Response of Sudanese Import- Substitution Manufacturing Industry To Increasing Competition

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ملخص

استجابة صناعة إحلال الواردات للمنافسة المتزايدة فى السودان

كغيره من الدول النامية، فقد بذل السودان جهوداً مقدرة باتجاه التصنيع، وبالذات فى مجال الصناعات الخاصة بإحلال الواردات، وذلك باعتبار أن التصنيع هو أقصر الطرق لإحداث تنمية اقتصادية واجتماعية سريعة. وفي سبيل ذلك نصت قوانين الاستثمار المختلفة على إعطاء الصناعة التحويلية كثيراً من الامتيازات من بينها توفير الحماية من منافسة السلع المستوردة.

إلا أنه وبحلول عام ١٩٩٠ طبق السودان برنامج التكييف الهيكلى من تلقاء نفسه ودون سند من المؤسسات المالية الدولية بالرغم من أن مكونات هذا البرنامج هى نفس مكونات البرامج التى يفرضها صندوق النقد الدولى. ومن أهم مكونات برنامج التكييف الهيكلى التى طبقت فى السودان تحرير الواردات وإلغاء كافة الحواجز الكمية لانسياب السلع والخدمات. وقد خلق هذا الوضع منافسة حادة لصناعات إحلال الواردات الوطنية وكان لزاماً عليها أن تواجه هذه المنافسة بطريقة أو أخرى.

وقد أظهرت نتيجة هذا البحث التى شملت ٢٤ منشأة صناعية أن معظم الشركات (١٤) تخطط لإدخال تكنولوجيا حديثة بهدف تجويد نوعية الإنتاج وتخفيض تكلفته فى حين قررت ٥٠% (١٢) شركة خفض تكلفتها عن طريق إعادة تنظيم أعمالها. كما قررت (١٠) مصانع البحث عن أسواق جديدة وتكثيف عملية التسويق فى حين أخذت (٩) مصانع أخرى فى إنتاج سلع جديدة لا تواجه منافسة حادة. كما قرر مصنعان البحث عن شركاء أجانب. واتخذت (٤) شركات قراراً بوقف أعمالها مؤقتاً شأنها فى ذلك شأن كثير من المصانع التى لم تستطع المنافسة بسبب نقص الطاقة الكهربائية والمواد الخام والعملات الصعبة اللازمة لاستيراد مدخلات الإنتاج.

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1- Background

1-1 Industrialisation Drive

Following independence, many developing countries strived to industrialize in a serious effort to achieve rapid and sustainable economic development. In many countries, the drive to industrialisation was based on import-substitution policies and used public enterprises as the main vehicle to achieve this policy (Adhikari & Kirkapatrick,1990).This drive towards industrialisation emerged as a recurring theme in policy statements of developing countries because industrialisation was believed to lead to a more rapid rate of economic growth than would otherwise be possible (Knight, 1989).

In Sudan, the focus of this study for instance, industrialization was seen as a means of diversifying and widening the economic growth base of the country and the most appropriate strategy that would implement the economic development targets as envisaged by the policy makers (Abu Affan,1985).To speed up the industrialisation process, the various national governments have issued industrial acts to promote public and private investment in the manufacturing sector. These include the Approved Enterprises (Concessions) Act 1956, the Organization and Promotion of Industrial Investment Act 1968, the Development and Encouragement of Industrial Investment Act 1972, and the Encouragement of Investment Act 1980. These acts promised a wide range of concessions such as tax holidays, easy access to land, power and transport at nominal prices, remittance of profits for foreign investors and protection against nationalization and confiscation- Consequently, a significant number of private and public manufacturing concerns, mainly in the import-substitution sector, has emerged since then (Abu Affan,1985).

