The deterioration of the trade balance and its repercussions on the economic situation and the general budget

(case study Sudan during period 2000-2018)

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Abstract:

The aim of the research is to know the problem of the deterioration of the trade balance, its repercussions on the general budget, the problem lies in the accumulated and increasing deficit in the trade balance, due to weak exports, increased imports, weak production, productivity, lack of domestic and foreign investments, sanctions, economic blockade, the research is based on preliminary data from publications Multiple statistics from the statistical summary, annual reports of the Central Bank of Sudan. The research uses simple statistics for analysis purposes. The research came out with the following results: The trade balance deficit led to fluctuations in the exchange rate, an escalation in inflation rates, the rapid deterioration in the trade balance, which in turn led to a collapse in the general budget, the economic situation, that all imports of the trade balance of foodstuffs are from non-essential consumer goods, which represent, on average, about 45% of the average imports. Domestic, foreign.

Keywords: trade balance, economic situation, general budget, imports, exports, deficit.

Introduction:

Sudan, as a developing country, has long been suffering from a chronic, accumulated and worsening problem of the deterioration of its trade balance, which lacks an increase in the volume of production. This crisis has been a long-standing problem for the Sudanese economy since the seventies and after independence, despite the availability of natural, human economic resources. However, this negative economic phenomenon has worsened year after year, resulting in a periodic deficit in the general budget, a cumulative deficit in the trade balance, which was the result of weak and delayed non-oil exports, as well as weak production, productivity, high production costs, also the American sanctions, economic blockade imposed on Sudan since the seventies, early nineties. These sanctions had a clear impact on the Sudanese economy, held it back from progress renaissance. Sudan is supposed to be the world's food basket, due to its natural economic resources, enormous wealth of oil, minerals, mountains, flat fertile land, a diverse climate throughout the year suitable for growing any type of crops and agricultural products, is rich in fresh water with the availability of rivers, seas, water. Heavy rains, and is characterized by its distinguished strategic geographical location.

The first section: The methodological framework and previous studies

Research problem:

The problem lies in the accumulated and increasing deficit in the general budget due to the deterioration of the trade balance, as a result of the decline and weakness of production and productivity, the weakness of the state's exports of goods and final products, the failure to benefit from the added value to increase export revenues, and the steady increase in the state's imports of unnecessary consumer goods.

Research importance:

The importance of the research is limited to knowing the movement of the trade balance, and controlling the balance in the movement of

exports and imports, taking into account the priority of the necessities of goods and products, and seeking to increase export goods by exporting final manufactured goods and not exporting primary raw materials in which Sudan loses added value. As for the scientific aspect, it is necessary to focus on clarifying the scientific and methodological concepts and basics, to know the trade balance, its foundations and principles, and the reasons for its deficit and deterioration, in terms of scientific theories, and from the practical aspect, helping decision-makers in practical, realistic and field application in making decisive decisions and emergency plans to address the structural imbalance in the trade balance.

Research objectives:

1.Shedding light on the knowledge of the continuous periodic deficit in the trade balance.

2.Knowing the reasons and factors that led to the deficit the trade balance.

3.How to address the deficit in the trade balance so that it does not affect the general budget.

Research hypotheses:

1. There is a significant relationship between the deficit in the trade balance and the general budget.

2. There is a significant relationship between the deficit in the trade balance and exports and imports.

3. There is a significant relationship between the deficit in the trade balance and the economic collapse.

Research methodology:

The research uses the descriptive, historical, documentary, analytical, theoretical, applied, realistic field approach.

Sources and tools for collecting research data:

Primary sources: field visits to the site, and the opinions of experts and specialists in this field. As for secondary sources, they are limited to books, references, magazines, periodicals, reports, bulletins, newspapers, articles, previous studies, reports of the Central Bank of Sudan, the Ministry of Finance and Economic Planning, and the Central Statistical Bureau.

Research limits:

Place limits**:** Republic of Sudan.

Time limits: 2000 - 2018

Objective limits: The deterioration of the trade balance and its repercussions on the general budget.

Research structure:

The research consists of four sections: The first section is the methodological framework and previous studies on the same topic, the second section is the theoretical framework, and the third section: the analytical study, conclusion, results, recommendations, and a list of sources and references.

Previous studies:

1- The study of Khaled Al-Habib Al-Tijani Abdul Rahman (2014), the study dealt with the impact of the economic liberalization policy on the trade balance, as well as studying the impact of changes that occur in the official and parallel exchange rate, and the gross domestic product on the trade balance in the period (1993 - 2012), the study examined the following problem: the impact of the economic liberalization policy on the trade balance, and the impact of the change in the official and parallel exchange rate and the gross domestic product on the trade balance, and the researcher used the descriptive analytical method and the Central Bank reports to collect data, and the study reached the most important results: There is a statistically significant positive relationship between the official exchange rate and the trade balance, as well as a statistically significant positive relationship between the gross domestic product and the trade balance, and the most important recommendations

were: The necessity of monitoring prices in a manner that does not conflict with the economic liberalization policy.

