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**THE POLITICAL CONTEXT OF THE**  
**ISLAMIC BUSINESS ENTERPRISE IN**  
**THE SUDAN**

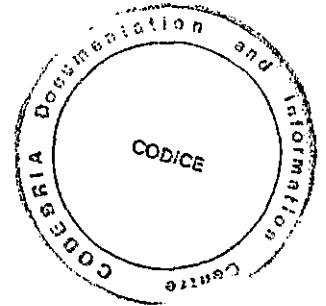
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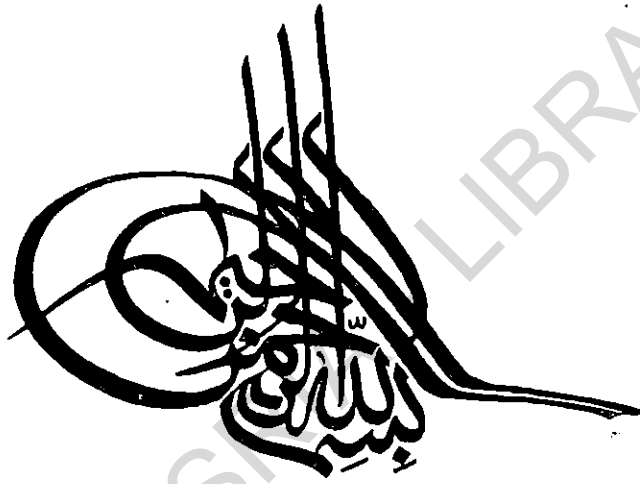


**THE POLITICAL CONTEXT OF THE ISLAMIC  
BUSINESS ENTERPRISE IN THE SUDAN**

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*B.Sc., P.G.D.*

A Dissertation Submitted in Partial Fulfilment of the Requirements  
for the M.A. Degree in African and Asian Studies

**August 1998**



IN THE NAME OF ALLAH,  
THE MERCIFUL,  
THE MERCY-GIVING

**To :** *Awatif Mohammed Khair,  
Ismail Mahmoud Ismail,  
Elmoiz, Mohammed, Ammar,  
Waddah & Zaabata  
With Love.*

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## ABSTRACT

This study is an attempt to provide analyses of the political dimensions of the Islamic business enterprise in the Sudan. In a historical approach the study attempted to show the interacting factors between the rise of the Islamic business movement and the rise and enforcement of political Islam in the Sudan represented by the Sudanese Muslim Brotherhood and its programme for government.

The central theme of this study is that the Islamic business enterprises have political meanings and leanings as was evident from their evolution in the Sudan. The mutual interests of Islamic business and the Sudanese Muslim Brotherhood have helped the political build-up of the Brotherhood, specially during the last eight years of the Numairi regime; and in the course of the 1980s and 1990s led to total assumption of power by the political Brotherhood. This development complicated the national problems of the country; especially with regard to the Southern question and issues of national unity, national identity and religious variation.

The assertion of political Islam in Sudan and the consolidation of the Islamic government generated regional and international concerns that put pressure on Sudan government which further complicates the historical problems of the country, and threatens the existence of the Sudan as a unitary state.

## خلاصة

اهتم هذا البحث بدراسة الأبعاد السياسية للمؤسسات الاقتصادية الإسلامية في السودان ، فلقد تناولت هذه الدراسة ظاهرة المؤسسات الاقتصادية الإسلامية كجزء لا ينفصل عن ظاهرة الصحوة الإسلامية وتداعياتها السياسية والاجتماعية التي انتظمت منطقة الشرق الأوسط والعالم الإسلامي منذ بداية السبعينات.

خلصت الدراسة إلى أن المؤسسات الاقتصادية الإسلامية ، وعلى رأسها المصارف الإسلامية ، في السودان تتيوي على مضامين وأبعاد وأثار سياسية تمثلت في علاقة الدعم المتبادل بين تلك المؤسسات وحركة الإسلام السياسي في السودان بقيادة تنظيم الإخوان المسلمين الذي تحول بعد عام ١٩٨٥ إلى تنظيم الجبهة الإسلامية القومية . فبعد المصالحة مع نظام نميري في النصف الثاني من السبعينات دخل الاخوان المسلمون دائرة الحكم لأول مرة بصورة مؤثرة وفعالة ، وإستفادوا من مشروع الأسلمة الذي بدأه نظام نميري في تثبيت أقدامهم من خلال وضع كوادرم في الهياكل الوظيفية للدولة . كذلك تمكن تنظيم الاخوان المسلمين من بناء قاعدة إقتصادية ضخمة من خلال المصارف والشركات الإسلامية التي شارك فيها تخطيطاً وتنظيماً وتنفيذاً ، وكذلك من خلال المنظمات الخيرية الإسلامية التي تولّى الاخوان المسلمون إدارتها أيضاً.

كل تلك المكاسب المالية والتنظيمية مكنت الجبهة الإسلامية القومية من الوصول إلى قمة السلطة في السودان ، خاصة بعد الإنقلاب العسكري في يونيو ١٩٨٩م. ومن ثم عملت على تعزيز المشروع الإسلامي في السودان على نهج وأيدلوجية التنظيم. وإثر هذا التطور السياسي تعقدت مشكلة الحكم والإدارة في السودان، وذلك بدخول الدين بصورة حادة كعنصر من عناصر الصراع السياسي، إضافة إلى المشاكل التاريخية الأخرى كالتمتية غير المتوازنة والتباين الثقافي والعِرقي.

وبوصول الإسلاميين إلى السلطة في السودان وتعزيز المشروع الإسلامي برزت مخاوف إقليمية ودولية أُنِعكست سلباً على السودان في علاقاته الاقتصادية والدبلوماسية مما عقدت مشاكل البلاد التاريخية في الحرب الأهلية ومسائل الوحدة والبناء الوطني . وعليه فإن القوة والدعم الذي قدمته المؤسسات الاقتصادية الإسلامية لحركة الإسلام السياسي في السودان ينبغي أن لا ينفصل عن الآثار الداخلية والخارجية التي ترتبت على وصول الاخوان المسلمين للسلطة منذ منتصف السبعينات وإلى اليوم .

## CONTENTS

	<u>Page</u>
Acknowledgments	iii
Abstract	iv
Arabic Abstract	v
List of Tables	viii
List of Abbreviations	ix
<b>Chapter I :</b>	
<b>INTRODUCTION</b>	<b>1</b>
1.1 Focus and Justification of the Study	1
1.2 The Research Problem	2
1.3 Objectives of the Research	4
1.4 Methodology and Organization	4
1.5 Data : Sources and Limitations	5
1.6 Theoretical Framework	6
<b>Chapter II :</b>	
<b>THE SUDAN : BACKGROUND ANALYSIS</b>	<b>13</b>
2.1 Geographical Features	13
2.2 Society and Population	16
2.3 Political Development	20
2.3.1 Overview	20
2.3.2 The Political Parties	21
2.3.3. Numairi Regime	26
2.4 The Economy	30
2.4.1 Structure of Production	30
2.4.2 Foreign Trade and Balance of Payments	33
<b>Chapter III :</b>	
<b>EMERGENCE AND STRUCTURE OF ISLAMIC     BUSINESS IN SUDAN</b>	<b>35</b>
3.1 Definitions	35
3.2 Emergence and Structure of Islamic Business	39
3.2.1 Faisal Islamic Bank of Sudan	39
3.2.2. Other Islamic Banks	42
3.2.3 Non-Bank Islamic Enterprises	44
3.2.4 The Status of the Islamic Banks	46



<b>Chapter IV :</b>	
<b>ISLAMIC FINANCE AND THE RISE OF THE NATIONAL ISLAMIC FRONT</b>	<b>56</b>
4.1 The Sudanese Muslim Brotherhood	56
4.2 The Sharia'a Laws	60
4.3 The Impact of Islamic Finance	62
<b>Chapter V :</b>	
<b>POLITICAL ISLAM AND THE NATIONAL QUESTION</b>	<b>74</b>
5.1 Introduction	74
5.2 The Problem of Southern Sudan	77
5.3 The External Dimension	83
<b>SUMMARY AND MAIN CONCLUSIONS</b>	<b>86</b>
<b>BIBLIOGRAPHY</b>	<b>92</b>
<b>APPENDICES</b>	<b>99</b>

## LIST OF TABLES

<u>Table No.</u>		<u>Page</u>
2.1	Sudan: Area and Population	18
2.2	GDP Composition by Economic Activity (1979/80-1984/85)	32
3.1	Growth of FIBS Deposits (1979-1982)	40
3.2	Growth of FIBS Profits (1979-1982)	40
3.3	The Structure of Sudan's Commercial Banking Sector (1988)	48
3.4	Regional-Branch Distributing of the whole Commercial Banking Network (1988)	49
3.5	Regional Branch Distribution by Type of Banks (1988)	50
3.6	Islamic Banks Investments by Sector Cumulative to 1986	53

## LIST OF MAPS

Map 1: The Sudan and its Regions (1985)	14
Map 2 : Sudan in the Arab World	99
Map 3 : Languages in Sudan	108
Map 4 : The Sudan (1998).	191

## LIST OF ABBREVIATIONS

AIB	:	Al - Baraka Islamic Bank
DCIB	:	The Development Co-Operative Islamic Bank
DMI	:	Dar - al - Mal - al - Islami
DUP	:	The Democratic Unionist Party
FIBS	:	Faisal Islamic Bank of Sudan
GDP	:	Gross Domestic Product
IBWS	:	The Islamic Bank for Western Sudan
ICF	:	The Islamic Charter Front
ICI	:	The Islamic Company for Investment
IDC	:	The Islamic Development Company
NF	:	The National Front
NIB	:	The North Islamic bank
NIF	:	The National Islamic Front
NUP	:	The National Unionist Party
PDP	:	The People Democratic Party.
PLS	:	Profit and Loss Sharing
SCP	:	The Sudanese Communist Party
SIB	:	The Sudanese Islamic Bank
SPLA	:	The Sudanese Peoples Liberation Army
SPLM	:	The Sudanese Peoples Liberation Movement
SSU	:	The Sudanese Socialist Union
SWB	:	Summary of World Broadcast
TIB	:	Tadamon Islamic Bank
USA	:	The United States of America
UDSF	:	The United Democratic Salvation Front
USSR	:	The Union of Soviet Socialist Republics
UN	:	The United Nations.

# Chapter One

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Focus and Justification of the Study

The Muslim responses to the material and intellectual threats and challenges of Western civilization led to the development of new trends of Islamic thought or Islamic knowledge in different disciplines; specially in Islamic Economics . Modern Muslim scholars claim that there is a comprehensive Islamic economic system. The fact that many Islamic financial institutions and other Islamic business enterprises have been established in the Sudan and the Middle East, has led some Muslim scholars to assert that an economic system based on the principles of Islamic law is feasible and viable. Islamic banks and other economic institutions were formally established in the mid-1970s and onwards. Although the first experiment with Islamic financial institutions started as recently as 1963 in Egypt, the theoretical grounds on which contemporary Islamic business is based can be traced to the writings of Islamic scholars in the 7th Century (Ahmed , 1986; Brown and Shaaeldin, 1985).

In the Sudan Islamic business started mainly from 1977 onwards. It is identified with President Numairi's regime and his book: "The Islamic Path: Why"? ; following the new orientation of the regime after the abortive communist coup of July 1971. The emergence and noticeable growth of the Islamic business enterprises is considered by some specialists as the most significant of all current developments in Sudan political economy. It is our view that the emergence of the Islamic enterprises and the concern and tension they seem to generate cannot be explained in economic terms alone. In view of the complex socio-political structures of the Sudan, this Islamization drive raises critical and thorny issues concerning its political

viability; i.e. with regard to the unity, stability and the political direction of the country. The phenomenal rise in Islamic business coincided with and gave force to certain domestic and regional political and economic processes and developments in Sudan's recent history. The interaction between those domestic and regional processes and the movement of Islamic business is the main focus of this study. To understand all implications of that interaction we intend to study in depth the non-economic dimensions, mainly the political ones, of the Islamic business movement within a picture defined by the recent evolution of Sudan political economy. Therefore, we considered the political context of the Islamic business, with its external and domestic dimensions, a researchable issue. In the following section we present a specific statement of the research problem.

## **1.2. The Research Problem**

The starting point for the problem is that the Islamic business enterprises in Sudan, and perhaps elsewhere, are not just economic or financial institutions. There are political meanings and leanings associated with them. The political meanings of Islamic business have external and internal dimensions and manifestations. Based on their experience in Sudan we try to point out all these meanings and dimensions in order to envisage the full implications of these enterprises on the social and political direction of the country. For the purpose of this study Islamic business refers to the Joint-Venture Islamic banks (banks with considerable foreign share holding) and their subsidiary companies; as well as non-bank Islamic ventures operating in Sudan. The definition also covers private concerns and services funded or set up by 'Islamic' capital and provided as personalized services on individual and/or ideological basis.

The problem of this research rests on the following assumptions:

(i) The present day application of the theory of Islamic business is urged by a political interest of immediate application to show that a modern 'Islamic State' is possible, within the context of the recent revival of political Islam.

(ii) Islamic business found support from external non-economic competitive advantages; prime of which is the evident support of the state and the political Islamists. The Islamic banks gave reciprocal support to the political Islamists. As a result, a new form of political action has emerged. The ambition of this new form of political action goes beyond the simple takeover of state power. What it wants is a wholesale change of power plus a far reaching change in society and its values. This study ventures to test the ability of this new political formation to achieve its mentioned goals i.e. its capacity to impose itself on the society and the masses.