In the 1990s, however, the promotion of the private sector in general, and the manufacturing sector in particular, has taken an unprecedented U-turn. This is because the Three-Year Economic Salvation Programme (1990-93) and the Ten-Year National Comprehensive Strategy (1992-2002) had fully liberalized the entry of the private initiative in all sectors of the economy except for oil production. The object is to arrest economic deterioration through unleashing the private sector as the engine of growth. The Investment Acts of 1990 and 1996 were issued and embodied similar and more concessions. Although there is no updated and reliable statistics on the size of the manufacturing sector and its contribution to GDP, it is evident, however, that many large and small manufacturing companies emerged in the 1990s. At present the Federal Ministry of Industry and the United Nations Industrial Development Organization (UNIDO) are establishing an Industrial Information and Investment Centre to take stock of all the manufacturing companies employing ten workers or more.

1- 2 Protectionism

Over and above the traditional incentives, the local manufacturing industry was given protection against foreign competition. All the investment encouragement acts from 1956 until 1980 had provided for protection. The argument in favour of protection was two- fold. Firstly, to enable the local manufacturing industry to develop from its infancy stage and give it enough time to stand foreign competition of the well-established manufacturing industry in other foreign countries. Secondly, full protection was deemed as appropriate in view of the subsidies, which the manufacturing industry receives in other countries.

It is not surprising, therefore, that the Consolidated Development and Investment Act 1974 had authorized the Minister of Industry, in consultation with other concerned ministers, to take the appropriate measures to protect the local industry. This protection took two forms. Firstly, quantitative restriction. This limits the quantity of imported goods either fully or partially according to the local production and consumption. Secondly, tariff restriction. This imposes higher tariff rates on imported goods to favour the locally produced ones. To qualify for protection, the local industry has to satisfy three conditions. Firstly, the quality of the locally produced goods should be the same the imported one. Secondly, the local industrial production should be sufficient to satisfy the local consumption. Thirdly, the prices of the locally produced goods should be less than or equal to those of the imported ones. As a maximum limit, they should not be more than 15% higher than the prices of their imported counterpart.

In practical terms, however, these conditions were not observed by the local manufacturers. They justified this by the problems which the local industry faces such as electricity shortage, hard currency problems, emigration of trained labour and scarcity of raw materials and spare parts. Moreover, officials of the Ministry of Industry seemed to have tolerated these violations in the pursuit of the national interest: development of the local manufacturing industry irrespective of the negative consequences of protectionism. To add to the problem, no time framework was given for the protection period. That practically prolonged the infancy stage indefinitely and made the local entrepreneurs addicted to protection (Ministry of Industry, 1983). It is no wonder, therefore, that many managers have attacked the liberalization policies, which allow competition with foreign goods (see section 3.1). Of late, however, the liberalization policies of the government have removed the quantitative restrictions. Nonetheless, the Investment Encouragement Acts 1991 and 1996 have promised to grant both tariff and quantitative restrictions.

1- 3 Structural Adjustment Programmes (SAP) and Liberalization Policies:

During the early 1980s, many developing countries faced a chronic economic crisis that almost brought their economic development process to a halt. For Africa, the 1980's were labelled as the lost decade for development. The symptoms and causes of the crisis in Africa are well documented in various literatures. As Chole (1990, p2) rightly argues, "There is by now a staggering amount of writing on the nature and causes of the African economic crisis as well as on the proposed solutions to the crisis. There seems to exist broad agreements that the crisis is caused, and exacerbated by interdependent exogenous and endogenous forces, "The poor policies adopted by many African governments took much of the blame for the economic malaise. The World Bank, for instance, attributes the crisis to the fact that "African governments took an active stance in, setting prices, nationalising banks, establishing price controls, rationing foreign exchange, creating public monopolies for agricultural exports, imposing licenses to restrict the activities the private sector could undertake, and creating many state enterprises and giving them special access to scarce credit and foreign exchange". [World Bank, 1994, p33).

In response to the economic crisis, many developing countries had little choice but to "adjust" in a serious effort to arrest the disastrous trend. Thus, "By early 1992, 78 countries had accepted World bank adjustment programmes, and many others had introduced essentially the same policy frameworks without formal agreements with the Bank", [Mosley and Weeks, 1993,p1583]. Between June 1986 and July 1987 twenty one of the Sub-Saharan African countries, including almost all the East African nations, were rushed or forced to adjust, with or without pressure and, support from the World Bank / International Monetary Fund (IMF).