2 - The study of Mekki Al-Tahir Mekki (2012), the study dealt with non-oil exports and their impact on the balance of payments in Sudan during the period (2007-2011), and the research aims to highlight the role played by the non-oil exports sector in the blood of the national economy, and aims to clarify the policies followed in the export sector and the problems and obstacles facing it, and aims to know the impact of non-oil export revenues on the balance of payments, as the problem was represented in studying the impact of non-oil export revenues in Sudan on the balance of payments during the period (2007-2011), and the most important hypotheses are that the deficit in the balance of payments is due to the weakness of non-oil export revenues, and the weakness of non-oil export revenues in Sudan is due to the nature and quality of exports, and the weakness of non-oil export revenues is due to reliance on oil export revenues, and the most important results reached by the researcher are that oil export revenues are the main factor influencing the trade balance surplus, and that non-oil export revenues are very small compared to the total export revenues, and gold exports are the main factor in increasing the proceeds of non-oil exports. Petroleum, and the most important recommendations: working on reducing production costs, fees and levies in order to encourage increasing the volume of non-oil exports, facilitating and simplifying export procedures in order to develop non-oil exports, focusing on the production of agricultural crops and small industries that are accepted in global markets.

3 - Idris Muhammad Ali Imam's study, (2011), the study dealt with the impact of the change in the exchange rate on the trade balance in Sudan during the period 2006-2010, and the problem of the study was summarized in answering the following question: What is the impact of the change in the exchange rate on the trade balance in Sudan? And then, is the Sudanese experience in determining the exchange rate effective in light of the current and future conditions of the national economy? The most important results reached by the study are as follows: There is an inverse relationship between the exchange rate and

the trade balance equal to (-52), which means that in the case of a trade balance deficit, the exchange rate increases, i.e. the value of the Sudanese pound decreases against the US dollar, and vice versa in the case of a surplus. There is a direct relationship between the exchange rate and exports, which is equal to (0.066), which is weak. This means that if exports exceed imports, there is a large amount of foreign currency entering the country in exchange for its exports to the outside world, and thus the supply of foreign currency increases. The study also recommended that Sudan work to reduce imports, especially imports of luxury goods, and focus on goods that help increase the gross domestic product, such as modern machinery and equipment that contribute to the production process, encourage a policy of not linking the pound to a single currency, directing foreign trade towards the markets of East Asian countries, and limiting the migration of capital outside the country. Exchange offices must rely on themselves to bring in resources without relying on the Central Bank, and the Central Bank must work seriously to monitor the official market that feeds the parallel market with foreign currency through some wrong practices. 4- Ahmed Dwalbeit's study, Marwa Abdel Qader (2021), the study aimed to measure the impact of food imports on the Sudanese trade balance, and to know the impact of total imports on the trade balance in Sudan. The subject of the study is the problem of the Sudanese trade balance, which has been suffering from a semi-permanent deficit throughout the study period, due to the weighting of Sudanese imports over exports. The study followed the standard approach, specifically the ordinary least squares method, using the Evios statistical program to estimate the relationship between food imports and the trade balance of the study variables, by studying the time series during the period from (2000 - 2018), and the most important hypotheses of the study are the existence of a direct relationship between food imports and the Sudanese trade balance, due to the deficit that has been accompanying the Sudanese trade balance, and the most important results of the study are the existence of a strong positive moral impact of the volume of food imports on the Sudanese trade balance during the study period. This is due to the fact that food commodities represent the actual needs of society, and the most important recommendations of the study are that

attention must be paid to the production of food commodities, which avoids the state importing from other countries, and contributes to improving the situation Trade balance in Sudan.

Comparison of the current study with previous studies:

This study agreed with previous studies in its treatment of the trade balance and agricultural exports. The study agreed with previous studies in the methodology used, which is the descriptive analytical method, and the method of data analysis, which is studying the relationship between agricultural exports and the trade balance to test the hypotheses assumed by the researcher. These studies also agreed with the current study in the impact of the trade balance on imports and exports, as well as its impact and repercussions on the economic situation and the general budget.

And its impact on the trade balance, and the similarities in the results and recommendations of the current study and previous studies, and to some extent there is a similarity in the unity of the topic.

Section Two: Theoretical Framework

We know that every country's economy has a trade balance that highlights and reflects the country's commercial movement in foreign trade, and returns with revenues that feed the public treasury to cover public expenditures, and any general budget that does not have revenues becomes virtually nonexistent, and we cannot call it a budget due to the lack of one of its important wings, which is the revenues that cover public expenditures, and from here the importance of the trade balance and its role in the flow of cash that feeds the budget emerges.

Trade balance: It includes most of the visible goods exported and imported between residents within the economy and non-residents, which leads to a change in ownership, and if the commodity exports that take place from the economy to the outside world are greater than the imports that come from the outside world, this leads to achieving a surplus and is called the trade balance surplus, but if the imports from the outside world of the country are greater than the exports, this leads to achieving a deficit and is called the trade balance deficit.

