would secede, requiring the north to reassert its Islamic credentials.

A notable institution for the special promotion of women is the private Ahfad University in Omdurman; established in 1966, it offers different study programs for women only (having some 5,000 students at present) and offers a remarkable international network. In early 2011, for example, it signed a partnership agreement with the University of Reading in Britain.

Equal opportunity
3

11 | Economic Performance

GDP growth has been good since oil exports began in 1999. Until 2008 growth averaged 8%, though with the global recession, the demand for oil dropped and the figure for 2009 fell, but rose again in 2010. The gross figures were \$58 billion in 2008, \$54.6 billion in 2009 and \$66.5 billion in 2010. Over the same years, GNP per capita was \$1,394, \$1,290 and \$1,530 respectively. The figures suggest that Sudan represents as a low- to middle-income country, yet inequality still leaves 40% of the population below the poverty line.

Inflation was kept below 10% for much of the period under review, but rose sharply to 14.8% in 2008 before falling slightly to 11.2% in 2009. The government is aware of the need to contain inflation to limit social unrest.

While growth occurred mostly in central Sudan, there has been continuing urbanization with many workers adopting casual occupations, especially in the

Output strength
6

booming construction business. It is estimated that some 80% of the population remain engaged in agriculture, with many still in subsistence or semi-subsistence agriculture.

In spite of oil exports, Sudan's trade has remained in overall deficit. At the end of 2008 the current account balance was -\$1.9 billion. This deficit has contributed to Sudan's major economic challenge, its high level of debt which is currently \$36 billion. The IMF regards this situation as unsustainable, but Sudan has had difficulty obtaining international assistance. At the end of 2010, Russia did offer help manage Sudan's debt. Debt is one of the outstanding issues to be negotiated with the south in the event of it separating in 2011.

Foreign direct investment (FDI) has been sustained, especially in the oil sector with new concession areas being made available. FDI currently stands at 9.7% of GDP.

Overall Sudan's economic development since independence has been disappointing. Up until the south's expected separation it was Africa's largest state with a manageable population (42 million) but it has failed to develop its agricultural potential while oil has brought a boom though with little benefit to the millions of the poor, especially in outlying areas. The future reserves of oil remain somewhat in question, though there are hopes of more Gulf state interest in the leasing of agricultural land.

12 | Sustainability

Officially there are government agencies responsible for environmental affairs; while the government is aware that environmental issues are a problem, in practice little is done to address these problems. The Yale Center in its 2010 Environmental Performance Index (EPI) ranks Sudan at 129 (out of 163) with a score of 47.1, putting it as one of the worst performers.

The oil industry has been criticized in the south for environmental damage and pollution that plagues what is recognized as an ecologically frail region. Further oil field discoveries are expected to worsen this situation.

Desertification in the country's central belt on the southern fringe of the Sahara has continued, though there is debate as to the effect of global warming in this process. This issue has played a part in the Darfur crisis.

The growth of mechanized commercial agriculture has largely been conducted on a short-term basis, using practices that have generally been damaging to the local environment. Plans to attract new foreign investment in this sector would contribute additional damage unless practices are improved.

Environmental
policy
2

In the south, moves to expand agriculture and comparable issues of environmental management have yet to appear on a significant scale.

Population growth and rapid urbanization have added to pressures on the environment without matching policies to address the issue.

At independence Sudan inherited one of the better education systems in Africa, but education policy has been erratic. Before 1989 the country's Western-style syllabus introduced English at the secondary school level and offered higher education in English. The Islamist government of the past 20 years has worked to transform the system to reflect Arabic practices and have placed a heavy emphasis on Islamic education. However, the deterioration in overall education levels following these moves has led to efforts to re-introduce English, but still as a second language in most secondary education and higher. Sudan is still far away from reaching the U.N. Millennium Development Goal in 2015 of universal primary education. According to a 2010 United Nations Development Program (UNDP) analysis, the gross primary enrolment ratio was only 71.1% in the north and 48% in the south. The countrywide adult literacy rate of 61% (male 71%, female 52%) was clearly higher in the north (77.5%) than in the South (36.7%).

The number of students enrolled has risen at all levels, with many new universities across the country. However, government investment in education has remained low and thus the quality is low, as classes are large and teachers under-qualified. Wherever possible the government has encouraged private education, such as the establishment of a number of private medical schools.