While the specifics of SAPs may vary from one country to another, some of the policies adopted included the removal of government subsides and price controls, significant devaluation, cuts in public expenditures with deep public sector retrenchments, privatization, relaxation of foreign exchange controls, an increase of interest rates to real levels, the withdrawal of protectionism measures, the introduction of user fees, tight control of credit, and an increase in agricultural producer prices [Stein, 1992].

In Sudan, the most critical policy issue over the ten-year period of 1975-85 was the breakdown of the fiscal discipline, which was first observed in the middle, and late 1970's and which has remained uncorrected to date. Government expenditures were stepped up continuously in the second half of the 1970's from about 20% of the GDP to a peak of 29% in 1980. As expenditures rose sharply in the late 1970's, revenue followed a gradual downward trend, falling from about 16% of the GDP to about 14% [Musa, 1996]. To finance the deficits, the government borrowed heavily at home and abroad. The primary source of domestic borrowing was the central bank -the Bank of Sudan. Credit extended to the government and PEs raised the monetary base 12 fold in just ten years' time, from 1975 to 1984. Money supply rose at a compound rate of about 30% per year. Inflation rose to an average of 20% per year over the same decade. To add to the problem, external public debt rose from US$ 1.2 billion to US$ 8.3 billion over the same period. Debt servicing became a real problem and limited the country's access to additional capital. This change upset both the internal and external balance of the economy. Little progress has been made in the real economy. In fact, between 1981 and 1985 the real GDP fell by more than 10%. In spite of the resources devoted to industrialisation, the share of manufacturing in the GDP was well below 10%.

In view of this malaise, the government was urged to adopt a series of adjustment programmes with the IMF and the Bank. The IMF diagnosed the illness of the economy as one of fundamental disequilibrium.

The Sudanese government followed the strategy recommended by the IMF and the World Bank very closely during the period of 1978-85. Nonetheless, the Sudanese economy continued to deteriorate rapidly throughout the 1986-90 period. The protracted drought, outbreak of the civil war in the South, and political instability were among the factors that aggravated the situation. As a result, the cumulative real growth of GDP over the period was hardly positive. The real growth rate calculated over the period was 3 %, Sudan's total debt amounted to US$ 13 billion and inflation shot up 80%. Rationing of foreign exchange was extensive. This is turn augmented the shortage of spare parts, imported raw material and energy supplies {fuel and electricity) for the local manufacturing industry. In 1986, Sudan was declared ineligible by the IMF and non-co-operative in 1990 [Riddel, 1992].

It was against this background of acute public finance crisis that the new military government, which seized power in a coup d'etat in June 1989, launched the so-called "Sudan's Structural Adjustment Policies" in the early 1990. As the name implies, these policies were homegrown in the sense that they were neither negotiated with nor supported by the World Bank and the IMF. But, on the whole, these policies are nothing but a carbon copy of the standard SAP agreements concluded with other African countries. In fact, these policies are harsher than what the IMF normally recommends [Sudanow, Sept.1992, pp. 9-21]. These policies were used by the governments, though unsuccessfully, to appease the IMF and seek balance of payment support in subsequent negotiations. The US$ 1.5 billion arrears owed to the IMF seem to be the main problem.

Sudan's SAP is part and parcel of the Three-Year Economic Salvation Programme (TYESP) [1990-93]. The programme aimed at arresting the economic deterioration through reallocating resources in favour of production (particularly agriculture, to achieve food security and exportable surpluses), enhancing the role of the private sector, deregulating price controls, privatising PEs, and achieving fiscal balance. The following is a detailed discussion of these policies.

(i) The Exchange Rate Regime: The exchange rate was unified and the Sudanese pound was completely floated against the US$ for all transactions [Sudanow, Sept. 1992]. Commercial banks, through a committee, are now free to set daily rates without intervention from the Bank of Sudan. The commercial and specialised banks, together with the private bureaux du change, are free to trade in foreign exchange and use the proceeds thereof. Moreover, restrictions on foreign currency personal accounts have been lifted and inter-account transfers are now permitted.