(iii) The connection between Islamic business and political Islam is one of the most important elements in current Sudan political life. Resurgent political Islam is, and will be, part of the important indigenous equations; and thus a concern with regard to the problems of the state, national unity, and national identity.

(iv) Islamic business movement is part of a broader political strategy for cultural delinking from the West. Such delinking must have certain implications for the international dealings and relations of Sudan with the West and the outside world in general. Therefore this external dimension is an integral part to the problem of this research.

From the above it is clear that the problem of this research is to investigate and illustrate the political dimensions of Islamic business in Sudan. We need to examine the role of Islamic business and its organic bond with some political formations in sustaining and fostering the patterns of social and political problems characterizing the Sudanese divided society.

Thus , the main hypothesis of this research is that it should be quite clear that any attempt to analyze or assess the recent evolution of Sudan political economy cannot ignore the important role of the Islamic business enterprise since 1975 up to the present. This role, and its implications , is what this study sets out to explore.

### **1.3. Objectives of the Research**

In this study we attempt to provide an analysis of the political context of the Islamic business movement in Sudan since the late 1970s. The object of the study is to illustrate both the domestic and external aspects of that political context; to come to a more clear understanding of the total environment in which the Islamic enterprises work . It is also within the objective of this study to reveal the non-economic factors that might have been behind the present day application of Islamic business rules based on or derived from distant past economic thinking. The research aims at calling attention to the extent of social tensions and concern over the presence and practice of the Islamic enterprises in a society with complex socio-political structures; and to show the relevance of this to problems of national unity, government, and political direction of the country. It is clear from the above that this research focuses on the non-economic dimensions of the Islamic business movement in Sudan. The research hopes to contribute to a more realistic understanding of the matter under investigation. We undertake this research in the hope of promoting debate and creating a more clear framework within which all issues upon which the research is focused can be identified and explained.

### **1.4 Methodology and Organization**

This research adopts a historical political economy perspective. It does not see a sharp division between the study of the economy and the study of political and social forces. The Methodology of the study combines



analytical, comparative and descriptive techniques. The analysis draws upon different sources of thought and deal with a number of issues and concepts as dictated by the objectives and perspective of the research. The study describes the emergence and structure of the Islamic enterprises operating in the Sudan . In this regard comparisons are made between the Islamic and conventional banks to illustrate the status and growth of the Islamic ones over the period under consideration. The initial growth of these institutions is central to their political impact and the exchange between them and other actors in the political context. The analyses go beyond strict economic analysis to draw attention to the political negotiations and processes that Islamic enterprises are part of.

The study is divided into five chapters and a conclusion . Chapter One is this introductory chapter which defines the topic and its theoretical framework. Chapter Two provides a background analysis of the Sudan. The main socio-political and economic structures are presented as a factual background against which the impact of Islamic business is analyzed. Chapter Three describes the emergence, growth and structure of Islamic business in Sudan. In Chapter Four the relationship between Islamic finance and the rise of political Islam is explored. Chapter Five is concerned with the impact of the rise of 'political Islam' on the national question in the Sudan. The implications of this on the political direction of the country and her problems of 'national unity' and 'national identity' are highlighted . In the conclusion, the findings of the research are summarized and related to the aims and objective of the study.

### **1.5. Data : Sources and Limitations**

Relevant data for this study was collected from different sources and by different methods. Primary data was collected through personal visits to the sites and headquarters of the Islamic business ventures. Access to their

records was sought . Secondary data was obtained from official published information of the relevant firms, government units and agencies. Archival research was done at the National Record Office-Khartoum, regarding relevant events since 1975. Private interviews and discussions with accessible employees and officials of the concerned enterprises, and with concerned statesmen, were conducted to close data gaps and limitations. It is important to refer to the difficulties involved when collecting data from some managers and officials; who surround their activities with reservations and discretion. In evaluating the analysis and conclusions of this study it is necessary to bear in mind such data limitations.

#### **1.6. Theoretical Framework**

This section presents a brief account of certain conceptual and theoretical elements relevant to the problem of this study. The aim is to show the broad theoretical setting of the analysis in this study; and situate the evolution and impact of the Islamic business enterprise within this overall framework.

Major capital inflows to oil rich Arab countries, among other reasons, fostered the establishment of Islamic financial institutions; first among Arab and Middle Eastern borders then internationally (Ahmed, 1989). This is said to be a part of a broader revival of Islam and its values. The historical evolution of Islamic business enterprises could be traced to the discussion of the economic principles of Islam by Muslim jurists in the 7th Century (Brown and Shaaeldin, 1985). The recent attention to the Islamic economic institutions was related to the emergence of independent Muslim countries in the 1940s and 1950s . Following independence, some Muslim countries started a search for alternatives to the modern institutions of banking, insurance, ..etc. inherited from colonial times because they feared that these institutions were opposing to Islam. However, the concept of Islamic

financial institutions received the major boost and support from the mid 1970s onwards (Chapra,1985).

For the last two decades Islam has become a key feature of the discourse of Middle Eastern politics . In almost every place, Islamic movements are gaining grounds (Johar and Bahgat, 1996) . The growing power of Islam in the public and private lives in the Middle East can be explained by the failure of the governments to meet the expectations of the people. Many of the ruling regimes have tried to cope with the rise of 'political Islam' in the last two decades. The term 'political Islam' or 'Islamism' refers to the engagement in political activities by using Islamic concepts and calling for Islamic principles. This can be done in opposition or in government. Islamic movements throughout the Middle East have gained momentum since the late 1960s (Ibid.) afterwards , local, regional and international developments have reinforced the appeal of political Islam. To hide their socio-economic failures, many Middle Eastern regimes claimed very ambitious unrealistic foreign policy goals. For example: the liberation of Palestine, African and Arab unity , Islamic unity , the liberation of the Third World , ..etc. These missions were not fulfilled. Added to this is the repeated defeats of Arab armies by Israel. The generation of the 1970s began looking towards Islam as source of inspiration and as means of political activism (Elbeiti, 1993). The Islamists challenge the ruling elites on religious grounds. In their view, the leaders have deviated from pure Islam and some are accused of trying to destroy Islam for the sake of the super powers of the world (Johar and Bahgat, 1996). So 'Islamism' or 'political Islam' is an expression and a reflection of many crises and processes which dominate the social, economic, and political systems of the Middle East. Therefore the rise of 'political Islam' or Islamic revivalism is to be understood as a cumulative socio-economic, political , and religious process.

It represents a new approach to rebuild the economy and society in accordance with Islamic ideals and values and the needs of modern life.

Islamic Economics represents one side in this revivalism. The emergence of Islamic business is attributed to an atmosphere of global religious revivalism which is not only confined to Islam but even to other religions (Awad, 1984). This revival implied reforms on all aspects of life. Beside religious revivalism other geopolitical factors helped the emergence of Islamic business. As mentioned earlier, in 1973 and 1974 world oil prices rose sharply. In 1979 after the fall of the Shah and the Iranian revolution another jump in oil prices took place. These were years of crises for Western economies and Third World countries. In Iran, following the revolution, new Islamic financial laws were passed. The major policy objective was the Islamization of the country's institutions. Policies were set to conform to Quranic ideas and Shiaism. There was no place for '*riba*' financial institutions or transactions. The Iranian revolution and the oil crises of the 1970s were the two major factors which awaked the Muslim societies to the dangers and the challenge and threat of the West (Ibid.). According to Beshir (1982) the economic principles of Islam, without going into details, could be outlined as follows:

- (i) Business and trade activities could be undertaken on the basis of 'fair' and legitimate profits
- (ii) Prohibition of monopoly, gambling and speculation
- (iii) Prohibition of interest from all types of business transactions

The term 'Islamic economy' or 'Islamic business' is a modern term. The economic issues in Islam has been treated, historically speaking, within the framework of '*Figh al-muamalat*'. Only the legal matters were the concern of this branch of traditional Islamic sciences. Issues of trade, purchase,

ownership, ...etc. had been dealt with within this context (Ahmed, 1976). As mentioned earlier, until the mid 1970s writings on the Islamic economics were scarce; but this changed in the 1980s. The writings were much developed and became a base for political and financial practices. Islamic writers are not in full agreement over some definitions and concepts in the Islamic economic system. However there is broad agreement over basic issues.

Almost all Islamic scholars agree that Islam is a comprehensive system of life and has its distinguished institutions and principles in all areas of human life; such as politics, culture, education, morals, as well as the economy. The Quran and the leadership of the Prophet Mohammed (peace be upon him) provide the policy and guidance for a new regime containing social and political and economic policies and regulations, with a moral and spiritual injunctions in it. They all agree that Islam is a universal faith in which man differentiates between the right and the wrong (*halal and haram*) and his mission is to fulfill his obligations as '*Khalifa*' to God on earth. Islam provides an economic system in which resources are gifts from God so as to meet the essential needs of human beings and to provide decent living conditions to them. Wealth is a trust from God and one should use it properly i.e. spend it in good things. All these parts are fully integrated and no part should be taken in isolation of the other ones. Therefore Islamic guidance should govern the economic fields as well as other fields of life (Ibid.)

In the Islamic economic system the state is a representative of society and responsible for planning and controlling it. The state objectives in Islam must be the elimination of poverty, creating employment opportunities, increasing the rate of growth so as to raise living conditions of Muslim society; and must enforce the values of Islam and ensure social justice. In

Islam the absolute ownership of everything in heaven and earth belongs to *Allah* (God) alone. Individuals are allowed to invest their '*mal*' or money under conditions of respecting the restrictions imposed by Islamic Sharia'a. The owner of the '*mal*' should invest it in helping the development of the society. He is forbidden from utilizing it in harming others or acquiring it from unlawful source. Also he should not utilize it in acquiring political power to corrupt authorities (Al-Qusi, 1984). *Zakat* payment is one of the most distinguishing features of an Islamic economy. It is the corner stone of the Islamic system of distribution; and must be paid by able individuals or enterprises. The term *Zakat* appears in the Quran with regard to the payment of poor dues and as a spiritual income tax to cleanse oneself from the love of possessing and hoarding money (Ahmed, 1976). It can also be looked at as a tax on wealth. Although *Zakat* payment is obligatory on able Muslims, they should spend as much as possible in terms of "*Sadaqat*". *Zakat* is legally binding but "*Sadaqa*" is voluntary poor dues on top of the *Zakat*. Utilization of *Zakat* funds is tied mainly to welfare functions. Abdelgadir (1994) mentioned that the purpose of the *Zakat* is not just to bridge the gap between the rich and the poor; but to support the *Jihad* (Holy War) for establishing and protecting the Islamic regime that will establish comprehensive development and will solve the problem of poverty and fear. The above mentioned values plus the prohibited practices constitute the main elements of the Islamic economic system advocated by Islamic scholars since the 1970s.

When talking about the objectives of the Islamic economic system, one can recall its criticism. The major point of criticism for the theoretical part of the Islamic economic system is that it is an idealist proposal far from achieving its goals in reality; and there is no practical mechanism that may be used for fulfilling these goals. The second point of criticism is that it does

not constitute a clear systematic theory; rather it represents scattered principles. This is one of the reasons of disagreement about whether it is a socialist or a capitalist system. Every group of interest or school of thought used to give different interpretation for the religious texts in a way serving its own interest or mentality. The two major goals, of flourishing the economy and balancing the distribution of wealth and consequently bridging the gap between the rich and the poor, did not take place in places where the system has been applied for long. Another criticism is that the theories of the Islamic economic system are used as slogans to control the state and the national wealth by certain organized political groups. Whatever the argument may be, Islamic economics and Islamic business enterprises are now a fact of life interacting with economic and financial institutions all over the globe.

In the course of this section we have dealt with the political and economic side of Islamic revivalism to provide a total framework for understanding Islamic business movement. Although in this study we are primarily concerned with the political dimensions of Islamic business in Sudan, we think giving a passing reference to the economic aspects will allow better understanding of the phenomenon. However, the detailed economic and technical aspects of the Islamic enterprises is beyond the scope of this study. The Islamic revivalism itself is criticized by some scientists who are concerned about it; arguing that the Muslims are using it (revivalism) without clear and right understanding for the term itself. For them real revivalism does not mean to eliminate the living present situations but to inject the moral side of Islam in this present situation (Khalid, 1986). As mentioned before, Islamic political revivalism coincided with the accumulation of petrodollars at the hands of conservative Arab governments and rich merchants of the Gulf who began to look for profitable investment

of these huge funds. It also coincided with the calls for pan Arab effort to make the region self-sufficient in food following repeated calls in the West for the use of food weapon against the Arabs in retaliation for their use of oil weapon against USA in 1973/74 (Awad 1983). These geopolitical factors and incidents paved the way for the penetration of Arab capital in Sudan in the 1970s. Islamic business in Sudan is very much linked to this drive and the regional and international developments associated with it. Also domestic political and economic factors invited Arab and Islamic finance and contributed to the growth of political Islam. These political developments are analyzed in detail in Chapter Four and Chapter Five of this study. In the following chapter we will present a background analysis about the economy and society of Sudan that will enhance our understanding of the extent of the impact of Islamic business movement in the country.