We must also address the most important challenges facing this alternative of policies and procedures necessary to achieve the desired economic goals, which are reasons that led to the deficit in the trade balance as follows:

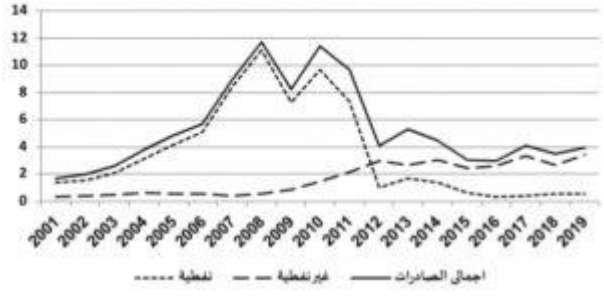
Reasons for the deficit in the trade balance:

The trade balance is the most important for Sudan due to the weakness of capital flows, as well as the weakness of exports and imports of services. As is known, the trade balance is in a deficit if imports are greater than exports. Using the national income identity of an economy open to international trade, it can be explained that the deficit in the trade balance (imports greater than exports) automatically means that aggregate demand (spending) is greater than aggregate supply (production). In other words, the deficit in the trade balance means that the economy imports more than it exports or spends more than it produces. Therefore, restoring the balance of trade requires adopting policies aimed at reducing imports (or aggregate demand) or promoting exports (or aggregate supply), or both. Below we discuss the causes of the deficit, taking into account the overlap between production and exports on the one hand, and between spending and imports on the other hand.

The reasons for the trade deficit are exports and aggregate supply represented in the gross domestic product. For this purpose, the economic sectors can be classified into four: the oil and minerals sector, the agricultural sector, the industrial sector, and the services sector. Figure (1) shows the structure of the gross domestic product during the period 2001-2017, which is the period for which data was available from the Central Bank. The services sector still occupies the first place in contributing to the gross domestic product, with an average rate of about 48% during the period 2001-2017, followed by the agricultural sector with 33%, while the industrial sector, which is supposed to be the real engine of growth in all sectors, represents only about 12% of the average GDP. The structure of foreign trade witnessed a major change after the entry of oil into the economic equation, as the percentage of oil export revenues in total exports rose to represent 75% in the year 2000 and rose to more than 95% in the year 2008. As a result of these

developments, total exports jumped after the beginning of oil exports from 1.4 billion dollars in the year 2000 to more than 11 billion dollars in the year 2008, while the average total exports did not exceed 700 million dollars per year throughout the decades preceding oil exports. On average, oil exports accounted for more than 66% of average exports during the period 2000-2019, while traditional exports (animal and agricultural products) accounted for only about 18% of average exports (Figure 2). As was the case for production (aggregate supply), we note from the figure that the increase in traditional exports during that period was also modest for the same reasons, and perhaps also for reasons related to the economy being exposed to the Dutch disease, which is a false and unreal luxury that does not match the economic situation, such as the public owning huge sums of money, huge and luxurious buildings, luxury cars, amusement parks, parks, and other false luxury. (Mahran, Al-Sudani newspaper article, 2023)

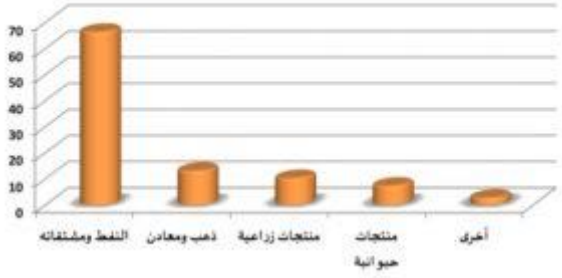
الشكل (2): الصادرات (مليار دولار)، 2001-2019



As a natural result of the decline in oil exports since 2009 after the secession of the South, the government encouraged artisanal gold mining activities to revive non-oil exports in an attempt to compensate for the foreign exchange lost after oil was removed from the economic equation. According to statistics from the Bank of Sudan, gold export revenues from foreign exchange rose from $414 million in 2009 (representing more than 5% of total exports) to $2.2 billion in 2012 (representing about 54% of total exports) to fall to more than $1.2 billion in 2019, representing more than 38% of total exports. On average, gold exports amounted to more than $700 million per year during the period 2000-2019, representing more than 13% of the average total exports during that period. However, these attempts were

not sufficient, as the huge decline witnessed by oil exports after the secession of the South was not accompanied by a similar change in exports. Gold and traditional exports (non-oil), while imports remained at high levels, recording a continuous trade balance deficit during that

الشكل (3): الصادرات حسب مجموعات السلع (%)، 2000-2019

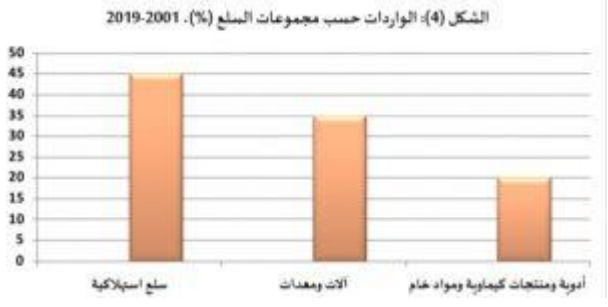


period (Figure 3

Source: Foreign Trade Statistical Summary Data, Statistics Department, Central Bank of Sudan.