(ii) Price Deregulation: At production, factory and wholesale levels, price controls were eliminated and the market forces of supply and demand were unleashed to determine the price levels for all sectors. Also, the prices for public utility services and other commodities, such as sugar, have been hiked sharply to reflect market forces.

(iii) Fiscal Policies: These policies were designed to increase government revenues on the one hand and reduce the government expenditures on the other. Measures taken to increase the government revenues include, among others, increasing the custom and excise rates based on the floating exchange rate, broadening the sales tax to other commodities at 15% and sale of PEs (i.e. privatisation). Measures taken to reduce government expenditures included elimination of subsidies on commodities and services other than electricity. Another important measure was the imposition of harsh budgets on PEs to eliminate budget transfers to them.

(iv) Trade Liberalisation Policies: Restrictions on all imports were lifted and were only confined to few commodities banned for religious, security and health reasons. The once bureaucratic licensing system was completely scrapped. on the exports side, all the previous export restrictions on exportable commodities were lifted. This included the repeal of the export licensing system and the abolition of the mandatory minimum export prices in favour of flexible prices set by a committee in which the private sector is fairly represented. Moreover, export taxes were substantially reduced to 5% for all exports other than cotton and gum Arabic. For cotton and gum Arabic, two major traditional exports, the export tax was reduced from 75% to 70% [Sudanow, Sept 1992].

(v) Privatization Policies: A law for the disposal of PEs was enacted in August 1990 and a privatization agency was formed to dispose of most of the PEs. At the same time, a number of initiatives were taken to promote the private sector as the engine of growth.

2- Research Question Objectives Methods and Sample:

2- 1 Research Problem

Worldwide, some researchers investigated the response of the local manufacturing ndustry o he ough ompetition imposed by governments as part of adjustment policies. In Latin America, for instance, researchers investigated how managers of firms were adapting to import competition. They concluded that "four strategies for improving efficiency dominated. First, firms met import competition by greater product specialisation and improvements in product quality. Second, they consolidated production and reduced their labor force. Third they increased investment in new machinery and plant modification. And fourth, they purchased foreign blueprints and negotiated profit sharing and licensing agreements with foreign firms". (Webster,1993).

In Africa, "sample entrepreneurs were squeezed by higher input costs and an inability to raise prices due to eroded domestic demand and competing low-cost imports "(Steel and Webster, 1990), Frischtak,1990). An analysis of the prospects for the Ghanian firms in 1989 revealed that the process of adjustment envisioned by policy makers for the state enterprise sector was in full swing in the private sector. Firms that could not compete in the post-reform environment were failing, and those that had located niche markets were expanding. Weaker firms manufactured mass- produced, undifferentiated goods-typically textiles, clothing and simple metal products-that competed or rather failed to compete with imports "(Steel and Webester,1990). Others predict that unless poor policies and the negative side effects of SAPs are addressed, then this situation may cause the deindustrialization of the (African) continent (Stein, 1992).

In Sudan, in spite of the fact that trade liberalisation policies were introduced more than seven years ago no empirical study investigated the response of the Sudanese manufacturing enterprises to the tough competition they faced since then. In view of this empirical gap, this study endeavours to raise and address the following question:

How have the Sudanese manufacturing enterprises responded to the competition policies of the government?

2- 2 Research Objectives

This policy research is designed to achieve a host of objectives. These are:

(i) To assess the response of the Sudanese manufacturing industry to the competition policies of the government hence its readiness to adapt to and integrate into the future global environment.

(ii) To identify constraints that the local manufacturing industry faces in responding to import competition.

(iii) To draw the appropriate policy implications as to how to help the local manufacturing industry to respond to the competition and globalization policies. To that effect, these policy implications will be disseminated widely through publication in an article form and the local newspapers and through a seminar for the Sudanese Businessmen Association and the relevant government officials.