In the south educational opportunities have been limited following decades of civil war. Since 2005 there have been efforts to expand enrollment in education at all levels in both the north and the south, including the establishment of new schools and universities, yet physical and human resources remain limited. There is nevertheless significant graduate unemployment and what is offered is often of a low quality, thus many graduates seek employment in the Gulf states.

Research & development (R&D) at the university level is very limited and generally of poor quality.

Education policy /
R&D
3

Transformation Management

I. Level of Difficulty

There are severe structural and physical constraints in much of this vast country. While recent years have seen improvement in the transport infrastructure in central areas where economic development is the most evolved, outlying areas, such as Darfur, remain poorly connected, while the south has much to repair after decades of war.

Structural
constraints
9

Telecommunications have improved, though access is restricted for the poor and the displaced.

Water shortages are also a limitation on development, especially in northern areas far from the Nile River.

Some theorists of African government argue that Sudan is too large and heterogeneous to be developed in a balanced manner, though it remains to be seen if the separation of the south will help to reduce structural constraints.

Civil society traditions exist. In the north, the network of Islamic sects, notably the Khatmiyya and the Ansar, provided for a degree of active solidarity, though one that has increasingly led to political competition. With Western education, vibrant professional associations, trade unions, student organizations and NGOs have developed. However, these groups have come into conflict with the government, especially since the Islamist coup of 1989. Since then the government sought to repress existing civil society organizations while promoting alternative Islamic NGOs. Following the Comprehensive Peace Agreement (CPA) there was some relaxation on the development of civil society organizations, but as the referendum in the south approached more harassment was reported. Fundamentally there is a lack of trust between the government and civil society, as governments recall the role of civil society in the successful popular uprisings in 1964 and 1985, while civil society groups see governments as often corrupt and self-serving.

Civil society
traditions
6

In the south, civil society has largely been linked to ethnic groups, though Christian churches have achieved a degree of wider solidarity.

Sudan is notorious for the decades of conflict between its northern and southern regions. These conflicts are depicted frequently in religious and racial terms, with the Muslim-Arab north versus the Christian-African south. These issues are relevant yet insufficient, as there have been plenty of south-south conflict and socioeconomic divisive issues between the two regions as well. The Comprehensive Peace Agreement (CPA) stopped the conflict between the two regional armies, but low-level, local conflicts in the south still occurred. In the north in 2003 the conflict in Darfur combined ethnic and socioeconomic dimensions at the local and national levels. The level of conflict has since diminished but the underlying issues remain unresolved. Eastern Sudan has faced problems similar to those of Darfur, but on a less intense level. A peace agreement between the government and eastern rebels is to date holding.

Conflict intensity
9

II. Management Performance

14 | Steering Capability

Question
Score

Though governments have in the past appeared to set ideological priorities, notably Arab socialism in the 1970s and Islamism since 1989, in practice such ambitions have always given way to matters of short-term survival in the face of instability and conflict. The Comprehensive Peace Agreement (CPA) of 2005 appeared to set future priorities with an agreed transitional period that was to run until 2011. While it was agreed that the south would have a referendum on separation at the end of that period, it was also agreed that both the National Congress Party (NCP) and the Sudan People's Liberation Movement (SPLM) would work to make unity attractive. The record however suggests that these priorities have not been pursued in a positive and cooperative manner in spite of continuing international pressure on both parties. (Some argue that the CPA was crafted more on international efforts than Sudanese participation and that it was never really "owned" by the NCP or the SPLM.)

Prioritization
3

The Government of National Unity (GNU) in which power was to be shared has rarely functioned as such. Instead the two parties have maneuvered against each other and deployed repeated brinkmanship on many issues leading to mutual accusations and growing expectations of separation in 2011.

The implementation of the CPA has frequently been delayed, including a census, preparations for elections and the elections themselves. When the elections did take place in 2010 there were criticisms that they were far from being "free and fair." Even the holding of the referendum on separation has been covered with doubt;

meanwhile, the referendum on the border area of Abyei has also been delayed and remains subject to negotiation, with both the NCP and the SPLM making intransigent claims to the area.

Expressions of intentions to end the Darfur crisis by negotiations have not been born out.

With attention overwhelmingly on the split transition there has been little consideration of priorities thereafter.