On the aggregate demand side (spending), economic liberalization policies and the growth of oil and gold exports led to a steady increase in imports and the gradual displacement of national products from local markets, which negatively affected the industrial sector and defeated attempts to replace imports. In light of the major obstacles that continued to face the expansion of traditional exports, these policies led to a significant increase in imports and to a further deficit in the balance of payments, a deterioration in the exchange rate and the global competitiveness of traditional exports, and to rising inflation rates. From the development of imports during the period 2001-2019, and linking them to the prevailing economic policies during that period, as well as to the developments in aggregate demand, focusing on consumption and government spending, as investment spending was excluded for the reasons mentioned above for this purpose, and imports can be classified into three main groups, the first group consists of consumer goods (including textiles, manufactured goods and food products and consists of many goods including sugar, tea, coffee, dairy products, vegetables and their products, animal and vegetable oils, beverages and tobacco, and others), the second group is petroleum products and raw materials, medicines and chemical products, while the third group consists of machinery, equipment and means of

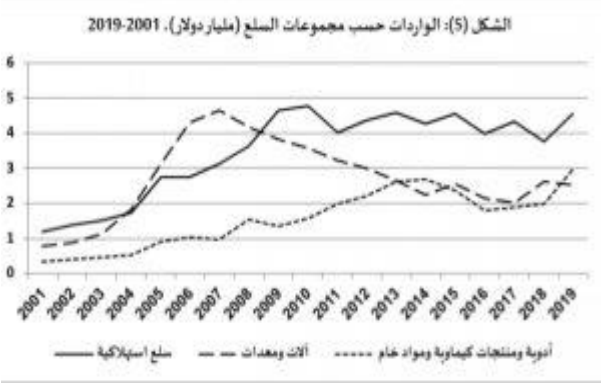
transportation, in addition to other imports (including electricity since 2017). (Mahran, Al-Sudani newspaper article, 2023) Figure (4) shows the composition of imports, where the columns represent the annual average for each group as a percentage of the average total imports during the period 2001-2019. We also note at the outset that Sudan's oil imports ranged between $400 and $500 million annually. After Sudan became an oil-producing country, it was able to cover the largest part of those needs through local production since 1999, then moved to the export stage. However, oil imports increased again as a natural result of oil being removed from the economic equation, reaching about $2.0 billion in 2019. The average of those imports amounted to more than $876 million, representing more than 11% of the average total imports during the period 2001-2019.



Source: Foreign Trade Statistical Summary Data, Statistics Department, Central Bank of Sudan.

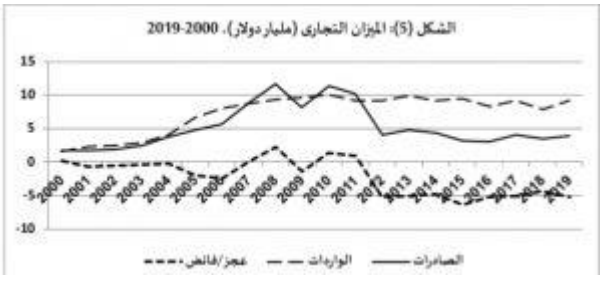
According to the Central Bank data, the annual average of imports of consumer goods amounted to about $3.5 billion during the mentioned period, representing 45% of the annual average of imports, and about 67% of the trade balance deficit for the year 2019. These levels and percentages of imports of this type of goods are considered high by all standards in an economy that has all the ingredients not only to produce these goods and achieve self-sufficiency in them, but also to export large quantities of them. Below we review the interpretation of these statistics, focusing on the components of aggregate demand, especially consumption and government spending. (Mahran, Al-Sudani newspaper article, 2023)

The consumption pattern has witnessed a major shift towards imported goods over the past three decades, and since the implementation of economic liberalization policies through the period of oil and gold production and export, food imports alone have increased to $2.6 billion in 2019, and the average of these imports amounted to $1.6 billion, representing more than 20% of the annual average of imports during the period 2001-2019. What is surprising is that these imports (such as wheat, flour, liquid and dried milk, vegetables and fruits, beverages, sugars, etc.) have become crowded in the markets, while all the ingredients for their local production are available. The biggest surprise is that these imports include vegetables, fruits and their products, while farmers in Kassala, Kordofan, Jebel Marra, Blue Nile, Al-Jazeera and the North can provide various types of these products. The rising trend of these imports, as shown in Figure (5), confirms the fact that the great change witnessed by the society's consumption pattern since the implementation of economic liberalization policies is on its way to continuity and sustainability. The Sudanese consumer has abandoned his traditional and routine food pattern of corn food to replace it with wheat food and its derivatives. Thus, the scales have turned against the consumption of locally produced foodstuffs to be replaced by imports of these materials of all kinds. Consumer goods that were not known in Sudan before have also appeared in the markets of cities, villages, urban and rural areas, and have filled retail and wholesale stores, while many of them are not even available in the markets of advanced countries with high income levels, such as luxury cars. Not only that, but ostentatious, pretentious and boastful consumption has become the prevailing feature in society, even among the poor class, which represents the vast majority, indicating that consumer spending has exceeded the material capabilities of society. (Mahran, Al-Sudani newspaper article, 2023)



Source: Foreign Trade Statistical Summary Data, Statistics Department, Central Bank of Sudan.Oil was

removed from the economic equation, while imports remained at high levels even after the huge decline in oil exports following the secession of the South (Figure 5).



Source: Foreign Trade Statistical Summary Data, Statistics Department, Central Bank of Sudan.