2- 3 Research Methods

To answer this research question, the researcher administered a survey questionnaire, the components of which are shown in Appendix 1. The questionnaire was translated into Arabic and was distributed to 56 manufacturing companies in the import-substitution sector. Out of this population 24 companies (43%) managed to complete the questionnaire and handed it to the researcher or sent it by post. The distribution of the responding companies sector-wise is shown on table (1) below.

Table (1) Distribution of participating companies

Serial	Manufacturing Sector	No. Of Cos.
1	Chemical industry (soap and paints)	4
2	Food industry (cooking oil, sweets, jam, juice, sugar)	8
3	Textile industry	4
4	Footwear industry	2
5	Miscellaneous (glucose rubber, plastic, carton)	6
Total		24

Notwithstanding the researcher's serious efforts to collect as many completed questionnaires as possible, this rather low response rate is a reflection of the preoccupation of many managers with the serious problems that threaten their very survival. Many times managers apologised for not completing the questionnaire because they have to chase the National Electricity Corporation (NEC) to restore electricity, which was completely cut for several weeks by the time the researcher started data collection. Nonetheless, this sample is representative since the participating companies come from the public and private sectors, are of small and big sizes, are performing differently and are facing different degrees of competition. To complement this method, a number of relevant government and private documents have been obtained and analysed.

3- Research Results

In this part of the research report we analyse the answers of respondents to the questionnaire to address the research question.

3- 1 Management's Attitudes To Emerging Competition

In part III of the questionnaire we solicited the opinion of the 24 managers who participated in research on the impact of the liberalisation policies on the local manufacturing industry and the economy and whether the emerging competition was fair or unfair. Table 2 below summarises the managers' responses to this set of questions.

Table (2) Management's attitudes to emerging competition

Effect on manufacturing ind.			Fairness of competition		Consumers preferences		Sources of competition			
	Good	Bad	Fair	Unfair	Local goods	Imported goods	Local cos.	Imported goods	Both*	No competition
No. of managers	14	10	4	20	10	14	7	4	12	1

Both: local companies and imported goods.

The majority of managers (58%) believe that the liberalisation policies are good for the national economy and the local manufacturing sector while the other 42% think otherwise. When it comes to the fairness of the competition they faced as a result of the self-imposed liberalisation policies, however, a clear majority of the respondents were under no illusion that they are exposed to unfair competition. Ironically, the national minister of industry shares the same views (El-Rai El- Aam, 1998). Both groups have their own arguments. Managers who think that emerging competition is good and fair gave the following reasons:

(i) Some managers believe that competition is unavoidable in future because of the country's plans to join the General Agreements on Trade and Tariffs (GATT)-the trend generally known as globalization.

(ii) For others competition is good for the producers and consumers alike because it improves quality and reduces cost of production (more efficiency).

(iii) Some managers who face competition hailed the liberalization policies, which meant that they charge higher prices according to their actual costs of production as long as they can compete. This is because trade liberalisation was also accompanied by price liberalisation.

On the other hand, managers who think that liberalisation policies had a negative impact on the national economy and manufacturing industry cite the following reasons:

(i) The immense infrastructural problems (electricity shortage, transport problems,..etc.) which the local manufacturing industry faces, and which increases their production costs and reduces their competitiveness.

(ii) The high inflation rate in the country. This increases the cost of production and reduces the purchasing power of consumers.

(iii) The high and various charges imposed by the government.

(iv) Some managers believe that their food and textile products, which use local raw materials and have high value added, should be protected against foreign competition. This is the legacy of a long tradition of protectionism in Sudan.

(v) Government charges (custom duties on imported goods are lower than those imposed on the local manufacturing industry. At times, some imported goods such as shoes, clothes and sweets are exempted of customs altogether or enter the country by trunk trade or smuggling without paying customs or paying too little.
(vi) Some imported goods, particularly paints, are of low quality and are dumped into the country at lower prices because of lack of rigorous quality controls in the country. This may tempt some local producers to reduce their quality and hence prices in order to compete.

The available statistics seem to confirm the views of these managers. A recent industrial survey has indicated that the local industry is facing serious challenges as a result of the acute problems of production inputs and the emerging competition. Table (3) reflects the current position of the manufacturing sector in the State of Khartoum, where most of the manufacturing enterprises are concentrated.

