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“Development on the margin”

A Newly Born State in Africa: Economic and Agricultural Development Prospective

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Abstract

In January 2011, the people in southern Sudan have voted for separation from the Sudan and forming a new state in Africa. Accordingly, the newly born state was officially announced as a sovereign country on July 9, 2011.

The formation of a new state has beside its political dimension, several economic implications. Some are urgently important for both the Sudan in the north and southern Sudan such as the assets and debts, with the latter estimated at around US\$ billion 35. In addition, oil of which 80% comes from the south, while the entire infrastructure for utilising the exploited oil including refineries, pipelines, and export terminals are located in the north. Many constraints prevent exporting the southern oil through the Kenyan port of Mombasa including costly infrastructure to be developed. Even if there will be sufficient funding for establishing such infrastructure, its establishment would take four to five years, where the government in southern Sudan cannot easily survive without the cash flow generated by oil, which constitutes 98% of its financial revenues.

Agriculture in southern Sudan has long stagnated due to instability, which should take the lead recently together with the infrastructure development. In the north, agricultural exports would need to restore its importance as oil revenue drastically cut. Regionally, according to Business Daily Africa, forming the new state will have major implications on Eastern Africa, where Kenya seems to reap billions from that state, followed by Uganda.

Based on this background, this study tries to investigate the economic implications the formation of the new state may have. It focuses on the response of the economies in the north and south with particular focus on agriculture. It also shed lights on possible implications on the entire region. The paper analyses empirically the gains and losses associated, while simulating the situation in a global modelling framework to grasp the related implications on selected neighbouring countries as well. More specifically, the study employs GTAP model and its Africa database with Sudan, Egypt, Ethiopia, Kenya, Congo, and Uganda separately represented together with rest of the world grouped purposely into other seven regions.

Keywords: Africa database, agriculture, development, economics, GTAP model, southern Sudan, sudan