

**THE DUTCH DISEASE: THE CASE OF THE SUDANESE
ECONOMY**

MOHMMED SALIH MOHMMED AHMED ELHAG

Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

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**THE DUTCH DISEASE: THE CASE OF THE SUDANESE
ECONOMY**

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of the Requirements for the Degree of Master of Economics**

Universiti Utara Malaysia

BY

MOHMMED SALIH MOHMMEDAHMED ELHAG

Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

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Graduate School of Business

Universiti Utara Malaysia

06010UUM Sintok

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DEDICATION

This project paper is dedicated with love and gratitude to my beloved mother, Nafisa and my father Mohammed, who have provided undying love, support and encouragement. They provided me with strength, dreams, courage and determination to move through the final stages of this process. May Allah bless them and give them good health.

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ABSTRACT

An investigation on whether the Dutch Disease is operating in Sudan has been undertaken in this study. The factors determining Dutch Disease (oil sector as a percentage of GDP) for the year 1999 to 2010, with the focus on other independent variables such as (industrial growth rate, unemployment rate and total number of people employed). In addition, the study provides evidence to support the existence of Dutch disease in Sudan. Results of this study show industrial growth rate and unemployment rate have significant and positive impact in explaining the Dutch Disease measured with the oil sector as a percentage of GDP.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

Sudan is considered to be one of the largest countries in Africa with an average per capita income of. \$ 395. Over the years, growth rates have shown fluctuating trends that coincide with agricultural production being affected by government's ignorance. Oil has emerged as a major source of economic growth and revenue for the government as reflected in the balance of payments and investment flows. Furthermore, since independence in 1956 the Sudanese economy with its heavy reliance on monocropping culture for export (cotton) has been set on a turbulent course reflecting fluctuating pattern of growth which necessitated the introduction of economic measures to mitigate pitfalls.

As far back as 1970, Sudan initiated the first wave of economic reforms to try to address economic deterioration. The measures agreed to were not fully implemented and a second wave of measures was initiated under the umbrella of the salvation program, which was merged with the national Comprehensive Plan of 1992-2002. This program was also not successful and there was deterioration in balance of payments, escalating inflation rates and persistent macroeconomic imbalances. Another reform program was introduced 1997-2001 with a sharpened focus on macroeconomic and price stabilization. The program encompassed four basic elements including: firstly, introduction of stabilization measures and macroeconomic environment that focuses on

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