Whatever the attitudes of management to competition may be, one thing is certain: that competition is getting tougher than ever before, 58% of the responding managers now believe that consumers prefer imported goods to the locally manufactured ones. They attribute this state of affairs to two reasons: the better quality and lower prices of imported goods. Managers who think otherwise believe that consumers prefer their goods for three reasons: top quality, the goodwill they established over many years and their personal relations with their customers. Moreover, with the exception of one rubber factory, manager, all responding managers reported that their companies now face tough competition either from imported goods, the local producers who emerged in light of the 1990 liberalisation policies, or a combination thereof. This strong competition has had a direct impact on sales. The majority of managers (79%) have reported that their sales either decreased or fluctuated since the introduction of the liberalisation policies. In many cases factories were forced to operate at a lower capacity. In few cases, a shoe and a food factory, the management had no option but to close down temporarily. Only 5 managers of vegetable oil and rubber factories, which face relatively less competition, have reported an increase or no impact on sales. In view of this increasing competition, managers had no option but to respond with different strategies.

Table (3) Current position of manufacturing enterprises in Khartoum State

Sector	Operating	Non-operating	Under construction	Licensed but unconstructed	total
Food	227	128	36	40	431
Textile	52	72	9	119	252
Wood & metal Products	73	24	6	46	149
Paper, paper products & printing	50	11	3	21	85
Chemicals	166	71	10	157	404
Mining products	75	35	3	6	119
Mining industries	20	19	3	3	45
Equipment & machinery	11	9	2	6	28
Total	674	369	72	398	1513

Source: Industrial Survey, Khartoum State, Sept 1998.

5 - 2 Company Response to Increasing Competition

Table (4) summarises the companies' response to questions of section IV of the questionnaire on their plans to increasing competition in light of the liberalisation policies of the 1990s. Different companies have adopted a combination of plans to that effect. This shows that manufacturing entrepreneurs have realised that things have changed and that they have no alternative but to face increasing competition one way or another. In practical terms, however, it is so difficult to see how these companies realise these plans. In particular, procurement of new machinery and technology to improve productive efficiency is a difficult option. This is because of the shortage of foreign exchange and the poor financial performance of many companies. Expansion in new markets and adopting new marketing techniques is not an easy task either. Many companies have neither marketing departments nor know-how since they were used to enjoying the sellers' market for almost five decades. Moreover, although 12 companies (50%) have indicated plans to reduce costs through reorganisation and R&D none of them has an R&D department. Only big factories have a laboratory equipped to carry out only quality controls tests. The reasons for this are twofold. Firstly, R&D has never been a tradition for almost all the manufacturing entrepreneurs in Sudan. Secondly, R&D involve significant expenditures, which are beyond the financial ability of many companies. It is also interesting to note that only two companies are willing to look for foreign participation, either through direct foreign investment (DFI) or licensing, to face competition. One reason is that some of the responding companies are family-owned and are reluctant to explore this possibility. Moreover, it is not easy to attract DFI to Sudan these days. This is partly because of the acute problems the manufacturing sector is facing. Only two factories have reported no plans to face the consequences of liberalisation. These are a plastic factory and a vegetable oil processing mill which face almost no competition at present. Four companies have either closed down temporarily or in the process of closing down. These companies have decided that to give in to foreign competition and wait and see the government policies designed to help distressed companies. These companies have been making huge financial losses and accumulated debts over time.

Table (4) Company plans to face increasing competition

	Expansion in new markets & adopting new marketing strategies	Production of new commodities that face less or no competition	Procurement of new technology to improve quality & reduce costs	Entering into partnership with foreign investors through licensing & other arrangements	Reduce costs through reorganization & R & D	Temporary closure
No. of companies adopting the plan	10	9	14	2	12	4

More interesting is that no company have reported desire to reduce their prices to the competitor's level as an alternative to face competition. This is attributed to the way ex-factory prices of the locally produced goods are fixed in Sudan. For a long time various investment acts have authorised the Industrial Costs and Pricing Administration of the National Ministry of Industry to fix these prices. The process is as follows: individual companies compile their production costs and approach the Administration for negotiation and approval thereof. Prices are fixed at actual costs plus a profit margin of 10%-15%. Once prices are approved by the Administration, they form the minimum, which the individual factories have to charge. This is because factories have to pay excise duties on the basis of these approved prices. Because of price liberalisation individual factories can charge higher prices as long as they can compete.