While the implementation of the Comprehensive Peace Agreement (CPA) has been the official policy of the government, there have been doubts as to whether that has really been the government's actual aim. As the government in 1989 instituted its Islamist agenda which was only partially implemented, in the face of resistance in the south and then in Darfur, critics still believe that this Islamization remains the wish of the National Congress Party (NCP) despite its apparent steps toward liberal democracy. The refusal to secularize the north has thus led to the NCP's wishes of Islamization having priority over national unity and the expectation of separation, and many expect this Islamic policy will again be pursued more vigorously after separation.

Implementation
3

Security is always a major concern, and while the government has failed to crush or reach agreement with the rebels in Darfur it has managed to prevent further conflict in the north, while reaching a peace agreement with a smaller rebel movement in the east.

The government in the south has been hindered in policy development and implementation by the shortages of experienced personnel and the difficulties simply in establishing a new government in a war-torn area. It has also faced security challenges, largely of an ethnic character.

Both the National Congress Party (NCP) and the Sudan People's Liberation Movement (SPLM) have had to learn to survive. The NCP has learned to be more pragmatic, especially with regard to its pursuit of an Islamist agenda to maintain power in changing circumstances. However, its relations with the SPLM since 2005 suggest that it has not learned how to share power. Moreover the management of the 2010 elections suggests that there was no serious expectation that it would accept an election defeat.

Policy learning
3

The SPLM has learned to create a new government under difficult circumstances.

Both governments have learned how to maneuver within international politics at both the regional and international levels. The NCP has handled its relations

pragmatically to avoid international confrontations, while the SPLM has created its own representation, especially with its African neighbors as well as with both the United States and China.

15 | Resource Efficiency

A major problem lies in the lack of government transparency. While the government since 2005 can point to an increase in appointments of southerners and women in the civil service, however the question is really how far the formal deployment of personnel reflects the extent to which most areas of government are directed by cabals loyal to the National Congress Party (NCP) which controls decision-making and policy implementation. Politicization of the civil service is not new, but the scale and intensity was far greater after the 1989 coup than it had been previously. In the south there is a shortage of trained and experienced personnel, and staff has been hired from neighboring African countries.

Efficient use of
assets

3

The largest area of expenditure for the governments in the north and south is on the military and security departments. This detracts from social expenditures across the board and reflects essentially the mutual suspicion the governments feel toward each other.

One important organizational issue is the devolution of government structures. Officially the government is highly devolved, but it appears that senior state appointments involve the central executive. In the south, where the Sudan People's Liberation Movement (SPLM) never built a significant administrative infrastructure of the kind found in other similar movements, there have been clashes between the southern government and federal states.

The core body for coordination since the signing of the Comprehensive Peace Agreement (CPA) in 2005 has been the Government of National Unity (GNU), but it has been largely a failure. With regard to the implementation of the CPA by the GNU, many of the basics, such as elections, have been achieved but in a heated and fractious atmosphere with brinksmanship on both sides. The upshot has been that far from coordinating efforts within the executive to "make unity attractive," actions have made unity unattractive and thus fueled the expectations of separation by the south.

Policy
coordination

2

The experience of the GNU has mirrored past problems of coordination under successive governments. In such a heterogeneous country with no natural majority, the need for power-sharing is ever present, while fissures have been too deep to achieve any semblance of unity.

Sudan is one of the most corrupt countries in the world, and the scale of corruption has been further magnified since 1999 by the growth of the oil industry. The corruption is believed to have spread into the National Congress Party (NCP), the northern ruling party. No significant action against corruption has been taken. Information regarding government revenue is opaque, especially with regard to oil revenue, and this has been a source of contention between the two parties in the Government of National Unity (GNU).

Anti-corruption
policy
2

In the new government in the south there have been accusations of corruption, though in contrast there have been occasional dismissals as the government has tried to establish a reputation for being ready to challenge corrupt practices.

16 | Consensus-Building

The Comprehensive Peace Agreement (CPA) of 2005 appeared to offer a real basis for consensus on democracy and a market economy to act as the foundation for national unity. By 2010 doubt replaced consensus hopes on all counts. Democracy was to be advanced through the 2009 elections, yet after much dispute these elections were delayed for one year and afterwards serious criticism was leveled at the conduct of the elections. With the National Congress Party (NCP) and the Sudan People's Liberation Movement (SPLM) eventually not opposing each other for the presidency it appeared that they were in effect more concerned to preserve their power in the north and south respectively rather than promoting democratic competition on the national level.