# Chapter Two

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## CHAPTER TWO

### THE SUDAN : BACKGROUND ANALYSIS

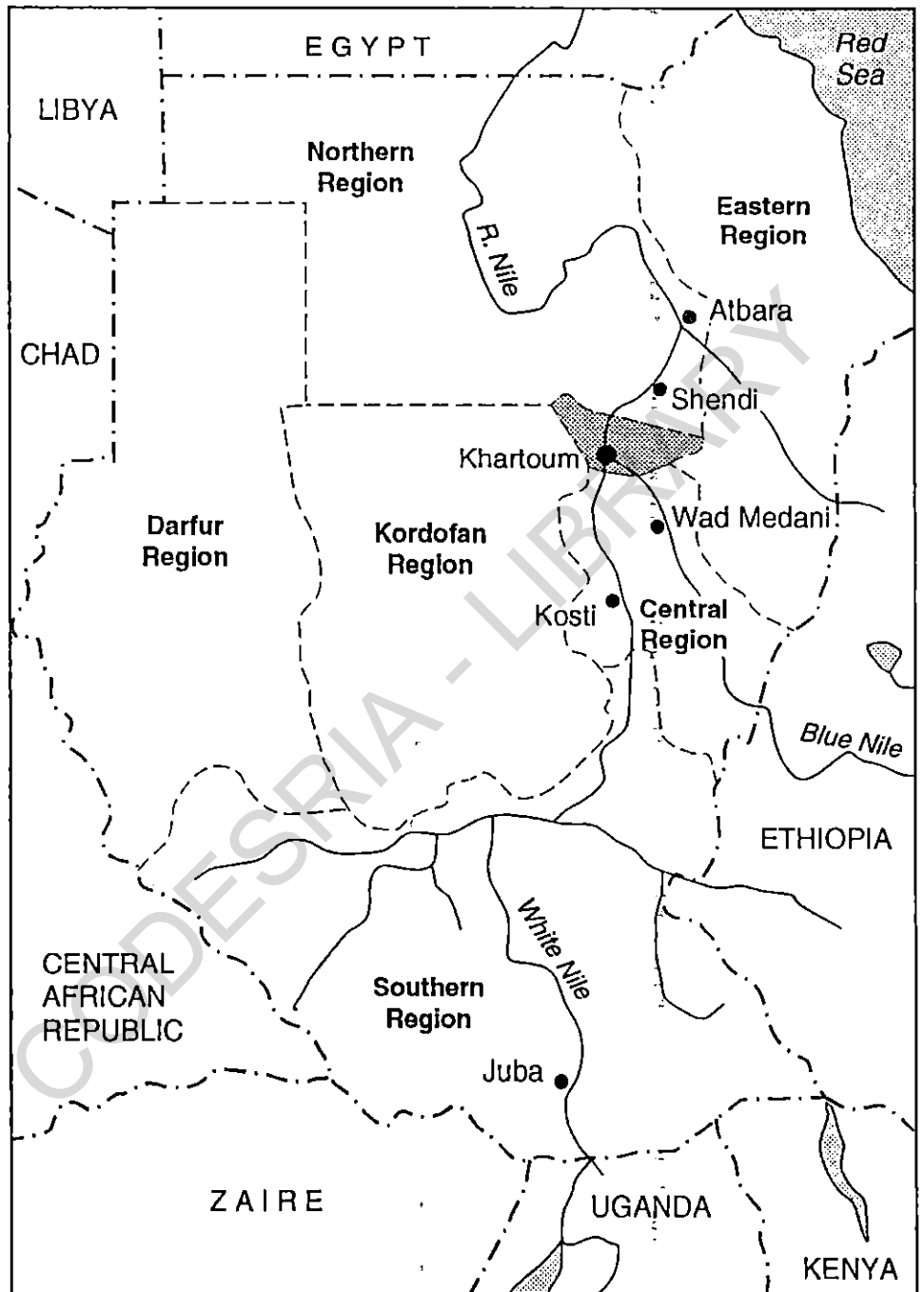
This chapter attempts to provide an account of social, political and economic features of the Sudan . It is important to recognize the totality of the political, social and economic aspects of the country when analyzing the political dimensions of the Islamic business. Of course the fullness of these aspects cannot be explained in one study. Therefore we shall limit ourselves in this chapter to the main developments and features that make the necessary background to the analysis in the following chapters .

#### 2.1 Geographical Features

The republic of the Sudan lies between latitude  $3^{\circ}53'N$  and  $12^{\circ}55'N$  and longitude  $21^{\circ}54'E$  and  $38^{\circ}30'E$ . It is the largest country in Africa and the Arab world and the tenth largest country in the world; with an area of nearly one million square miles (Lloyds, 1982). The country is bounded by Egypt on the North; Libya on the North West; Chad and Central African Republic on the West; Congo Democratic Republic, Uganda, Kenya on the South; Ethiopia and Eritrea on the South East; and by the Red Sea on the North East. Sudan is also part of the Arab world and the Middle East. It is a member of the Arab League and Organization of African Unity. The country's position in Africa and the Middle East and its access to the Red Sea make the Sudan strategically important for regional and international politics.

Administratively, the country was initially divided into nine provinces governed by provincial commissioners under the control of the Ministry of Local Government in Khartoum. In 1980 a system of regional government was introduced . At that time the country was divided into six regions and fourteen provinces and Khartoum Province was given the special status of

Map 1 : The Sudan and its regions - 1985



— · — · — International boundaries

- - - - - National boundaries

0 200 miles

the National Capital. The six regions were the Northern, Southern, Eastern, Central, Kordofan and Darfur Regions. In 1983 the South was further divided into three regions; and the number of regional provinces became eighteen. Governors of the Regions were appointed from Khartoum. However, in this study the southern Region is treated as one region. Under the present Islamic military government a federal structure was adopted for the country. Now the country is divided into twenty six states. Within these states there are 118 provinces.

Physically, the Sudan is very diverse. The North is virtually desert; the Central part of the country is Savanna grasslands; and the South is tropical jungle and swamps. There are a few groups of hills and mountains to the south, east and west of the country. The River Nile and its tributaries are the most important physical feature of the country. The Nile has two major tributaries : the Blue Nile and the White Nile, rising in Ethiopia and Uganda respectively. The Blue and White Rivers meet at Khartoum forming the Nile which cuts its course northward through Egypt to Mediterranean. The Nile and its tributaries allow extensive irrigated agriculture in the country.

The size of the Sudan means great climatic variation. The main feature of Sudan's climate is the northward movement of the rain belt; with the South having the longest rainy season, and the season becomes shorter and shorter until the far North where rainfall is almost nil. Vegetation follows the pattern of rainfalling country. In the hot and arid North agriculture is more difficult than in the more fertile South. Only in areas close to the Nile can farmers be sure of adequate source of water for their crops. Pastoralism has been the main activity in the Savanna grasslands of Central and Western Sudan. That is before the coming of mechanized rain-fed agriculture (Gurdon, 1986). Thus the geographical location and size of

the Sudan meant great physical and climatic variations. They also led to the formation of a very heterogeneous society with greater demographic, ethnic, linguistic, and religious variations. These variations have had and will continue to have considerable impact on the country's political, social and economic developments.

## **2.2 Society and Population**

According to the 1983 Population Census there are only about 21 million people in the vast area of the Sudan. The majority of the population are concentrated near the White and Blue Nile Rivers within a 200 mile radius of Khartoum (Al-Tahir, 1987). The population growth rate was estimated at 2.8% a year. About 71% of the Sudanese people live in the rural areas. The population density is about 21 people per square mile. This national figure hides regional variations. In Khartoum State, for example, the population density is about 163.8 per square mile (table 2.1). Some areas of the country are uninhabited; specially in the northern and western deserts. It mainly the area which extends south of Khartoum along the White and Blue Nile rivers to Kosti and Wadmedani that has sizable population (see map:1). This plus other factors, has led to the majority of development prefects being located in this area which has led to regional inequalities in the country.

The small population of Sudan is highly mobile. It has been estimated that as many as three million people (15%) are on the move at any one time of the year (Gurdon, 1986). They can be divided into three groups: the true nomads, the transhumants, and the seasonal agricultural workers (Ibid). In the 1983 Census it was estimated that 10% of the population are true nomads. The nomads are concentrated in the Northern and Western Regions. They are largely out of the political and economic control of the central government. In addition to the true nomads there the semi-nomadic

pastoralists of the South. Most are from the Nilotic tribes such as the Dinka and Nuer. North of them are the transhumants Baggara Arabs of South Kordofan and South Darfur. Among the mobile part of the population also are seasonal workers who migrate during the harvesting time to the large agricultural schemes; mainly in the irrigated sector. The core of these seasonal workers are settlers from West African countries who used to migrate through the Sudan on their way to Makka (Ibid). The drought and famines of the 1980s have added to the mobility of the population as people in the affected areas were forced to move in search of food and water.

The demographic problems of the country were further compounded by the refugees from neighbouring countries. The majority of refugees are from Eritrea and Ethiopia. There are some refugees from Chad and Uganda and perhaps from Congo Democratic Republic. A figure of 1.5 million is often quoted as the number of refugees in Sudan. Sudan's political relations with her neighbouring countries have been dominated by the issue of refugees (Woodward, 1987). The number of refugees, who put pressure on food, water, and security resources, is expected to decline as the internal problems in Ethiopia and Eritrea started to subside. Important also in the demographic map of the Sudan is the issue of internal refugees who were displaced and forced to leave their homes because of the civil war in the South of the country. The displaced take refuge in the bush or move north towards Khartoum.

**Table (2.1) :****Sudan : Area and Population**

Region	Area (sq. miles)	Population	Density (per sq. mile)
Northern Region	184000	1083 024	5.9
Central Region	54000	4012 543	74.3
Eastern Region	129000	2208 209	17.1
Southern Region	246000	5271 296	21.4
Kordofan Region	147000	3093 294	21.0
Darfur Region	197000	3093 699	15.7
Khartoum	11000	1802 299	163.8
<b>TOTAL</b>	<b>968000</b>	<b>2056 364</b>	<b>21.2</b>
Khartoum/Sudan	1%	9%	
South/Sudan	25%	26%	

**Source:** Compiled from Department of Statistics, Third Population Census (1983), Khartoum.

Ethnically, the people of Sudan are very diverse . There are several hundred tribes in the country. A broad distinction is usually made between the Arabized North and the South with its African groups. The first population census of 1955 identified 19 major ethnic groups in Sudan; and further 597 sub-groups. 40% of the total population are Arabs, followed by Dinka of the South (12%), the Beja of the East (7%), the Nuba of Southern Kordofan (5%), West African settlers (6%), and the Nubia of the extreme North 3% (Al-Tahir; 1987). These are the major groups plus other minor ethnic group in the North and the South of the country. The South, which is mainly African, constitutes about 26% of the population and about 25% of the area of the Sudan. The ethnic divisions have not changed very much over the years . There is no such thing as a pure Sudanese. For centuries there has been inter-breeding between the Arab and African elements. However, inter-ethnic relations are coloured by historic conflicts between Arabs and non-

Arabs. Arab demographic domination of the north is not absolute; but Arab political, economic and social dominance is evident. Dislike to Arab dominance has fostered a limited degree of unity among differing and sometimes conflicting southern and non-Arab groups. They felt the continuing Arab threat to their identity and weak social structure. The Arab group is however internally split by regional and tribal loyalties. It is also split by affiliation to various Muslim political and religious groups.

Linguistically, the Sudan is also diverse. There are over 115 languages spoken in the country including 26 major ones (Beshir, 1968). No single language is understood by all Sudanese. At the time of independence Arabic is the language of more than half of the population; and is the official language since 1956. Probably the ratio has changed greatly in favour of Arabic over time; specially in the North. Although Arabic is spreading in the North it failed to make great gains in the South. It is spoken by less than 1% of the Southern population (Al-Tahir, 1987). English is recognized as a working language in the South following the Addis Ababa agreement that ended the first civil war in 1972. The refugees added to the diversity and multiplicity of language map of the Sudan.

Islam is the official religion in the Sudan. It is followed by 70% of the population. The people of the South follow mainly indigenous animist beliefs. Christianity is followed by approximately 5% of the population. Most of the Christians are concentrated among the Dinka of the South. In the Muslim North there are pockets of non-Muslims such as in the Nuba Mountains (Gurdon, 1986). The Muslim population itself is divided into a range of unorthodox progressive sects as well as mainstream conservative groups. The relations between the Islamic sects are characterized by tension



and rivalry. The religious variation in the Sudan is always wrongly described in the divide between a Muslim North and Christian South.

The ethnic, linguistic and religious variations described above have played a significant role in making the history of the Sudan a very troubled one. These variations are very important when it comes to the relation between the Sudan and the Arab and Islamic worlds on the one hand, and between the Arab and non-Arab Sudanese on the other. This duality of Arab/Muslim-non-Arab/non-Muslim proved very difficult. It is likely to have implications on any economic or political venture in the Sudan that have Arab or Islamic colours. Hence the relevance of these societal variations to the different dimensions of the Islamic business movement in the Sudan.