Also, it is notable that many factories have kept increasing their prices significantly since 1990 to reflect the ever-increasing production costs. One company, for instance, increased its prices 1300 times since 1990 whereas another reported an increase amounting to 1000% over the same period. Costs of production increase for two reasons. Firstly, the unprecedented and continuous devaluation of the Sudanese pound since 1990. When the present government seized power in June 1989 the exchange rate was 1 US$ = SDP 12.2 (Sudanese Pound) Now it is 1 US$ =SDP 2,310 (as of Dec. 2, 1998). Although the responding companies were established within the import-substitution policies of the government, yet they import all their machinery, spare parts and most of their raw materials. Evidently, therefore, they have to reflect the increasing cost of production in their final prices. Secondly, prices change to reflect the soaring inflation in the country.

5- 3 Role of Government and Sudanese Businessmen Association (SBA)

Asked about the role of the government to mitigate the problems that impede adequate and swift company response to the increasing competition, the majority of respondents believe that there is more room for the government to help the local manufacturing industry. In particular, managers think that the government should make raw materials, electricity, water and spare parts available at reasonable prices. They also believe that the government should avail hard currency to rehabilitate the aging factories. Another important aspect is to reduce taxes and various charges to improve the competitiveness of the local industry. It is worth mentioning here that the government has already reduced excise duties and sales tax for many locally produced goods (Ministry of Industry, 1997). It is interesting to note, however, that seven managers think that the government should reintroduce the old protection measures. This tendency is understandable in view of the long tradition of protectionism in Sudan. For decades, foreign and national companies were addicted to protectionism and have never been exposed to operating within a competitive environment. All in all, managers believe that the government should play a key role to support the industrial sector. This is because the state, until adoption of the liberalisation policies, was heavily involved in the manufacturing sector either through direct investment or allocating hard currency to import production inputs.

Regarding the role of the SBA, however, managers seemed to be divided. Some managers think that the SBA, the umbrella organisation of all Sudanese businessmen, can help through participation in formulating the government policies that affect the local industry. Others think that the SBA can help by taking their problems and grievances to the government, significant number of managers do not share this view, they think that these problems are national and the SBA can do nothing to solve them. This pessimism is justified. The manufacturing industry, for instance, started to suffer electricity shortage since 1978.

5- 4 Future of the Sudanese Import-Substitution Manufacturing Industry

To conclude this study, the researcher solicited the managers' opinion on the future of the Sudanese manufacturing industry in view of increasing competition. Table (5) below summarises managers' opinion.

Table (5) Managers' opinion on the future of the Sudanese manufacturing industry

	Managers' opinion			
	The future is bright	The future is bright only for companies with comparative advantage	The future depends on solving the problems facing the industry	The future is bleak because of globalization
No. of managers	3	3	6	12

Table (5) shows that only 3 managers are optimistic about the future of the manufacturing import-substitution industry. They argue that competition will force the local industry to improve quality and reduce costs. This optimism, however, is not shared by many. 25% of managers' think that the local industry can only survive the liberalisation policies if the government addresses the problems the industry faces. Moreover, 12 (5o%) of the responding managers have expressed grave concerns over the future of the local industry. They believe that given the enormous problems the industry faces and the globalization trend, which will trigger tougher competition than liberalization, the future of the local industry is very bleak. These worries are echoed by the remaining 3 managers who believe that only companies that have a comparative advantage, that is, use local raw materials like textiles, can stand competition. On the whole, therefore, this reflects the difficult position of the local manufacturing industry in light of increasing competition. This view is also shared by the National Minister of Industry who believes that some industry should disappear (El-Rai El-Aam, 1998). Moreover the available statistics seem to support this pessimism (see Table 3).