Consensus on goals
5

While lip service has continued to be paid to the development of a market economy, in the north the market continues to resemble a system of crony capitalism. The very new environment in the south appears to be more competitive, especially as experienced businessmen from Africa have entered the emerging market.

The attachment of Sudan's leaders to democracy has always been doubtful, even in the country's few civilian government eras. The entrenchment in power in the north of the National Congress Party (NCP) has led to growing doubts about its approach to democracy. Following the separation of the south the party is likely to rebuild its Islamist credentials including referring to "Islamic democracy" as one of its goals, and to return to its ideological roots of the 1990s. The outbreak of fighting in Darfur in 2003 also strengthened the position of the regime's security groups, who will always put the preservation of power ahead of a commitment to democracy that of course could threaten their privileged position.

Anti-democratic
actors
3

In the south the Sudan People's Liberation Movement (SPLM) has been equally commanding since 2005, but is unlikely to put its own ideological spin on democracy, to which it remains committed to at least in principle.

It is also notable that Sudan's main economic partner, China, and its financiers in the Gulf states prefer to support "stability" in the country and are at best doubtful of the role of democracy in this regard.

Maintaining power in Sudan has long involved developing patronage networks, which also engender exclusion in society. The concentration by successive governments in the central areas of the country promoted the exclusion of outlying areas of the south, Darfur and the east, which became known as "marginalized" areas and became hotbeds of conflict.

Cleavage /
conflict
management
2

The Comprehensive Peace Agreement (CPA) was seen by many as a successful piece of conflict management that would create a more inclusive state by accompanying peace with democracy, and it was hailed by the international community as such. At the same time the inclusion in it of the right of a referendum on separation for the south indicated an acceptance at the highest level that division may be unavoidable. Thus with regard to the south the issue of conflict management will now be the relations between two separate states and the risks that poses, as witnessed in neighboring Ethiopia-Eritrea relations. Conflict management in the north has moved to Darfur where it has proved unsuccessful thus far, though there has been greater success in the east.

The Government of Southern Sudan (GoSS) has had some success in conflict management at a local level but repeated tests can be expected, as the rising figures of violent incidences in 2009 and 2010 have indicated.

Political leadership is wary of civil society participation of which it does not control. For this reason the Islamist government in the north has promoted its own favored Islamist NGOs, such as Miraag (ascension), controlled by the president's two brothers, Muhammad al-Hassan and Abdallah al-Bashir. These handpicked organizations are often referred to as government-organized non-governmental organizations (GONGOs). It has also allowed new Sufi sects to develop, seeking to undermine the larger old sects that support the "traditional" political parties associated with the civilian-ruled periods. Meanwhile, in an attempt to further obfuscate the catastrophic situation in Darfur, President Omar al-Bashir expelled 13 international NGOs in March 2009, such as Oxfam GB, Médecins Sans Frontières and Care International, and replaced said groups with national organizations that are truly "committed to the nation, are not involved in espionage, do not preach for their faith and do not steal aid money," as reported by the Paris-based website "Sudan Tribune."

Civil society
participation
2

In the south where the government is still very new, there have been fewer clashes and the churches and local community leaders are listened to with regard to policy-making.

Historically there have been calls for reconciliation after changes of regime, but in practice little has taken place and ousted rulers have not been seriously called to account for their actions. The Comprehensive Peace Agreement (CPA) was no exception, for though it sought to promote a new beginning for Sudan, it was notable in that it made no attempt to address the past. While there is no doubt that horrendous atrocities were committed during the years of conflict in the south, there was no inclusion of anything along the lines of, for example, the truth and reconciliation commission in South Africa. This failure to address what many southerners saw as the manifestation of past injustices has contributed to their growing wish for separation. Similar, the crimes and atrocities committed by the government in Darfur have consequently been denied, and the International Criminal Court (ICC) verdict against President Omar al-Bashir has not served so far as an honest examination of events but simply misused as a propaganda tool to illustrate the hostile intentions of the West.