Therefore, in light of the difficulties that have continued to stand in the way of increasing total production (aggregate supply), the rise in aggregate demand (especially consumer spending and public spending) to levels that exceed the levels of total production (aggregate supply) means further deterioration (increasing the deficit) in the trade balance, which means further excess demand for foreign currency, and a continuous deterioration in the exchange rate. The deterioration of the exchange rate is considered a comprehensive tax that falls on everyone (non-selective), as it leads to inflation that does not distinguish between the rich and the poor, the employee and the worker, the minister and the

guard. As is known, some social classes can adapt to inflation, while other classes are unable to do so. The first class is represented by employers, merchants and everyone who has an activity in the private sector, who have the means to adapt to inflation very quickly, while the second class represents wage and salary earners in the public and private sectors, and they are among those most affected by inflation as they do not have the means to adapt to inflation. However, this does not necessarily mean that any other measures to improve the standard of living, including increasing wages and salaries, It represents an effective solution to the problem facing these social groups. So what is the solution? The reason for this is that the government has become heavily dependent on oil exports to finance the significant expansion witnessed by imports during the past period, and that it has not been able to take the necessary measures and procedures to limit imports (closing the economy to imports, especially consumer goods) after oil exports were removed from the economic equation. These are the reasons for the exacerbation of the trade balance crisis that Sudan is witnessing today. Referring back to the period 2015-2019, the data indicate that the average exports amounted to $3.6 billion, while the average imports amounted to $9.0 billion, so that the trade balance recorded a deficit of an average of $5.4 billion during the period. The 2021 budget indicates that exports were estimated at $3.8 billion, while imports were estimated at $8.2 billion, so that the trade balance deficit was estimated at $4.4 billion. These figures indicate that the 2021 budget is unable to achieve a significant achievement in the external sector. (Central Bank of Sudan, 2018) The General Budget

The transitional government delayed announcing the budget program for the year 2023, despite the passage of the first month, thus exceeding what it usually approved general budgets in the past year, and starting to implement them at the beginning of the new year from the first day of the year, but due to the ambiguity and the search for revenues that cover expenditures until the vision and goals of the general budget become clear as a future digital plan that outlines the path of attracting revenues and the method of spending on them according to the items specified by the general budget in its draft, and after discussing, approving and ratifying it according to the financial appropriation law

that authorizes the executive authority to spend according to the priorities and requirements of the general budget, and the revenue deficit is one of the most prominent reasons for delaying the announcement of the new budget, discussing and approving it, and the biggest challenges are providing revenues exceeding 5 trillion Sudanese pounds to finance the general budget from the proceeds of the trade balance, borrowing from the banking system to cover the potential deficit by 15%, imposing government taxes and fees, canceling the tax exemption for groups over the age of fifty, increasing the categories of taxes and customs fees, and increasing service fees, The financial and economic policies will lead to more living pressures on the public, as was the case in the previous year's budget, due to the large deficit in the total budget, which will negatively affect the economy, and will result in a significant increase in inflation rates, and an increase in the money supply and monetary mass, if the Ministry of Finance resorts to borrowing from the banking system to cover the deficit in the general budget. We point out the necessity of providing revenues for the budget without imposing new taxes, as the country has been suffering for some time from a decline in macroeconomic indicators, as there is a crisis in the balance of payments, a rise in unemployment levels, a disruption in the manufacturing industries, and the failure to reach radical solutions to its urgent problems, especially since the Sudanese economy depends on aid and easy financing facilities provided by countries and international financing and investment organizations. The 2023 budget has followed the same previous approach of exaggerating revenues and expenditures, which leads to the economic collapse that the country is currently experiencing. We also confirm that the budget does not clarify the item related to social protection, because there are policies that may further harm purchasing power, which reinforces predictions that the current year's budget will be like previous budgets without taking into account political instability, even if it is prepared and approved. (Mahran, Al-Sudani newspaper article, 2023)

The political and security tensions and demonstrations mean that international financial institutions have stopped providing aid and loans to Sudan, and that deficit financing has increased over the average of previous years, which means that the Sudanese government has resorted

to new issues of banknotes, increased printing of money, and caused an increase in the inflation and exchange rate indicators. The actual performance report has not been issued to determine the deficit between revenues and expenditures, as is the case in the state's planned and implemented general budgets since 2018, and they are still characterized by ambiguity and uncertainty and the lack of disclosure of performance reports except for a few of them. It became clear that the 2023 budget guidelines are identical to the guidelines of the previous budgets of the transitional government, meaning fixed guidelines with no change in them. The general budget did not indicate any signs of a breakthrough in the economic crisis that Sudan is experiencing, as well as the political, security, and administrative instability in state agencies. Accordingly, we expect the state to continue its policy of borrowing from the banking system to cover the budget deficit, and this has a negative impact on the exchange rate and high inflation rates.

The prices of essential goods and services have increased, exacerbating the Sudanese economic crisis, as inflation rates have reached more than three digits. In 2018, 2019, 2020, and 2021, inflation rates reached the highest inflation rate of more than 420%, and then the economic situation reached an inflationary recession that the global economy had never seen before. After that, inflation rates declined rapidly due to the unprecedented recession that the Sudanese economy witnessed, as the markets witnessed an abundance of goods with stability and a slight decrease in prices, but inflation rates decreased until annual inflation in the country reached 102.6% in October 2022 (Central Statistical Agency). The unstable political and security situation in Sudan makes the budget unclear and ambiguous and has no accurate indicators. The negative indicators of the budget are reinforced and supported by the lack of real production, the cessation of local and foreign investments due to the lack of a favorable environment for investments, and the expansion of the circle of financial, administrative and moral corruption, which requires the government to create distinguished cooperative external relations, in order to attract investment and financial aid, loans and urgent grants from the world (opinions of economic experts). Regarding the budget, data indicate that public debt has played its role as one of the symptoms of economic collapse.