5- 5 Implications for Future Research

This research has focused on the investigation of the response of the Sudanese manufacturing industry to tough competition that emerged following the liberalization policies of the 1990s. In the process, the following issues arose. Therefore, we propose that the following issues should be investigated further in future research endeavours:

(i) The competitiveness of the Sudanese manufacturing industry in the import- substitution sector within a global economy.

(ii) There is also a need to explore, on an elaborate scale, the future supportive role of the Sudanese Government to enable the manufacturing industry face the even tougher competition once Sudan joins the World Trade Organization (WTO).

(iii) There is also a need to compare the market share and inventory turnover of the locally manufactured goods, as well as the growth of the manufacturing industry, or otherwise, in Sudan before and after the liberalization policies in Sudan.

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Appendix I: Survey Questionnaire

I- Basic Information

1- date of starting-up business
2- principal product of the company
3- size of company(number of workers and management
4- ownership of company (public, private or joint venture)

II- Company Performance

1- What is the production capacity of your company at present?
2- Is your company making profits at present?
(i) Yes. (ii) No.
3- If your company is making profits at present, is it satisfactory?
(i) Yes, (ii) No, and why not?

III- Perceptions to Decree of Competition

1- What *do* you think of the government's trade liberalization policies that embrace competition?
(i) Good for the manufacturing industry and the economy, Why?
(ii) Bad for the manufacturing industry and the economy, Why?
2- What do you think of the competition policies of the government?
(i) Fair, Why? (ii)Not fair, Why?
3- At present, is the government selling every thing it produces?
(i) Yes, and you could sell some if you can produce more.
(ii) No, and inventories are piling up.
(iii) Other, (specify)
4- How had your markets changed since 1990?
(i) Domestic sales have increased.
(ii) Domestic sales have decreased
(iii) Domestic sales have fluctuated.
(iv) Domestic sales have not changed since 1990.
5- Who are your firm's main competitors?
(i) None,.
(ii) Other private enterprises in Sudan.
(iii) Import.
(iv) Others (specify)
6- How many other firms now produce the same product as yours?

IV- Response to Competition

1- How do you set the price of your product?
(i) I set it based on production costs.
(ii) I charge the same as my competitors.
(iii) I set it based on the profit level I want.
(iv) The price of my product is fixed.
(v) A combination of the above(which ones)?
(vi) Other (specify).

2- Adjusting for inflation, how has the retail price of main product changed since 1990?
   (i) It has not changed, why?
   (ii) It has increased. By what percent?
   (iii) It has decreased. By what percent?
   (iv) If it has changed (decreased/ increased, why has it changed?)

3- Have you changed your mix of products since 1990?
   (i) No. (ii) Yes. How and why?

4- Why do you think your customers buy your product instead of your competitors?
   (i) My price is lower than my competitors.
   (ii)My product is better designed, of high quality and is more reliable,
   (iii) I deliver my product on time.
   (iv) I aggressively advertise and market my product.
   (v) My reputation, people know.
   (vi) Others (specify).

5- What are your plans in your company for the next five years?
   (i) Expand into new markets.
   (ii) Produce new products, which face less competition.
   (iii)Get access to better technology to improve product quality and reduce production costs.
   (iv) Find a foreign partner through licensing or other arrangement.
   (v) Stay roughly the same, maintain the company as it is.
   (vi) Sell the company.
   (vii) Reduce production.
   (viii)Reduce labour and hire workers on flexible terms to reduce production costs.
   (ix) Liquidate the company and go out of business.
   (x) Others(specify).

6- At present, what are the three biggest problems that constrain your response to the tough competition that your company faces?
   (i) (ii) (iii)

7- Do you think the government can help you respond positively to the competition you face?
   (i) Yes, how?
   (ii) No, why not?
   (iii) Others (specify).

8- Do you think the Sudanese Businessmen Association can help you face this competition?
   (i)Yes, how?
   (ii) No, why not?

9- What do you think of the future of the Sudanese manufacturing industry in the wake of the government's competition policies?