### **2.3. Political Development**

#### **2.3.1. Overview**

The character and politics of the Sudan are determined by her geographic position between the Mediterranean-Middle Eastern worlds and central Africa. Since ancient times Sudan was recognized as a source of gold and slaves (Abd-Al-Rahim, 1988). In the 1820s Mohammed Ali Pasha, the ruler of Egypt, conquered the Sudan to build a Turco-Egyptian empire. His empire lasted from 1821 to 1885 when Khartoum fell to the religious warrior Mohammed Ahmed Abdalla, who claimed that he was the awaited Mahdi. The Mahdist state ruled up to 1898 when the last of its forces were defeated in the Battle of Omdurman by the British and Egyptian forces. After the defeat of the Mahdiyya an Anglo-Egyptian administration was established. Actually it was a British administration. The condominium continued from 1898 to 1956. In 1956 political independence of the Sudan was formally celebrated.

Since independence, the Sudan has had seven regimes. A parliamentary regime until 1958. In November 1958 a military regime took

over and continued until it was overthrown by popular revolution in October 1964. A civilian regime then followed and continued until May 1969. In May 1969 the military regime of Numairi came to power. A civilian/military coup in April 1985 ended Numairi's rule. Numairi's rule was followed by a one-year transitional military regime. After a general election in 1986 a civilian coalition government followed. The parliamentary regime was brought down by the present military government which took office after a successful coup in 1989. It is clear that since independence there was no stability in Sudanese politics. Successive governments under different regimes have been faced by three major problems; namely: the country's dependence on cotton as one cash crop, the problem of Southern Sudan, and search for a permanent constitution for the country (Abd-Al-Rahim, 1988). Different ideologies have been applied. In the beginning capitalism, then socialism and now Islamism. All governments and ideologies could not solve any of the problems of the country. Failure was due to the complexity of the social structures outlined earlier, and to inefficiency and corruption in government. This inefficiency limited the capacity of the state. To understand the policies of the different national administrations, a picture of Sudan political scene at the time of independence is necessary. The model which Sudan inherited from the British gave a leading role to political parties as organization bases for attaining or maintaining power. However, party politics in Sudan had never been very institutionalized beyond the necessity of a parliamentary majority (Woodward, 1990). In the following section we will look to the nature and policies, if any, of the parties that dominated the parliamentary intervals in Sudan.

### **2.3.2. The Political Parties**

In the three parliamentary regimes after independence two parties dominated the political scene. The Umma Party and the Democratic Unionist

Party (DUP) . The DUP was a merger between the National Unionist Party (NUP) and the People Democratic Party (PDP). The NUP came out from the independence struggle with the widest support among the urban merchant, commercial and bureaucratic sectors of the Sudanese society (Niblock, 1987). The NUP drew support also from rich farmers and non-business sectors. Its policies were responsive to the interests and aspirations of its commercial and bureaucratic base. Led by well-educated middle class elites, the NUP advocated private enterprise and was less enthusiastic to the calls for 'nationalization' of the economy (Ibid.) The PDP was a splinter group from the pre-independence *Ashiqqa* Party. The NUP was the other group of the *Ashiqqa*. The PDP had a sectarian base in the form of the *Khatmiyya*. The *Khatmiyya* is a sufi religious order with a large following in the North and the East of the country. The PDP enjoyed lesser support among the business and commercial groups. The party's attitudes towards foreign and private enterprise became softer when it merged with the NUP to form the Democratic Unionist Party (DUP) in the late 1960s (Woodward, 1990). The DUP had a dual leadership : a religious one, and a political one . In the last elections its programme was based on the Islamic orientation, unity of the Nile Valley and the adoption of the democratic principles (Mahmoud, 1991). The current leadership of the DUP is unclear. It is disputed between El-Mirghani family, the *Khatmiyya* spiritual leaders , and El-Hindi family . El-Hindi family is an offshoot from the *Sammaniyya* religious order.

Like the DUP the Umma Party has sectarian base. The Umma Party is the political expression of the *Ansar* religious sect. The Ansar descend from the supporters of the 19th century leader Mohammed Ahmed Abdalla who claimed to be the awaited *Mahdi*, and led the revolution against the Egyptians in the 1880s. The mass popular base of the Umma Party is made of tribal chiefs, nomads, peasants, *etc.* who are the core of the Ansar sect.

The Umma Party got the bulk of its support from Western Sudan. Since its formation in the late 1940s the Umma Party has been led by El-Mahdi family. However, after the *Intifada* of 1985 and before the general election of 1986 there were more acute differences among the Mahadi's family over the leadership of the Umma Party. The differences and conflicts were confined to Sadiq El-Mahdi, his uncle Ahmed El-Mahdi, and his cousin Waliaddin El-Mahdi. Sadiq El-Mahdi was victorious in this family rivalry and became leader of the main faction of the Umma Party. Sadiq was appointed as Prime Minister following the 1986 general election (Ibid).

Before independence the Umma Party had developed warm relations with the British Government. The power rivalry between the Umma and the Egyptian supported NUP made the Umma resort to and rely on British support to counteract the Egyptian support of the NUP. The Umma was, therefore, not hostile to British business and interests in the Sudan. The Umma Party supported the popular call for Sudanization of trade and commerce after independence. But ideologically it is committed to free enterprise and private ownership. In 1986 the Umma adopted the "Islamic Awakening Programme" which meant the party is joining the fashion of political Islam and departing from its historical liberal path. On the other hand, the DUP announced its programme for the 'Islamic Republic' in 1986 also. The history of rivalry between the Umma Party and the DUP is in fact the history of the opposition of the Ansar sect to the *Khatmiyya* sect. This latter rivalry dates back to the 19th century, when the leaders of the *Khatmiyya* sufi order were persecuted, along with other notable sufi men, by the Mahdist state; specially during the rule of Khalifa Abdullahi the successor of El-Mahdi. The *Khatmiyya* religious leaders were forced to flee the country into Egypt and other neighbouring countries. Some of them returned to Sudan after the reconquest of Khartoum in 1898. However, time

had ironed these rivalries and hostilities between the *Ansar* and the *Khatmiyya*, and there were only minor word-skirmishes between the leaders of their parties (the Umma and the DUP) near the end of the 20th century. So, they entered into coalition governments many times since independence (Mahmoud, 1991).

Beside the main sectarian parties there were regional parties. Before and after independence a number of political parties were formed in the South of Sudan. The top aim of the Southern parties was to get federalism for the south. Because they were occupied with seeking a solution to the Southern problem the Southern parties had no clear socio-economic programmes; and they did not show concern for matters relating to the national economy (Elbeiti, 1993). Another important party at the time of independence was the Sudanese Communist Party (SCP). This party was formed in 1946 under the name of "The Sudanese Movement for National Liberation". The aim of this movement was to get rid of any foreign influence or domination in the Sudan. The first congress of the SCP was held in 1950 (Mahmoud, 1991). After independence the parliamentary weight of the SCP was small but effective. Unlike the sectarian parties the SCP was well organized and had strategic support in the Trade Unions movement. It also had support among students and intellectuals. The SCP's programme for the economy is based on its Marxist ideology. The SCP is against foreign enterprise and private enterprise. In view of the collapse of communism in the former Soviet Union and East Europe, and in view of the Islamization policies in Sudan, the future of the SCP is uncertain. Although the SCP is small, it influenced Sudan's economy dramatically when its programme was implemented in the first phase of Numairi's regime. After its abortive coup of 1971, Numairi's regime struck hard at it and executed its leadership. Beside the SCP there are a number of other leftist political

groups which do not differ sharply from the SCP, and with little following outside the intellectuals.

The above account of the main political parties that dominated the stage in parliamentary governments before and after independence explains the basis of the parties and the nature of the state they formed. Islamic sects provided the basis on which the two main parties were founded. Political activity of national nature remained mainly an urban activity; but the bases of support necessary for electoral success were the rural areas where sectarian support was the largest single factor in elections. The Islamic sects themselves had tribal, ethnic, and class linkages (Woodward, 1990). The state which the sectarian parties used to control became closely associated with tribal leaders, religious leaders, landowners, major merchants and urban notables who were the dominant social forces (Niblock, 1986). With the exception of the leftist parties, all political parties favoured a free enterprise system and welcome foreign investment. This attitude was reflected in investment promotion policies during most of the period from 1956 to 1985 (Elbeiti, 1993). After outlining the nature of the dominant political parties in parliamentary regimes, a special analysis of the political development during 1970-1985 is due. First, because it is the longest national rule ever since the Mahdist revolt in 1885. Second, because of its direct relevance to the emergence and growth of Islamic business enterprise in the country; and its direct bearing to the emergence of a new level of political Islam different from the politics of the Islamic sects upon which the traditional parties were based. The Numairi regime lent momentum and support to Islamic finance and 'Islamic fundamentalism'. This latter development in Sudanese politics, which we consider critical in terms of political direction and in terms of the nature and existence of the Sudanese state is analyzed in detail in Chapter Four. That is why we did not mention

the “Muslim Brotherhood” - a fundamentalist political group - in our above description of the political parties. This is also because the Muslim Brotherhood as an effective political force appeared only during the Numairi regime. Before that its direct contribution to the national politics was small. In the Brotherhood’s relationship with Numairi’s regime, and the strength it built through this relation, lies its significance to the analysis of the place of Islam in a modern multi-religious multi-cultural Sudan. The relation between Islamic business and Islamic fundamentalism - as a political programme - is central to such analysis.

### **2.3.3. Numairi Regime**

The Numairi military regime lasted from May 1969 until April 1985. It is the longest government after independence. From May 1969 to July 1971 the regime followed very radical policies. Numairi declared commitment to a programme of “Sudanese Socialism”; inspired in that by Nasser’s example in Egypt (Woodward, 1986:). Numairi’s regime had no social bases. It sought the support of the communists against the traditional parties. A close alliance was made between the SCP and the new military rulers of the country. The military decided to work with left and like-minded civilians to build a base of popular support. The Sudanese Socialist Union (SSU) was thus founded. It was modeled on the Arab Socialist Union of Egypt under Nasser (Abd-Al-Rahim, 1988). The support of the communists had an impact on foreign policy. Relations were made with the then USSR, China, and East Europe. Military and economic aid started to come from these countries (Khalid, 1985). In late 1970 the communists objected to the idea of unity between Sudan, Egypt and Libya. The communists and the regime also disagreed over the establishment of the SSU; because the communists thought it would replace not only the banned sectarian parties, but also the SCP itself (Woodward, 1986:). The disagreement led the

communists to stage a military coup in July 1971 which failed after three days. Numairi purged the communists afterwards and a new phase of Numairi's regime started.

Naturally, the second phase of the May regime started with cooler relations with the then USSR and the communist block who supported the communist coup. The regime started to improve its relations with the USA and Western European countries. Internally, the regime concluded the important Addis Ababa Accord with the Southern rebels in 1972. The long conflict between South and North was settled on the principle of regional autonomy for the South within a united Sudan. Keeping the Southern Region into Sudan was difficult; because armed civil conflict was resumed in the South in 1983 by the Sudanese Popular Liberation Movement (Niblock, 1987). However, in this phase of the regime there was gradual relaxation of the radical ideological commitments and a more pragmatic approach for the economic and social development of the country. The measures of nationalization and confiscation applied in 1970 were canceled. Laws to encourage foreign capital were passed. Arab capital started to attract attention of the policy makers. In this phase the strategy to link Arab petrodollars with the huge agricultural potential of the Sudan was adopted.

In 1973 a permanent constitution was drafted and adopted; and the Sudan was declared a presidential republic. Up to 1977 the regime showed great determination to exclude the leaders of the traditional parties and their supporters from the political stage. Because it was in confrontation with the communists and the traditionalists, the regime relied heavily on 'technocratic neutrals' to run the government. The technocrats were appointed mainly on their technical competence (Niblock, 1986). The traditional parties and the Muslim Brothers formed a National Front (NF) which operated as opposition in exile. The NF made many attempts to overthrow Numairi by



force. The more famous one was the invasion from Libya in July 1976. The invasion failed because of internal disputes and conspiracies among the leaders of the different factions in the NF. Afterwards both the regime and the NF favoured peaceful resolution to the conflict between them. The 'National Reconciliation', as it was called, was made in 1977, and the leaders of the NF returned to the country. They were appointed by the President as cabinet ministers or senior officials in the SSU. Externally, the policy of 'National Reconciliation' was seen as a great success for the regime. It showed its ability to survive and enhanced Numairi's international image. However the National Reconciliation of 1977 was short-lived; because the conditions attached to it were not met, and because of Numairi's support for Camp David accord between Egypt and Israel in 1979 (Abd-al-Rahim, 1988). After this accord Egypt became isolated in the Arab world. In the 1980s the regime moved towards closer relations with Saudi Arabia and the Gulf states. The main reasons for this was the deteriorating economic situation and Sudan's need for more loans and grants. The reality of the National Reconciliation was that it started the decline and disintegration of Numairi's rule.