Although public debt has been on a continuous rise since 1975, the rise has been astonishing and accelerating since 2015, when it reached EGP 3.5 billion, rising to EGP 5.4 billion in 2016, then jumping to EGP 14.8 billion in 2017, then jumping again to EGP 56.2 billion in 2018 and EGP 120.9 billion in 2019, i.e. an annual average rate of 156% during the period 2015-2019. The government's recent policies and measures have exacerbated the crisis when the Ministry of Finance implemented an ill-considered increase in public sector workers' wages ranging from 500% to 600% or more, bringing the compensation of workers in that sector to EGP 131.1 billion in 2020, representing more than 70% of the budget deficit for that year, which amounted to EGP 184.1 billion, representing the government's borrowing. This is at a time when the Ministry of Finance was denying resorting to printing money to finance its operations or trying to sell institutions (such as Giad Company) that had become prominent and a national pride for the Sudanese economy just to pay workers' salaries. In an attempt to control the budget deficit, the government lifted subsidies on basic commodities such as bread, gas, fuel and electricity. According to the 2021 budget estimates, these measures are expected to reduce the budget deficit to about EGP 84 billion, representing 4.5% of the deficit in 2020. Considering that these numbers are overly optimistic in light of the current economic situation, we expect the large budget deficit to continue. These policies have had their repercussions. On inflation, it was natural for all segments of society that were not included in the wage increase to resort to raising the prices of their services, in addition to the rise in prices as a result of lifting support for basic goods and services by rates that reached in some cases more than 500%, eliminating the increase in wages in a short time. (Mahran, Al-Sudani newspaper article, 2023)

Just as the budget deficit and the increase in public debt had a major impact on inflation over the past years, the deterioration in the exchange rate also played a major role. Although the deficit was a feature of the trade balance in most years since 1975, it has witnessed an upward trend since 2012, just like the general budget deficit. The researcher believes that the solution to the problem lies in the fact that the best policy for addressing the trade balance problem is crystallized in the axis of controlling completely and directly all imports of the trade

balance, as imports, with an average of about 3.9 billion dollars, represent about 67% of the trade balance deficit for the year 2019. (Mahran, Al-Sudani newspaper article, 2023)

Section Three: Analytical Framework Table No. (1) shows the performance of the trade balance during the period (2000-2018) in millions of dollars

Exports of Goods in Dollars	Imports of Goods in Dollars	Trade Balance	Year
440.3	1553	1993	2000
-326.1	2301	1975	2001
-344.7	2446	2101	2002
-109.0	2882	2773	2003
191.6	4075	4267	2004
-1121.7	6757	5635	2005
-1448.1	8074	6626	2006
1156.8	8776	9933	2007
3441.1	9352	12793	2008
-270.9	9691	9420	2009
2564.9	10045	12610	2010
1528.1	9236	10764	2011
-4056.2	9230	5174	2012
-3938.2	9918	5980	2013
-3755.4	9211	5456	2014
2132.9	9509	11642	2015
5229.8	8323	13553	2016
5102.0	9163	14265	2017
4365.4	7850	12215	2018

Source: Central Bank of Sudan - Ministry of Finance and Economic Planning for the years (2000 - 2018)

Sudan's foreign trade: Sudan is considered one of the least developed countries, which depends on raw materials in its exports and foreign trade as a whole, which exposes it to fluctuations in demand for its exports in global markets. As for imports, they are characterized by a continuous rise in their prices and in their growth rate, which led to a trade balance deficit, and thus a balance of payments deficit. Among the goals of foreign trade are transferring products from within Sudan to the markets of countries that need them, opening international

markets for local products, obtaining foreign currency, and increasing the country's ability to import, especially imports that contribute to the development process. Analysis of the performance of the Sudanese trade balance during the period (2000-2018):

The surplus in the trade balance for the years 2000/2001 decreased by 55.4%, due to the decrease in export revenues. In 2002, the trade balance deficit decreased by 17.4% due to the increase in the value of exports, as imports recorded a slight increase of 6.3%. In 2003, the trade balance deficit decreased due to the increase in the value of exports over imports. In 2004, export proceeds increased by 48%, so the trade balance deficit decreased by 14.2%. In 2005, the deficit increased by 54% due to the increase in the value of imports, which amounted to 65.8%. Likewise, in 2006, the trade balance deficit increased by 25.1% due to the increase in imports. In 2007, the trade balance surplus increased by 197.5% due to the increase in the proceeds of petroleum exports. In 2008, the surplus turned into a deficit due to the decrease in the value of exports. In 2009, the trade balance achieved a surplus due to the increase in the proceeds of petroleum exports. In 2010, the trade balance achieved a surplus due to the inclusion of gold export revenues in the export proceeds. In 2011, the surplus in the trade balance decreased by 42% due to the exit of oil export revenues, which represented 75% of total exports and 45% of the general budget revenues. Therefore, we find that Sudan lost the greatest source of petroleum exports and their derivatives as a result of the secession of the state of South Sudan. Imports also decreased slightly due to the state adopting import rationalization policies, under which the import of some goods was banned. In the first quarter of 2012, the trade balance recorded a deficit of $0.7 billion, and a surplus of $2.7 billion was transformed from the first half of the year. 2011 to a large deficit, and what reinforced this sharp decline in exports, which could have been compensated by increasing gold exports, reached a record level of $644 million, or about six times the volume of oil exports and 70% of total other exports. Total imports also declined for two consecutive years, as the decline included all categories, reflecting the severe scarcity of foreign currency required for imports. As a result, imports of food commodities decreased by 30%, machinery by 23.7%, and