Reconciliation

1

17 | International Cooperation

The Comprehensive Peace Agreement (CPA) involved a great deal of international cooperation and was given international guarantees. Leading roles were played by the United States, Britain and Norway as well as by international organizations, notably the Inter-Governmental Authority for Development (IGAD) comprising Sudan and its African neighbors, and the United Nations. Some felt the international community was too influential in the CPA and that it was insufficiently “owned” by the leading Sudanese political parties. At the same time, the international community has been critical of the government’s handling of the Darfur crisis and the International Criminal Court (ICC) indicted President Omar al-Bashir in 2009.

Effective use of support

1

International donors also signed up to large aid packages, though their work has heavily stymied by the ban of 13 international NGOs in March 2009.

The international community has hoped that peace in Sudan would positively contribute to the most conflict prone area of Africa, the Great Lakes and the Horn, where conflict in one country often spills over borders. Thus the stakes with two new Sudans affect a wider region than the country alone.

Since it seized power in 1989, the National Congress Party’s shifts in foreign policy have weakened its credibility in the West, as well as within Africa and the Middle East. The country’s most consistent relations have been with its Asian economic partners, especially China.

Credibility

3

The slow implementation of the Comprehensive Peace Agreement (CPA) and the alleged obstruction of the NCP in particular led some in the international

community to once again question its credibility. The government's arming of Janjaweed militia in Darfur and its resistance to the International Criminal Court's indictment of President Omar al-Bashir has also tested its credibility in the West in particular.

Regional relations have improved, especially since Sudan became an oil exporter in 1999. This has been most notable with regard to Ethiopia, which now imports the majority of its oil from Sudan.

Regional
cooperation
4

In preparation for likely separation, the Government of Southern Sudan opened quasi-diplomatic relations with many countries, including regional powers, and it is expected that future economic development will build on these relations.

Strategic Outlook

The stabilization of the two emerging states following years of conflict is a key goal for a new Sudan. For the north this means first a negotiated agreement on Darfur to bring sustainable peace; yet given the factions involved, peace in Darfur is by no means assured.

Another factor will be the attitude of the government to Islamism, as it has effectively sacrificed the country's unity for the creation of a smaller Islamist state. This situation may lead to an attempt at ideological reassertion, including more repressive policies. But that also in turn may produce more resistance, and with the weakening of and effective restrictions on opposition parties, such policies may spark renewed violence. Much as Western countries may hope for stabilization through democratic participation, the performance during Sudan's transitional period has not been encouraging.

The political situation for north Sudan will not be helped by uncertainties over oil income. An agreement with the south over oil revenue has not yet been reached, and in the meantime the north is seeking to rapidly develop its own, albeit smaller, fields. Faced with the prospect of falling government revenue and with a record of corrupt crony capitalism, current power holders may be reluctant to liberalize the market.

In the south the new government also faces localized problems of security. It will also have to recognize that force alone cannot ensure peace and local negotiations are needed to create a more effective federal government. Perhaps the advantage that the government is so new will lead to a flexible approach. Its economy has the potential to grow, but will need to actively nurture management skills to avoid fragmentation and exploitation of the kind as seen, for example, in the neighboring Democratic Republic of Congo. As a landlocked state, south Sudan will need to expand beyond its ties with the north, especially for oil exports, and reach out to its African neighbors.

Internationally there is agreement at a regional and world level that the two Sudans should be stable, but the role that force plays in this agreement is more accepted by Asian actors than by the West. Western countries played a leading role in the Comprehensive Peace Agreement (CPA) but the hopes of liberal-democratic unity have not been achieved, while the sanctions regime that restricts Western foreign direct investment (FDI) has given space for Asian powers to gain economic leverage, for which the Comprehensive Peace Agreement (CPA) agenda is irrelevant. A further complication for the West's relations with north Sudan will be the International Criminal Court (ICC) indictment of President Omar al-Bashir, which diplomats are at present choosing to work around rather than pursue. Neighboring states in Africa and the Middle East also have less concern for a democratic and market-oriented agenda in Sudan and more concern for stability. Of course it will be of utmost importance for especially north Sudan's future how the situation in Egypt and Libya will develop. For south Sudan, the crucial question will be how tightly relations, with Ethiopia especially, can be established.

Overall, in the short- to medium-term, both new states will be governed by dominant parties, the National Congress Party (NCP) in the north and the Sudan People's Liberation Movement (SPLM) in the south, backed by unstable security forces and facing continuing internal challenges. The hope will be that these weak states do not become failed states.