With the return of the leaders of the old parties sectarianism came again and increasing calls for greater role of Islam in the Sudanese society. This led to a growing conflict with the South. The problem with the South was complicated by the introduction of Sharia's law in September 1983. These laws were met with rejection by some Muslims and non-Muslims. The Muslim Brothers continued to support Numairi and his Islamization measures. Although the Muslim Brothers differed with Numairi in the last months of his rule their alliance with his regime from 1977 helped them to make great institutional gains till they became a considerable political force as explained later. The relative freedom of speech and political dialogue that

resulted from the National Reconciliation weakened the SSU. The SSU was infiltrated by the old parties. Discipline in the SSU began to decline. The true members of the SSU felt let down by the regime. Corruption set in and became the culture of the workings of the state (Khalid, 1985). The style of Numairi's rule became increasingly repressive. Disastrous policy decisions were made. The Southern region was divided into three separate regions and the Southern conflict was allowed to resume as mentioned earlier. The regime became more isolated and more repressive and was left only with its security forces who were harsh enough for the Sudanese political mind and attitudes. Numairi, in 1985, cracked down on the Muslim Brothers and softened his line on the Islamization issue following pressure from the USA. This did not help stop the discontent and opposition. The Sudanese took to the streets following the removal of subsidies of basic food stuffs and petrol. The riots developed into organized protest led by unions, students, and professionals. The army took control of the country on the 6th of April 1985, and Numairi and his aides were sacked. Thus the regime of Numairi was brought to an end. Power was transferred to the people in the general election of 1986. The democratic regime did not last long. It was brought down by the present rulers in a coup in 1989. The Military junta was supported by the political Islamists who are now in effective control of the country.

The above description of the Numairi years is important to the purpose of this study. It shows the domestic and international aspects that influenced the state and its policies. By showing the shifts in policy and the unstable nature of the regime we can understand the environment in which it carried out its policies; specially with regard to Islamization and its alliance with the Muslim Brotherhood, and the relevance of all that to emergence and growth of Islamic business and political Islam in the Sudan. Whatever the

political forces and factors that brought down the regime, Numairi's fall had its main roots in the economy. In the following section we will give a brief account of the evolution and features of Sudan economy.

## **2.4. The Economy**

### **2.4.1 Structure of Production**

Ali (1982) stated that the Sudan, at the time of independence, had all the characteristics of a dual economy. There existed a 'modern' sector created by the imperial state. The 'modern' sector is made up of irrigated and mechanized agriculture, light industry and the related trade and infrastructural facilities. On the other hand there existed a traditional sector where subsistence agriculture and nomadism prevailed. This dualistic nature of the economy continued to be the main feature of the economy. However, the separation between the two sectors is not absolute. The two sectors are overlapping and interacting over time. The traditional sector is no longer isolated from the domestic or the international market (Kursani, 1983). That is to say the technologically traditional sector has been and is now involved in the production of exportable goods which keep the whole economy going.

Agriculture is the backbone of the economy; providing over 95% of total export earnings and employing around 80% of total workforce. Agriculture contributes over one-third of gross domestic product; and generates economic activity in many other sectors, specially transportation, distribution and processing (Elfaki, 1992). The agricultural sector is divided into two distinct subsectors: the irrigated area which is around one-fifth of total cultivated area, and the rainfed sector. Agricultural potential remains considerable in the Sudan with less than 10% of the total cultivable area now being used productively.

Export crops, namely cotton, cotton seeds, groundnuts, and sesame, are grown chiefly in the irrigated areas, notably cotton which is the

country's principal export . However, productivity in the irrigated sector substantially declined towards the beginning of 1980s. The largest irrigation scheme in the world is situated in Sudan, namely the Gezira, covering almost 900,000 hectares between the Blue and White Niles (Ibid). The causes of decline in agricultural productivity were a poor incentive scheme for smallholders producers, poor maintenance of the irrigation system and frequent shortages of supplies of agricultural inputs . The other major irrigation schemes in Sudan are at Rahad, in east of the country, and at New Halfa, northeast of Khartoum. The Jongolei canal project which link, via a canal, Jongilei and Malakal on the White Nile in the South, would provide an irrigated area which will bring some 125,000 hectares of land under cultivation (Elfaki 1992). Substantial progress has been made on this project up to early 1984 when work was suspended because of the civil war in the South.

Manufacturing industry is concerned largely with the processing of agricultural products and is on fairly recent date. Manufacturing of import substitutes started only since 1960. Manufacturing industry accounts for about 9% of GDP and employs around 4% of workforce. The basic problems which characterize many industries in Sudan are inadequate infrastructural raw materials, and lack of trained manpower and managerial skills. This has led to capacity utilization of less than 50% throughout the industrial sector. The sugar and oilseeds industries are the largest part of the agricultural processing sector, with the Kenana Sugar Complex the largest single project. Characteristic of industrial development in Sudan is the concentration of over 70% of the industrial development in Khartoum State (Ibrahim, 1990). Khartoum is the largest market in the country and facilitates access to services and government departments. Khartoum and the Central Region account for 70% of total manufacturing production (Ibid) . A

detailed account of the development of the Sudanese manufacturing sector, nor that of the agricultural one, is clearly not the aim of this section. We just stress here the overall composition and evolution of GDP and the relative importance of these two sectors; so that the signals of the historical structural crises of the economy would become clear. The contribution of commerce and services ranks second to agriculture (Table 2.2). This could be due to the relative improvement in the transport network. The inadequate transport system in Sudan has been a major bottleneck in the development of the economy. An expansion in road transport took place during the 1970s. A number of all weather highways were constructed at the expense of the deteriorating rail network. The mining sector of the economy makes a small contribution to GDP. However, mineral resource potential is great; as numerous deposits are shown to exist (Ibrahim, 1990; Elfaki, 1992). The following table shows the composition of Sudan GDP up to the middle of the 1980s and the end of the Numairi regime.

**Table (2.2):**

**GDP Composition by Economic Activity  
(1979/80-1984/85) (percentage)**

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
Agriculture	35.4%	35.6%	34.0%	30.8%	29.6%	28.2%
Commerce	21.3	22.0	22.2	23.4	23.2	23.4
Manufacturing and Mining	07.7	07.6	07.8	08.4	08.7	09.2
Transport and Communication	09.6	09.8	10.7	10.0	09.9	10.1
Construction	04.3	04.3	04.6	05.2	05.6	05.5
Electricity and Water	01.8	01.9	01.9	02.1	02.2	02.3
Government Services	11.3	10.3	10.1	10.7	10.8	11.5
Other Services	08.6	08.5	08.7	09.4	10.0	09.8
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Source :** Bank of Sudan, Annual Reports; 1984,1985.

#### 2.4.2 Foreign Trade and Balance of Payments

The overall picture of the Sudanese foreign sector is that of chronic deficit in its balance of trade and balance of payments. Sudan's exports earnings are mainly determined by a single crop as mentioned earlier. This explains how the economy is exposed to price fluctuations, competition of substitutes and changes in demand for cotton. Due to internal and natural conditions the country experienced deterioration in crop yields. The import bill of the country has shown a terrible increase over time because of international inflation and because of the increase ~~of the increase~~ in the volume of imports to meet the rising internal demand. The 1970s witnessed serious crises in Sudan's balance of payments. The crises continued into the 1980s and 1990s. The collapse of export earnings was the main reason for the balance of payments crises. Between 1970-1980 imports grew at the rate of 21% in value terms. This was because of the increase in world prices of manufactured goods and the prices of crude oil. Thus a foreign exchange problem was created. To meet the deficit successive governments resort to borrowing and foreign capital. By 1984 Sudan's foreign debt was around US\$ 8 billion (Brown, 1988).

In 1979 Sudan made an agreement with the IMF in an attempt to bring the deficit under control. The Sudanese currency was devalued many times since 1979. A programme of austerity was imposed on the country. The programme had political costs. It led to the popular uprising which helped overthrow Numairi's regime in 1985 as stated earlier. Sudan was caught into a cycle of increasing debt and declining production. The foreign sector remained unbalanced (Niblock, 1987). The involvement of the IMF is made possible by the internal shifts in the ideological orientation of the Numairi regime; i.e. from socialism to capitalism. With these shifts the role of the state has been shifting from engagement in direct production

(nationalization or state owned industries) to providing services and infrastructures as required for the open door policy to attract foreign capital. A new formula has been designed for the participation of the state in production. That is of partnership with foreign capital (El-Hassan, 1985). The emergence of this joint-venture strategy between the state, Arab and foreign capital became the main feature of the late 1970s and early 1980s. It is at this time that Islamic business began to feature in the economy. Islamic investment is part of the Arab investment. There are differences, however, between the rules and the motives behind the Islamic and non-Islamic Arab investments.

In the course of the above discussion we provided geographical notes about the Sudan and described the main political and economic developments; specially during the Numairi regime. As mentioned earlier Islamic business in Sudan is identified with this regime. The purpose of this chapter is to show, by way of background, how certain domestic political and economic developments paved the way for the penetration of Islamic business enterprise in the Sudan in the 1970s. This development, we assert, have fostered the growth of 'political Islam' in the country with far reaching local and regional implications as explained later. In the next chapter we will discuss the emergence and structure of Islamic business enterprise in Sudan.

# Chapter Three

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## CHAPTER THREE

### EMERGENCE AND STRUCTURE OF ISLAMIC BUSINESS IN SUDAN

#### 3.1 Definitions

In this chapter we will give a historical account of the emergence and structure of Islamic business in the Sudan. Islamic enterprises started with Islamic banks. As mentioned in Chapter one, Islamic banks emerged and were formally established in the mid-1970s in the Middle East. The philosophy of Islamic banking or Islamic business is principally centered on the prohibition of *Riba* and interest but what constitutes *Riba* has been subject of debate among Muslim scholars for a long time. *Riba* or usury is defined as any excess, guaranteed amount over a guaranteed loan where money itself is the object of the transaction. Literally *Riba* means increase, addition, expansion and growth. There are several objections to interest payments. One of them is based on grounds of equity; it seems that it is the poor and needy who are often forced to borrow, whereas the rich have surplus funds to save and this penalizes the poor and benefits the rich. The other objection is that interest corrupts the recipient. It is viewed as unearned income and reward without productive effort and so it may be tempting to rely on an unearned income rather than working for wages and salaries. In Islamic Economics the emphasis is on the importance of labour. Muslim economists consider time value less without productive labour. It is the worker's contribution to society which has value, and not time spent working (Ahmed 1976).

Muslim economists introduced the profit and loss sharing (PLS) system as a substitute for interest or the conventional banking system. This PLS system protects Muslims from *Riba*. The Basic idea of PLS is that

instead of a fixed predetermined interest rate, the parties to a financial contract (The bank and its depositors and borrowers) agree in advance to a portion of profit if any success occurs and to a portion of liability if any losses occur. The Islamic banks have devised their own tools and procedures to do their banking activities based on the Islamic principles outlined earlier. In the light of this, the Islamic banks may acquire funds from the public in the form of deposits, render bank services, and use funds in profitable business. Islamic banks deposits can take the form of current, saving or investment accounts. The current account is operated in the same way as in the conventional banking system. In the saving accounts customers can deposit their savings, but the bank pays no return to savers. The bank, however, guarantees return of funds in the saving accounts on demand. In the investment accounts depositors authorize the bank to invest their money in any of its projects, or any particular project chosen by a depositor. The bank will give share to account holders from the profit/loss of the investment projects, according to an agreed percentage. The Islamic bank cannot earn interest by lending money; therefore it has to undertake investment to earn profit; not only for the bank itself but also for the holders of the investment accounts. Without going into technical details, the investment procedures devised and adopted by Islamic banks can be outlined as follows:

**(i) Independent Investments.**

The Islamic bank can use its own funds (capital) and make its own investment by developing its own projects and financing them itself. The Islamic bank can also invest in shares of different companies or in other commercial activities based on Islamic Law.

(ii) *Musharaka* Investment.

In this contract the Islamic bank enters into a partnership with a client in which both share the equity capital - and perhaps even the management - of a project or deal, and both share in the profits or losses according to their equity shareholding.

(iii) *Mudaraba* Investment.

In this contract an Islamic bank lends money to a client to finance a project. In return the bank will get a specified percentage of the project's net profits. The bank contributes the full finance for the project and the client contributes his labour and skills. Profits are shared between the two sides; but losses are borne by the lending bank. Obviously, only borrowers enjoying the greatest confidence of the lending institution would be extended *mudaraba* financing.

(iv) *Murabaha* Investment.

*Murabaha* transactions cover commercial finance agreements, usually short-term. Under this contract, the bank purchases the materials or goods desired by a borrower and sells the goods to the borrower on an agreed date at a profit. This return is based on the risk the bank undertook when it first bought the materials, and became actual owner of them, and the possibility of loss or devaluation of the assets; in addition the customer has no obligation to buy what the bank has bought on his behalf. These contracts are the most widely used in Islamic banking as will be shown later.

(v) *Muqarada* Bonds.

This technique allows the Islamic bank to issue Islamic bonds to finance a specific big project. Investors who buy *muqarada* bonds take a share of the profits of the project being financed, but also share the risk of low profits or even losses. The basis of these bonds therefore is a participation contract.

(vi) *Ijara* and *Salam* Financing.

*Ijara* transactions cover leasing and hire-purchase (installment-loan) arrangements. Islamic leasing works essentially the same way as Western leasing: the lessee receives use of equipment, though the lessor keeping ownership. In return the lessor receives prearranged payments over the life of the equipment or contract. This technique as applied by Islamic banks include the requirement that the leased items be used productively and in ways permitted by Islamic law (Khouri, 1987). The *Salam* financing technique is similar to future or forward-purchase contract. In this contract a buyer (the bank) pays in advance for a specified quantity and quality of a commodity, deliverable on a specific date, at an agreed price. This technique is particularly applicable to seasonal agricultural purchases, but it can also be used to buy other goods in cases where the seller needs working capital before he can deliver (Ibid).

(vii) *Qarad-Hasan* (Benevolent loans).