transportation equipment by 9.3%, which led to a clear weakness in the performance of the sector, as the decrease in the volume of imports leads to a contraction of economic activities by limiting supplies of goods needed for consumption and business. In 2013, Sudan exported $3.92 billion in the form of goods and imported $7.83 billion, which led to a trade balance deficit of $3.91 billion. The most important exports were crude oil $2.43 billion, goats and sheep $423 billion, and gold $73.3 million. While food exports and wheat recorded $683 million, raw sugar $464 million, and medicines $260 million. External imbalances widened due to lower commodity export prices, expansionary policies, and insufficient exchange rate adjustment. The current account deficit increased to 6% of GDP in 2015. Foreign exchange reserves fell by 4.8% in 2014, and non-oil imports increased significantly, as the trade deficit widened to 11% of GDP. In 2016, compared to 2015, the deficit decreased by 17.5% in 2016 due to a 12.5% decrease in the value of imports. In 2017, the trade surplus reached $5,102 million, while in 2018, the surplus decreased to $4,365.4 million. The trade balance witnessed clear fluctuations and deterioration, which led to the collapse of the economic system. The deterioration of the living conditions, the significant rise in prices, the unprecedented fluctuations in the exchange rate of the local currency against other foreign currencies, the living hardship, the halt in production and productivity, the weakness of the gross domestic product, and the weakness of the actual performance of the general budget due to the weakness of foreign and local cash flows that feed the budget.

The research data was analyzed using the statistical approach through the standard model. The research relied on multiple linear regression with one equation related to the impact of food imports on the Sudanese trade balance, which is as follows:

$$LOG(TB)t = a0 + a1\ LOG(FM)t + a2\ LOG(M)t + a3\ LOG(PEX - OEX)$$

Where:

The deficit in the Sudanese trade balance represents the general indicator of the difference between exports and imports valued in US dollars. (TB)t

Food imports valued in US dollars. (FM)t

Other total goods imports valued in US dollars. (M) t

The dollar exchange rate gap with the Sudanese pound is measured by the difference between the parallel exchange rate and the official exchange rate. (PEX – OEX)

(TB)t = 0.865 + 1.119 LOG(FM)t - 0.182 LOG(M)t + 0.1495 LOG (PEX – OEX)

(0.182) (1.423) (- 0.223) (1.001)

R2 = 81% F(2,14) = 5.66 DW = 1.98

1- The result of estimating the equation according to economic, statistical and standard criteria indicates that all the signals of the estimated parameters are consistent with the economic theory. It is also noted that the calculated (F) statistic (5.66) is greater than its tabular value 2.96 at a degree of freedom (14.2), which indicates the goodness of the fit of the relationship line.

The coefficient of determination explains 81% of the variables included in the model and is explained by food imports in addition to other factors not included in the equation. Regarding the Durbin-Watson statistic (1.98), it indicates that there is no autocorrelation between the random error limits. As for the significance of the estimated parameters, it is noted that the calculated (t) statistic for the estimated parameter for food imports is (1.423), which is less when compared to the corresponding table value of 1.76. Therefore, the null hypothesis is rejected, and thus the alternative hypothesis of a positive significant effect of food imports on the trade balance is accepted. As for the estimated (t) statistic for total imports, it is (-0.223), which is less than the calculated 1.76, as this indicates the existence of a negative significant effect of total imports in changing the trade balance. The result also gave a positive significance for the estimated parameter to measure the gap between the official exchange rate and the parallel exchange rate by comparing it with the calculated (t) statistic (1.001) compared to its table counterpart (1.76) at a significance level of (0.05) and a degree of Freedom (24). The statistical and standard evaluation can be interpreted as follows: The result indicated that there is a

positive impact of food imports on the trade balance, and this is justified by the fact that these goods work to increase the level of trade operations, which helps in balancing the trade balance, because these goods represent the real needs of imports, and therefore they are not a deduction from the balance of the trade balance, and this confirms the validity of the first hypothesis, that food imports have a positive moral impact on the trade balance, and supports the validity of the hypothesis that total commodity imports have an inverse impact on the trade balance, and this means that there are imported goods that do not represent a priority for the actual needs that benefit society and the national economy, and also that food imports meet the need for local consumption and therefore their negative impact on the trade balance is not significant, and this proves the validity of the first hypothesis. The negative relationship shown by the research for total imports is a result of the fact that most Sudanese imports are unnecessary luxury goods such as children's toys and sweets, and thus constitute a burden on the trade balance. There is also a strong negative impact of the total volume of imports on the trade balance, due to the fact that most imports focus on luxury goods that are not of economic importance, but rather are a burden on the trade balance. It is also necessary to make maximum use of capital goods in production processes that support exports and lead to a balance in the trade balance.