Islamic banks can provide benevolent loans. The objective of these loans is to produce benefits for the general public or for charity. There is no interest or return on these loans. The criterion for advancing these loans is : the specific credit needs of the borrower, the social priority attaching to the enterprise, and in some cases the nature of the security against the loan.

Beside the above main techniques of modern Islamic finance, some of the Islamic banks undertake insurance as a subsidiary business of their organization. This insurance is a cooperative insurance. All losses have to be borne by the participants (policy holders) on a cooperative basis. The participants will share the profit arising out of the investment of the premiums. Islamic banks also can provide chargeable services. These are services the bank provide on a fee, commission, or fixed charge basis, which are not similar to interest charges. Examples of these services include

safeguarding of valuables, acting on behalf of customers to buy or deliver goods, offering advice or constancy services, ... etc. These charges are permitted because they are paid for a service that involves effort or work on the part of the bank (Beshir, 1982). These services are an important source of profit to the Islamic banks; but the main source for them is to make capital available to those interested in business on the different arrangements outlined above. As mentioned earlier, profit and loss sharing is the main feature of all these activities. After this conceptual background, we now turn to illustrating the emergence and structure of Islamic business as started in the Sudan.

## **3.2. Emergence and Structure of Islamic Business**

### **3.2.1. Faisal Islamic Bank of Sudan**

Historically, the first modern Islamic enterprise established in Sudan is Faisal Islamic Bank of Sudan (FIBS). After an agreement between Sudan government and Prince Mohammed El-Faisal of Saudi Arabia in 1976 the bank was launched carrying the name of the late King Faisal . It started business in 1978; after a special Act was passed by the People's Assembly in 1977. The share capital of FIBS was divided between Saudi and Sudanese nationals at the beginning; and later shareholding was opened to other Arabs. According to O'Neil (1983) the bank's profits exceeded 45 million dollars by the end of its first year in business. However, the bank started operations under suspicion and opposition from one part of the Sudanese community, and support and enthusiasm from the other. From 1978 to 1982 FIBS was the only Islamic bank. During this period the experience of FIBS was a case of commercial growth and profits. This growth story over its first four years of business is clear from the following tables:

**Table (3.1):**

**Growth of FIBS Deposits (1979-1982) (Ls.000)**

	1979	1980	1981	1982
FIBS Deposits	22,000	50,000	102,000	302,000
As % of Total Banking Deposits	4	7	12	15

**Source:** FIBS, Annual Reports 1980, 1981, 1982, Brown (1985).

**Table (3.2) :**

**Growth of FIBS Profits (1979-1982) (Ls.000)**

	1979	1980	1981	1982
Profits (before Zakat)	1,050	2,600	10,300	12,200
Net Profits/Share Capital	29%	58%	101%	110%

**Source:** FIBS, Annual Reports 1980, 1981, 1982, 1983.

From the above tables it is clear that in the first four years of its establishment total deposits of FIBS increased almost three times. Profits of the bank for the same period were significant. Up to 1982, FIBS was growing fast. In the light of this growth experience other joint venture banks started operating in Sudan on the same Islamic basis as FIBS. A brief discussion of the ownership and structure of the other Islamic banks will be provided later. Analysis of the status of the whole network of Islamic banks in relation to the historical development of Sudan's financial structure will also follow. FIBS is considered at relative length in this section because its emergence and growth encouraged, with other internal and external developments, the penetration and establishment in the Sudan of other firms and other organizations that have Islamic and Arab labels.

As an organization FIBS was made up of the general assembly of the shareholders, a Board of Directors, and a Sharia's Supervisory Board to ensure that the bank would operate according to and seek to promote the economic principles of Islamic Sharia'a mentioned earlier. With its Head

Office in Khartoum, the FIBS has many Capital branches and branches in the different regions of the country. FIBS established a number of subsidiary companies with 100% ownership over them; namely: the Islamic Insurance Company, the Islamic company for Trade and Services, and the Real Estate Development Company. The bank also owns share capital in other Islamic ventures. Under the FIBS Act, the bank was exempted from laws regulating service and post-service benefits and laws regulating insurance. Also the bank was exempted from the Auditor General Act and from the sections of the Central Bank Act concerning determination of bank rates, reserve requirements and restrictions of credit activities. Under the FIBS Act, the bank enjoyed further privileges. The property, profits, and deposits with the bank are exempted from all types of taxation. Also salaries, wages, and pensions of all employees of the bank as well as members of the Board of Directors and the Sharia'a Supervisory Board, were exempted from taxation. All dealings and movements of capital funds of FIBS and its deposits in foreign currency were exempted from the foreign exchange control regulations. Furthermore, the property of the bank should not be subject of confiscation or nationalization; and the funds deposited with the bank shall not be confiscated except in accordance with a judicial order. These exceptional privileges are not normally afforded to other commercial banks. Due to these concessions the FIBS has grown steadily into a giant institution.

The declared policy of the bank was that it will promote the interests of Sudan's growing class of small capitalists whose past development has been effectively retarded and frustrated by the dominance and monopolization of commercial banks' credit in the private sector by traditionally powerful merchants (Hamdi, 1984). Many objections and criticisms were directed to FIBS financial practices and privileged status.

Objections were more likely to come from those strata who would be most threatened by the economic and political gains that are likely to be made by those whom the bank is promoting economically and with whom it is identifying ideologically. As mentioned earlier, the emergence and fast growth of FIBS, together with domestic and external developments, has encouraged and justified the establishing of other Islamic and Arab enterprises. The drive went on in an interrelation between the state, Arab capital and the political Muslim Brotherhood until it culminated in the Islamization of the state apparatus, the imposition of sharia's law in 1983, and the total assumption of power by the Muslim Brotherhood in 1989; as will be explained in the next chapter. It is this wider political implications of Islamic finance we are focusing on in this study. The political programme of the Muslim Brotherhood as applied in reality is the most far reaching development ever as far as the political direction of the country is concerned. Before we go into the political implication of Islamic business we will refer to other Islamic banks and companies in the country, and later we will present the status of Islamic banks in the Sudanese banking sector until 1986; the year after which the Muslim Brotherhood became a major competitor for power during the third democratic regime (1986-1989) and later the movement assumed total power after the military coup of 1989, and their total Islamization of the state began.

### **3.2.2. Other Islamic Banks**

Along the same basis of FIBS, but with little concessions, a number of Islamic banks were established in the early 1980s. Tadamon Islamic bank (TIB) was established under a separate Act in 1981. It started business as a joint-venture public company in 1983. The authorized capital of the bank was US\$50 million. The share capital of this bank is divided between Sudanese and Arab investors. 5% of the prescribed capital of this bank is



owned by Faisal Islamic Bank (FIBS). The main shareholders in Tadamon Islamic Bank (TIB) were FIBS, the Kuwait Finance House, Dubai Islamic Bank, Bahrain Islamic Bank, Arab private investors and companies and Sudanese promoters. The administrative structure of TIB is similar to that of FIBS. The Head office is in Khartoum with branches all over the country. TIB established its own subsidiary companies. These companies are Tadamon Islamic Company for Services, Tadamon Islamic Company for Trade and Investment, Tadamon Islamic Company for Agricultural Development, Tadamon Islamic Company for Insurance, and Tadamon Islamic company for Real Estate Development. In addition to its banking activities and its companies activities, TIB has shares in the Islamic Development Company (Sudan), Islamic Banking System (Luxembourg) and in the Islamic Bank for Western Sudan. Like FIBS, TIB ownership is multinational. It is owned by a group of Islamic banks and private investors coming from the same region and having common ideology. Shareholding in TIB is restricted to Muslims. In other Islamic banks shareholding is not restricted to Muslims.

The Sudanese Islamic Bank (SIB) was established in 1982. It was a public joint-venture company. The authorised capital of this bank was U\$20 million. The share capital of the bank was divided between Sudanese investors and Arab investors. In the same fashion of FIBS and TIB, the SIB established its own subsidiary companies, namely: the Sudanese Islamic company for Commerce and Investment, the Sudanese Islamic company for Housing and Contracting, the Sudanese Islamic Cooperative Insurance Company and the Sudanese Islamic Company for Agricultural Services. In addition the SIB subscribed shares in the Islamic Development Company (Sudan), Al-Baraka Islamic Bank (Sudan) the Noth Islamic bank (Sudan),

x

the Islamic Bank for Western Sudan and in the Information and Management System Company.

Following the same line, Al-Baraka Islamic Bank was established in Sudan as a joint public company. It was the idea of Sheikh Salih Al-Kamil (a Saudi business man) a share holder in the SIB and major owner in a group of Al-Baraka Banks in the Gulf. The paid up capital of this bank was US\$40 million. The capital is shared by Sheikh Al-kamil, the SIB and other private investors. It started business in 1984. The AIB established two subsidiary companies; namely: Al-Baraka Company for services, and Al-Baraka Company for Agricultural Development. The process went on and in 1984 the Islamic Bank for Western Sudan (IBWS) was established in Khartoum as a public joint-venture company. The main shareholders of IBWS (now the West Islamic Bank) were the Faisal Islamic Bank of Egypt, FIBS, TIB, and SIB. At that time Sudan government was thinking of turning all other banks into Islamic banks. In this process a public bank was established, namely: The Development Co-operative Islamic Bank (DCIB). Its capital was subscribed by the Sudan Government (Ministry of Finance) and the Co-operative Sector (The National Co-operative Union). The DCIB was totally owned by the Sudanese public and private capital. However, ownership in share capital was open to foreign Arab and Islamic interests, as was in the Bank Act of 1982. The North Islamic Bank (NIB) was established in 1990. FIBS and TIB own shares in the NIB. The government of the Northern state also subscribed to the capital of this bank, together with Arab and Sudanese investors.

### **3.2.3 Non-Bank Islamic Enterprises**

Beside the Islamic banks other companies were established to work on Islamic principles. The Islamic Development Company (IDC) was established in 1983 under the Sudanese Company Act of 1925. Its activities

cover agriculture, industry, transport, and mining. It can also establish and own subsidiary companies all over the world. Its nominal capital was US\$ 1 billion. This capital was divided between Arabs and Sudanese in a ratio of 6:4 respectively (Elbeiti, 1993). Its paid up capital was US\$100 million. It was divided along the above ratio also. The main shareholders were Saudi, Kuwaiti and Sudanese companies and businessmen. Four of the Islamic banks operating in Sudan own shares in this company, namely: FIBS, SIB, TIB and the IBWS. The second non-bank Islamic institution established in Sudan was the Islamic company for Investment (ICI). It was a joint-venture company between the FIBS and Dar-al-Mal-al-Islami (DMI) (Islamic Finance House) on a 50:50 basis. DMI is a giant Islamic finance house with institutions and branches around the world. It is based in Geneva. It was founded and Mainly associated with prince Mohammed Al-Faisal of Saudi Arabia. As mentioned earlier, this Saudi Prince is the founder of FIBS; and Chairman of the International Association of Islamic Banks (Khouri, 1987). Under the joint ownership of FIBS and DMI, the Sudanese Islamic Company for Investment started operations in 1984. It is entrusted to do business by issuing *Mudaraba* certificates, and investing the money it receives locally and internationally; according to Islamic Law. It is important to note that among the main shareholders of DMI, beside members of the Saudi Royal Family, are the former President Numairi of Sudan (1969-1985); Sadiq El-Mahdi, prime minister of Sudan (1966-67, 1986-89), and Hassan Al-Turabi, Leader of the National Islamic front (Muslim Brotherhood) and a famous supporter of President Numairi over the last eight years of his sixteen years rule (Khalafalla, 1981). Beside these Islamic banks and formal companies, a number of enterprises appeared carrying Islamic names or banners. Some of these enterprises are for economic purposes and some are for charitable, social and religious purposes. They

all share the enthusiasm for the Islamic names and the Islamization policy. Islamic names will attract customers with religious sentiments. Enterprises with Islamic names are diverse and some of them are most likely set up or partly financed by Islamic credit. Because there is a noticeable tendency by the Islamic banks to finance the setting up of private clinics, private offices, private schools, and other private concerns of certain professional groups. This is done as additional services to clients (Elbattahani, 1986). For example, the Modern Medical Centre in Khartoum is known to have been financed by Islamic banks. In the field of transport appeared enterprises like *Fajr El-Islam* (the dawn of Islam) Company; *Halal* (Islamically lawful) Transport Company; *Anwar El-Iman* (lights of faith) Transport Company; and many others carrying names with religious meanings. Other examples are *El Rahma El-Islamia* food chain, *El-Jihad* (Holy war) cooperative, and similar enterprises. Also charitable organizations were doing business in the cause of Islam. For example the Islamic Da'wa Organization, the Islamic Relief Agency, Women of Islam Charity which owns a set of clinics and pharmacies in Khartoum. But of all Islamic enterprises, the Islamic banks are the most important and had great effects on the society and the economy of Sudan over the last two decades. Because of their importance with respect to the focus of this study we will give in the following section an account of the Islamic banks regarding the status of these banks in the Sudanese banking sector. This will help show their capacity and potential as regards their socio-political implications with which we are concerned in this study.