Adjusting the trade balance can lead to addressing the deterioration and getting out of dependency and subservience, and emancipating ourselves from the mortgage of the decision, and getting out of the rule (who does not own his power does not own his decision), and canceling the bills for luxury and entertainment goods, and closing the trade balance from these imports, and self-reliance in all goods except medicines and a few petroleum products, and we are satisfied with locally manufactured goods, 100% Sudanese industry, 100%, and tearing up the bills that lead to the imbalance in the trade balance, so that we can apply the slogan (so that people eat what they grow and wear what they make). This program will achieve an increase in food and locally manufactured goods to replace imports, and then after self-sufficiency, we export the surplus abroad to bring in and form a reserve of foreign currency, and reduce the surplus demand for foreign

currency to a significant degree to stabilize the exchange rate and return it to its real prices, and after that, inflation rates will decrease, and the purchasing power of wages will increase without the need to increase them and print money to finance them. As is well known, the trade deficit has multiple repercussions, the first and most important of which is the impact on the exchange rate and inflation in an economy that lacks foreign reserves, the ability to increase exports, the will to replace or control imports, and even lacks a conscious management. The exchange rate has been deteriorating continuously over the past years, and the deterioration has become horrific in recent years. In 1990, the dollar was equivalent to 11.3 pounds. The exchange rate began its journey of major deterioration in 2014, when it recorded more than 8,000 pounds to the dollar, jumping to 68,000 pounds to the dollar in 2019 (according to data). The dollar price continued to rise at an accelerated pace during the year 2020, until it reached 283,000 pounds per dollar in early January 2021, then to 315,000 pounds in late January. These statistics indicate that the exchange rate has deteriorated by 3,837.5 percent, with an annual average of about 480.0 percent during the period 2014 to January 2021. 2021, ("Kush News" "The Next Day"). The reasons for the exacerbation of the trade balance deficit, which is the most important component of the balance of payments for Sudan, are based on two equations: The first equation is based on the fact that the trade balance is exports minus imports of goods, while the second equation is based on the fact that the trade balance is also the gross product (aggregate supply) minus expenditure (aggregate demand), based on the identity of the national income of an economy open to foreign trade. Then we briefly review the policies for addressing the imbalance in the trade balance, which are represented by fiscal and monetary policies, and exchange rate reduction policies, in light of Sudan's previous experiences with these policies, which are considered unsuccessful by all standards. We rely on the justification that the policy of direct control over imports represents the optimal alternative for Sudan in light of its current economic conditions to address the trade balance deficit.

Conclusion: The rising trend of these imports confirms the fact that the great change witnessed by the society's consumption pattern since the

implementation of economic liberalization policies is on its way to continuity and sustainability. The Sudanese consumer has abandoned his traditional and routine food pattern of corn to replace it with wheat and its derivatives. Thus, the scales have turned against the consumption of locally produced foodstuffs to be replaced by imports of these materials of all kinds. Consumer goods that were not known in Sudan before have also appeared in the markets of cities, villages, urban and rural areas, and have filled retail and wholesale stores, while many of them are not even available in the markets of advanced countries with high income levels, such as luxury cars. Not only that, but ostentatious, pretentious and boastful consumption has become the prevailing feature in society, even among the poor class, which represents the vast majority, indicating that consumer spending has exceeded the material capabilities of society. It includes the results, recommendations and list of references as follows:

The most important results:

1 - The research proved that Sudan depends to a large extent on exporting primary raw materials, which are imported again in the form of final goods, and thus loses the added value that can increase the export revenue, and thus this leads to an increase in the value of imports.

2 - A clear fluctuation and imbalance in the movement of the trade balance is noted, which formed a necessary deficit in the balance of payments and the general budget throughout the study period.

3 - The research also proved that the deterioration and deficit of the trade balance led to the economic collapse, whereby the living hardship, crushing high prices, poverty, hunger and destitution occurred, which leads to the breakdown of security and an economic and political crisis.

4 - The study confirmed that the secession of the South became the backbreaker for the Sudanese economy and the straw that broke the camel's back, and a large deficit emerged in the trade balance due to the loss of revenues from petroleum exports, which represent 75% of the trade balance revenues, and 45% of the general budget revenues, which

created a cumulative and periodic imbalance and deficit in the trade balance.

5 - Through the study, it became clear that all the state's imports of non-essential food consumer goods represent an average of about 45% of average imports.

The most important recommendations:

1 - The state should develop an urgent short-term emergency program in which the private sector participates to consider how to achieve a sustainable increase in local and foreign production.

2 - It is necessary for the state to adopt a package of incentive policies to activate local manufacturing industries.

3 - The state must grant the facilities and advantages granted to encourage the agricultural, industrial, oil and mining economic sectors.

4 - It is necessary for the state to pay attention to the production of food consumer goods so that the state avoids importing such goods and thus reduces the value of imports.

5 - The state must strive to complete the package required by structural reforms, policies and measures that enhance the economic liberalization policy of privatization, price liberalization, gradual lifting of subsidies on essential goods, price liberalization, and liberalization of the exchange rate through a floating policy or a managed flexible exchange rate.

6 - The state should change its import policy and import capital goods that help in production, and avoid importing consumer goods.

7 - Pay attention to improving Sudanese exports and the quality of exported products so that they enjoy a competitive advantage in global markets and achieve an increase in the value of imports (maximizing the value of imports).

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