#### **3.2.4 The Status of the Islamic Banks**

In this section we will briefly discuss the status of Islamic banking in relation to the total banking sector in terms of location and operations. There were principal phases concerning the banking system in Sudan. The

colonial phase which were mainly British, Egyptian, and French banks. All colonial banks operated freely under the policy of the imperial administration (Ali, 1975). After independence, the banking system continued to work on the policy of colonial banks. The objective of these foreign banks was to seek out for deposits and relend them on the classical criteria of credit worthiness. This policy favoured the British firms and foreign minorities at the expense of the Sudanese businessmen. Later, in 1960 the Bank of Sudan was established. The Bank of Sudan took over the control of money and credit and supervision on the foreign banks. But the commercial banks had great freedom in their lending criteria and in the sectoral allocation of their credit. Up to 1969 the structure of the banking system remained the same. The system kept all features of colonial banking; concentrating on foreign trade financing and profitable short-term activities (Ibid). In 1970 Numairi socialist regime declared the nationalization of foreign banks and companies. The nationalization brought the banking system into a new phase. This socialist phase did not last long; and soon ended after the abortive communist coup of July 1971. After this coup gradual drive towards more open and liberal economic and financial policies began. Within the spirit of the 'open-door' policy mentioned in the previous chapter private banks were allowed to operate in the mid 1970s and foreign banks started to apply to open branches in the country. The nationalized banks were not denationalized and remained under government control. It is after this development in policy - the opening of the economy - that Islamic banks appeared in the banking system in 1978 and onwards. After the Islamic banks the banking system became made of the nationalized government owned banks, foreign private banks, and joint-venture private Islamic banks. Operationally the system was made of Islamic and non-Islamic (conventional) banks. This historical account on banking in Sudan

is intended to show the events and policies that preceded the advent of Islamic banking and highlight the state of instability in the banking sector as a whole. The status and prospects of Islamic banking would be better understood with this background in mind.

Since the beginning of their business in 1978 and up to 1988 the Islamic banks made 29% of the total number of banks and 24% of total banking branches in the country as shown in table (3.3). Despite the influx of foreign banks, with all their competitive powers, the national banks (government owned) hold 65% of total bank branches in the country. Of course this is because they have been working alone in the country for a very long period of time; since the colonial days and until they were nationalized in 1970. Their share of the sector is diminishing naturally in face of competition and loss of the monopoly they enjoyed before.

Since the days of colonial banking the banking activity has been concentrated in Greater Khartoum, Central and Eastern Regions. This is due to the structure of the economy outlined in chapter two, which made economic activities concentrated in these three regions. This pattern continued. In 1988 these three regions accounted for 76% of total banking activity in the country as shown in table (3.4).

**Table (3.3):  
The Structure of Sudan's Commercial Banking Sector  
(1988)**

	Number of Banks	% of total	Number of Branches	% of total
National Commercial Banks	4	19	119	65
Islamic Banks	6	29	43	24
Foreign Commercial Banks	11	52	21	11
<b>TOTAL</b>	<b>21</b>	<b>100</b>	<b>183</b>	<b>100</b>

Source: Computed from Banks' Annual Reports (1980-1988).

**Table (3.4):**

**Regional Branch-Distribution of the Whole  
Commercial Banking Network (1988)**

	Khartoum	Central Region	Eastern Region	Kordofan Region	Darfur Region	Northern Region	Southern Region	Total
No. of Bank Branches	78	31	30	15	7	11	11	183
% of total Network	43	17	16	8	4	6	6	100

**Source:** Computed from Banks' Annual Reports (1980-1988).

The regional profile of the branch distribution of the whole banking network is maintained by all types of banks; including the Islamic ones. Table (3.4) shows that both conventional (national and foreign) and Islamic banks did not make any change from the classical colonial pattern. They all concentrated, in terms of location and geographical spread, in Khartoum, Central, and Eastern Regions. According to their philosophy, Islamic banks would use their funds in sectors and areas which have been neglected by conventional western-styled banks. Also Islamic banks stress 'retarded areas', social equality, and 'distribution of wealth' when referring to their differences from non-Islamic banks. From table (3.5), up to 1988 there is no Islamic bank in the Southern Region. This region is the most underdeveloped and poor area in the country; and only one Islamic branch in Darfur Region, the most underdeveloped area in Northern Sudan. Out of 183 branches operating various banking facilities, 78 (43%) were placed in Khartoum. This is more than the total banking facilities found in five regions which include the majority of the population of the subsistence sector of the economy; and make more than 90% of the area of the country

(see table 2.1). This led to the concentration of credit activities on a small part of the economy.

**Table (3.5):**

**Regional Branch-Distribution by Type of Banks (1988)**

	Khartoum	Central Region	Eastern Region	Kordofan Region	Darfur Region	Northern Region	Southern Region	TOTAL
<b>A) National</b>								
<b>Banks:</b>								
Number of Branches	44	24	16	12	6	6	11	119
% of National Network	37	20	14	10	5	5	9	100
<b>B) Islamic</b>								
<b>Banks:</b>								
Number of Branches	20	6	9	2	1	5	0	43
% of Islamic Network	46	14	21	5	2	12	0	100
<b>c) Foreign &amp; J/V Banks:</b>								
Number of Branches	14	1	5	1	0	0	0	21
% of Foreign Network	67	5	23	5	0	0	0	100

Source: Computed from Banks' Annual Reports (1980-1988).

From the above regional profiles it is clear that the Islamic banks located heavily in Khartoum, Central and Eastern Regions. These are the traditional areas of non-Islamic conventional banks whether national or foreign. This fact is against the claim of the Islamic banks that they give priority to rural finances and rural development when they refer to their differences from the practices of the conventional banks. We can say that the Islamic banks, in terms of location and geographical coverage, are mostly driven by business rather than social or religious considerations. The



absence or little presence of the Islamic banks in the South and Darfur at the time could be explained by the absence of relevant infrastructure and the low and slow prospects of profitability in these regions due to their backwardness and underdevelopment. In addition, for the South, religious and ethnic factors might have discouraged the location of Islamic banks in the region. The South is neither Muslim nor Arab. The operations of the Islamic banks require knowledge of both Islam and Arabic. The geographical coverage of banks is important with regard to mobilization and allocation of finance and the monetization of the economy as a whole. These functions are related to general performance of these banks which is not our concern in this study. However it would be of relevance to touch on the investment patterns of Islamic banks; because of their investment orientation and because of the social implications of their investments.

After 1983 the Islamic banks were slightly brought under the supervision of the Bank of Sudan and its restrictive credit ceiling policies which constrained their lending operations and the likely returns. It was noted that the Islamic banks were generally reluctant to invest in the productive sectors. By ideology and philosophy they should invest in the productive sectors. They possibly regarded the investment opportunities as not good in the state of decline of the economy and the restrictive policies of the Bank of Sudan. In the light of this, the Islamic banks concentrated on trade financing and short-term advances just like the traditional commercial banks which were historically involved in short-term activities. Thus the general investment climate and credit policies may have hampered the depositing and lending for investment in these banks. The initial growth in deposits and investments of the Islamic banks could be attributed mainly to the religious and sentimental factors at the inception of the Islamic experiment, to the official support of the state and all the concessions and

exemptions we mentioned earlier, and to the back-up potential of Saudi and other Arab shareholders (Osman, 1992). These sentimental and external factors are fading in the realities of a declining economy as well as the practice of the Islamic banks themselves; which is being questioned by many circles regarding its following of Islamic principles. There is observed tendency by the Islamic banks to concentrate their investments in short-term and low-risk activities through *Murabaha* contracts. *Murabaha* is easy and straightforward when compared to other modes of Islamic finance. This led to the dominance of trade financing in the activities of the Islamic banks. This can be seen from table (3.6) which shows Islamic banks' investments by economic sector during 1978-86. The table shows that the trade and services sector accounted for 80% of the Islamic banks' investments; while all the production sectors accounted for 20%. In the trade sector the Islamic banks concentrated on domestic trade. However, there is a natural tendency among bankers to go for short-term trade financing. We can say that the Islamic banks could not get rid of this tendency. The result is a practice against their investment orientation and their modes of *Mudaraba* and *Musharaka* which are the main profit-sharing arrangements. Nevertheless, the Islamic banks have successfully mobilised local savings specially from Muslims who would not deal with conventional interest-based banks; and extended credit to previously underprivileged social groups. Also, they paid *Zakat* which is used for social purposes. They also created jobs for over 2000 employees (Awad, 1987). But, as mentioned, in concentrating on trade financing through *Murabaha*, the Islamic banks may have a long way to go to achieve the socio-economic ideals of the Islamic system and to realize their productive investment goals. In the trade business the Islamic banks were often criticized of profiteering from hoarding and speculation in

**Table (3.6):**

**Islamic Banks' Investments by Sector Cumulative to 1986  
(LS. million & percentage)**

	Trade and Services				Production Sectors				Total
	Exports	Imports	Domestic Trade	Services	Agriculture	Industry	Artisans	Transport	
Values	187.1	293.8	459.2	165.1	61.8	77.3	21.6	114.3	1380.2
% of total	14	21	33	12	4	6	2	8	100
% by Sector	80				20				100

**Source:** Computed from the Islamic Banks' Annual Reports; and Al Muqtasid, No. 4, 1986.

sorghum (*dura*) and other necessities. They were even accused of having a role in the famine in 1984/85; beside the natural factors which produced the famine (Gurdon, 1986). In particular the FIBS was believed to have bought more than 30% of the 1983/84 sorghum crop in Kordofan Region, which was hit by drought and famine, stored it and sold it later at very high prices. The Governor of Kordofan at that time made a public statement saying that FIBS caused dramatic rise in the sorghum price in the region because it monopolized the sorghum trade (*Al-Ayyam*, Dec. 5, 1984). After the popular uprising in April 1985 investigations started into the activities of the FIBS and other banks involved in this type of hoarding and speculation which aggravated the famine. In the social sphere also, the Islamic banks were criticized of their bias towards employing people who are essentially Muslims and preferably of a fundamentalist orientation at the expense of other Muslims, Christians and other Sudanese. This policy clearly leaves a large section of the population at a disadvantage with respect to social progress and opportunities. This would create resentment that is against national and social harmony. Socially also, employment of women in the

Islamic banks was a problem. Women were not employed at all when the Islamic banks started. Later, and after criticism, some Islamic banks allowed the employment of women; on condition that they remain segregated from men in separate offices (*Al-Sahafa*, Oct. 16, 1982). In this section we tried to analyze the status of the Islamic banks in relation to the financial sector mainly before 1989 and the end of the last democratic regime; because afterwards most of the financial and other economic enterprises were Islamized as part of government policy of total Islamization of all aspects of life in the country following the take over of power by the political Islamists as explained later.

In the course of this chapter it is clear that Islamic business in Sudan is made up of the Islamic banks and their subsidiary companies plus non-bank Islamic companies and enterprises. Banking is the most dominant over the others and have great influence on the social and economic maps of the country. Although rivalry and competition between Islamic banks themselves is expected, it is far less than competition between Islamic banks and conventional banks. On the basis of the information presented above, we can conclude that Islamic business, as operating in Sudan, is of a network, coordinated and integrated structure. The Islamic firms seem to share the same goals and strategy, the same organizational structure, and the same tools and methods with which they are conducting business. They also seem to show a group-strategy versus the non-Islamic banks. They also share the basic characteristic that their ownership is multinational with their shareholders belonging to a certain geo-political region, and sharing common religious, linguistic and cultural backgrounds (Brown and Shaaeldin, 1985). However, the Islamic banks, FIBS mainly, have closely and openly associated themselves with the Muslim Brotherhood (a fundamentalist political movement) for reasons analyzed in chapter four. It

is sufficient here to mention that key political personalities from this movement are on the Management and Boards of these institutions running them for the economic and political interest of this group. Political leanings and meanings of Islamic business began to show even further when other political actors were involved for or against the Islamic banking movement. This wider political implication of Islamic finance, and its contribution to the political rise of the Muslim Brotherhood will be dealt with in the next chapter.

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# Chapter Four

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## CHAPTER FOUR

### ISLAMIC FINANCE AND THE RISE OF THE NATIONAL ISLAMIC FRONT

In this chapter we are mainly concerned with the analysis of political issues resulting from or influenced by the activities of Islamic finance institutions. For the purpose of this chapter Islamic finance means the already established Islamic economic enterprises, as well as Arab official and non-official funding of Islamic political movements in the Sudan. The chapter attempts to show the correlation between the rise of Islamic finance and the rise of political Islam (or Islamic fundamentalism as it is sometimes called) and to illustrate the interacting factors between them. The domestic and regional implications of this interaction will also be discussed. In this regard political Islam (or Islamic fundamentalism) refers mainly to the politics of the Muslim Brotherhood movement; which calls for the movement's understanding of Islam as a basis of government in the Sudan.

#### **4.1 The Sudanese Muslim Brotherhood**

The Muslim Brother's movement was based on the teachings of Hassan Elbanna in Egypt in the 1920s. It came into Sudan through the cultural and political links between the two countries. It started among the university students in the early 1950s (Mahmoud, 1991). The movement is generally part of the reaction to the failure of the state in most of the Islamic countries after getting national independence. The composition of the Sudanese society made the secular ruling institutions created after independence subject to manipulation by factions based on ethnic, regional or sectarian loyalties as mentioned in chapter two. Part of rejection and opposition to this situation was the call for a return to a more traditionalist versions of Islam by different Islamic groups. Those versions share the

basic aim of adopting aspects of Islamic Sharia'a which can be made to adapt to modern conditions. This modernizing approach was the seed of the recent resurgence of militant Islamic fundamentalism (El-Battahani, 1996). In addition the Muslim nation feels itself under threat seeing Islam overwhelmed by Western secular values. But resurgence of Islam is not just a reaction to foreign influence or material culture into Muslim societies; it is basically directed to their governments which failed them. As mentioned in chapter one, Egypt's defeat by Israel in 1967 made resort to Islam irresistible; and Marxism and Arab nationalism failed in the Middle East. After this failure, the generation of the 1970s began looking towards Islam as a source of inspiration and as a means in political activism. Also important is the role played by the Western powers in encouraging the growth of Islamic political movements to check the spread of communism in the area of the Middle East. Within this environment the Sudanese Muslim Brotherhood started and its influence grew.

As an organization, the Muslim Brotherhood in the Sudan did not participate in the nationalist movement for independence; being small and not effective at that time. The appearance of the Muslim Brothers on the Sudanese political map began after the October Revolution in 1964. Following the fall of the military regime the Brothers joined the transitional civilian government which was made of members from the Professionals Front, which led the revolution, and members from the old political parties (Lesch, 1991). The Muslim Brothers were partners to the traditional sectarian parties in the plan to overthrow that government. A mass demonstration by the Ansar sect in February 1965, with the blessing of the Muslim Brothers, forced the transitional government to resign. The sectarian parties and the relatively new Muslim Brotherhood controlled the cabinet afterwards (Ibid). After the October Revolution the Musl:



Brothers movement operated under the name of the Islamic Charter Front (ICF). During the second democratic period of 1964-69 the ICF achieved a small parliamentary weight and began to engaged in some popular organization and media activities (Ann'aim, 1992). The slogans of the ICF entered the debate over the Islamic Constitution proposed by the ruling sectarian parties at that time. The draft Islamic constitution failed in the parliament because of opposition by the Southern and secular members in that parliament. The call for an Islamic constitution and the banning of the communist party, after the ICF led the move to force the parliament to do so, plus the failure of the Round Table Conference to solve the Southern problem in 1965, all this deepened the mistrust between the South and the North; resulting in an increase of the civil war and making solutions very difficult as will be analyzed later. During this democratic period the Muslim Brotherhood was still small and ineffective compared to the other two sectarian parties. As its influence grew, the ICF started to put pressure on the leaders of the sectarian parties through their followers by demanding reforms in the name of Islam. It was difficult for the sectarian leaders to reject this demand. The ICF and the sectarian parties attempted to impose the draft Islamic constitution, which they failed to get passed in parliament. These attempts were stopped by the military coup of May 1969.

After the coup of 1969, the ICF continued to pursue its political aims by involving in opposition activities internally and from abroad. The ICF and the traditional parties failed to overthrow President Numairi by force after many attempts and confrontations. They all, except some elements in the DUP, accepted Numairi's initiative of National Reconciliation with the opposition as mentioned in chapter two. The Muslim Brothers took full advantage of the initiative. They saw an opportunity to build under the patronage of Numairi regime (Woodward, 1990). They decided to expand

the scope of their activities by entering the regime's political organization (the Sudanese Socialist Union; SSU). They quietly gained control over key positions of power. They were helped by the failure of the SSU to develop a common ideology and to build political institutions. The Brotherhood worked without a formal name at this time. The Brotherhood used the National Reconciliation to strengthen its organizational base and to enhance its economic power internally and externally. This was done under the cover of cooperating in Numairi's Islamization policy which started in the mid 1970s and concluded by the imposition of Sharia's law in 1983. The Brotherhood succeeded in strengthening its organizational base by preaching its ideology through Numairi's policy to promote Islamic social and political codes in the country. For example, the regime's programme to instruct senior officials of the state in Islamic ideology and life style, which was called '*Al-qiyada al-Rasheeda*' (the right-guided leadership) became the Brotherhood tool for recruiting these officials. The Brotherhood's leaders also exploited the opportunity to instruct and teach the military and security forces in Islamic ideology to their strategic political advantage (An'Naim, 1992). In the beginning the Brotherhood targeted the educated Muslims; after feeling the growing rejection of the old religious sects among the intellectuals, and being aware of their frustration by failing experiences with communism and pan-Arabism. Therefore its visible followers were graduates and university students. The problem for the Brotherhood, however, had always been to build a wider support beyond the intellectuals, because their old rivals, the communists, had managed to get such support among workers and farmers (Osman, 1990; Woodward, 1990). According to Niblock (1992) it was only in the 1970s and 1980s the Brotherhood began to attract support among the urban working class mainly in Khartoum Province. By maintaining close cooperation with Numairi the Brotherhood

managed to push for its long-term strategy of introducing Islamic Sharia'a. By doing so, the Brotherhood moved from being a small pressure group of educated Muslims in the 1960s to effectively guiding and shaping government policy in the early 1980s.

#### 4.2 The Sharia'a Laws

For a long time after the deal of the National Reconciliation the issue of Islamization had been the centre of popular talk and political debate. However, the official introduction of Sharia'a Law in September 1983 came as a surprise. In February 1983, the President's programme stressed the need for building religious consciousness by uplifting individual morals and social well-being. The programme pointed out that the transformation in favour of an Islamic society would require a long-term strategy. It also pointed out that revising the existing laws would be a slow, cautious process, during which the state must try to promote its moral values. Clearly coming under pressure from his sole ally (the Muslim Brothers) which had infiltrated all the state organs, Numairi threw all his caution away, and suddenly announced the enforcement of Sharia'a Law in criminal and civil codes with urgency. This required hasty changes in the structure of both the judiciary and legislature. The Sharia'a revolution was interpreted differently. To some it was a move to gain support for his shaky regime from the Brotherhood, and to win favour with Saudi Arabia in order to get much needed economic aid for Sudan's economy (Woodward, 1990). Some people regarded the Sharia'a move as an attempt to stop the growing influence of the Muslim Brothers by adopting their ideological platform thereby neutralizing their potential threat although the pressure of the Brotherhood on the regime was increasing. This latter explanation seemed logical as signs of strain in the President's relations with the Muslim Brothers began to appear.

In a speech marking the 12th anniversary of his Presidency Numairi warned that no one can claim guardianship of Islam. He repeated the same warning on Independence day in 1984. Those warnings were clearly directed against the Muslim Brothers who were very active in promoting and organizing support for the Sharia'a measures since they were announced; and who placed their cadres in key judicial posts in the Sharia'a courts. In early 1985 Numairi severed his relations with the Muslim Brothers and ordered the arrest and detention of almost all their leaders. Soon after his crackdown on the Muslim Brothers, Numairi addressed the SSU leadership and described the Brothers as the enemies of Islam who betrayed the Revolution that adopted and applied Islamic Law, and who tried to exploit Islam and their influence in the regime to tamper with the people's destiny; and they are (the Brothers) involving in usury at the expense of people and their food (SWB, 1985). In March 1985 Numairi ordered the revision of all verdicts and sentences passed by Sharia'a courts previously controlled by the Brotherhood's judges. In an address to the SSU Central Committee Numairi said that the Muslim Brothers had deeply exaggerated in the name of religion and taken people by suspicion and without proof. He added that they practised despotism in the name of justice with the aim that if injustice prevails and the Revolution (the regime) interferes, it is then accused of departing away from Sharia'a and the path of *Allah* (Ibid).

In the same address the President further referred to the ill-practices of the Muslim Brothers at the University of Khartoum campus and their violent handling of their differences with their fellow students that changed the university into a battleground. He also criticized the morality of the Muslim Brothers by hinting at their hoarding and profiteering from essential consumer goods in Kordofan Region and their involvement with Islamic banking. In this respect Numairi said that so many Muslim Brothers, even

the poor members of their leadership had become rich and wealthy overnight. He asserted that they transferred the *Zakat* money of one of the Islamic banks to the benefit of the Students' Union of the University of Khartoum when they were in firm control of it, thinking that through the influence of money they could buy the conscience and will of the students (Ibid). In a clear reference to their relationship with Iran, the President even maintained that the Muslim Brothers were being involved in international terrorism and becoming involved in arms trade (Ibid).

As mentioned in chapter two, the crackdown on the Muslim Brothers did not save the Numairi regime. The regime collapsed by the popular uprising in April 1985. However, it is during the Numairi regime that the Sudanese Muslim Brotherhood has succeeded in consolidating its organizational base, and was able to build up an economic base. This was done through its deliberate strategy of channelling Arab finance into its own interest and making full use of the financial opportunity that has become possible within the framework of the state policy of opening up to Arab capital and later Islamizing the economy (El-Battahani, 1996). These organizational and economic powers the Brotherhood acquired during Numairi regime had significant effects not just on the political direction of the country but as far as its existence as a unitary state. These significant effects will be discussed in the remaining parts of this study.

#### **4.3 The Impact of Islamic Finance**

The Sudanese Muslim Brotherhood has lacked the money to build a strong party base since its formation in the 1940s. In contrast to the Umma and DUP parties whose main followers were in the rural areas, the social base of the Brotherhood was limited to the urban areas and remained mainly within the intellectuals and students as mentioned before. The commercial and feudal support of the DUP and Umma parties provided them with a

good financial base for political activism. The Muslim Brothers remained lacking in this financial area (Niblock, 1992). The party structure in the Sudan was unbalanced because no single party can rule and this led to unstable coalitions specially in the period after 1956. This structural weakness made parliamentary democracy look unsuitable for the country. Yet in order to move beyond ideological statements, develop detailed programmes for political action, and to strengthen its position in the inter-party competition it became a must for the Brotherhood to acquire economic power (Ibid). Therefore the movement seized on the financial opportunity offered by Numairi's programme (1977-83) for Islamizing the financial institutions; and all the concessions and exemptions granted to these Islamic banks and companies as outlined in chapter three. Through the Islamic banks and companies, the Brotherhood was able to accumulate huge funds and to transfer and dispose of them freely inside and outside of the Sudan. This economic power was used in enlarging the social base of the Brotherhood, and in financing its operations in general (Ann'aim, 1992). In this regard also El-Battahani states that :

“to a large extent, the Islamic banking movement had succeeded in mobilizing savings, revolutionized access to credit, and wrested the monopoly of the financial sector from traditionally privileged groups. Having contributed in making the Islamic banks as one of the most important sources of finance, and having placed themselves in a strategic position to influence and utilize this credit revolution, the Islamist political movement then wasted no time in using Islamic banks as important avenues of social, economic and political mobility for their supporters. A new patronage network both rivaling and threatening patronage networks of Umma and DUP was now in full gear to exploit every possible chance to defend the interests of its constituency and expand even amid crisis and economic hardships”.

(El-Battahani, 1996:16)

From the beginning, the establishment of the FIBS by the Saudi Prince Mohammed Al-Faisal tended to favour the Muslim Brothers. There was a tendency among the shareholders - merchants of the Gulf mainly - to seek an agent to entrust with the execution of the business of FIBS. Because most of the finance came from the Gulf merchants themselves, they looked after Islamically committed individuals who would be ready to support the Islamic banks morally and ideologically. The employment policy of the Islamic banks was therefore selective. The policy favoured renowned religious activists from the Brotherhood or else people recommended by the leaders and scholars of the Brotherhood. On the other hand, the establishment of the Islamic enterprises was an ideological boost to the Brotherhood; because the experiment could enhance the vision of a modern religious state if it worked well (Osman, 1990). This mutual interest between the shareholders and the Brotherhood put pressure on the state for privilege and preferential treatment; because the state needed the political support of the Brotherhood and economic support of the Arabs. As a pressure group on the state, Islamic business enjoyed a large degree of superiority over all other groups and interests. This could partly be attributed to the great ideological, political and cultural influence the Islamic firms had on society at large. The privileged access to the Islamic banks and the credit benefits which came to the members of the Brotherhood who control the management of these banks had affected the social map very quickly. A totally new group of businessmen associated with the Brotherhood evolved and became rich almost over night (Osman, 1990). As mentioned before, the Muslim Brothers deliberately and strategically placed themselves in positions within these banks to try to influence and utilize the stream of Islamic credit. The Brotherhood control of the activities of the Islamic banks was evident in the popular reaction and scrutiny which these banks were subjected to after the

downfall of Numairi in 1985 reflecting the resentment in the society created by the Brotherhood's control of the Islamic banks and the favouritism in employment and credit allocation they practised (Ibid).

The control of Islamic banks and the access to political power after the National Reconciliation helped the Brotherhood to overcome its financial problems. This helped the movement to expand its membership beyond the student base; because senior government posts and control of the Islamic credit gave the movement power to award favours to supporters and to attract others. As mentioned an influential group of businessmen started to acquire positions in the movement and in the markets (Osman, 1990; El-Battahani, 1996). Thus Islamic finance gave the Brotherhood its economic muscle. At the same time the Muslim Brothers gave the Islamic business moral and propaganda support. The total effect of this mutual support between them made the Brotherhood strategically placed for total assumption of power as shown later. Before the Islamic financial institutions, however, the Sudanese Muslim Brotherhood, and other Islamic movements active in the Middle East, relied much on Arab money; specially from Saudi Arabia. Saudi Arabia was using its petrodollars to back the area's Islamic movements. This was before Iran's attempt to export its radical Islamic revolution in the 1980s. The Saudi role in the rise of political Islam, official and unofficial, has varied at different times and in different places. The motive of the Saudis has often been more to buy friends for Saudi Arabia than to spread sunni Islam. Saudi Arabia tended to back Islamic movements frequently with the blessing of Western governments. As mentioned before, the West saw Islam as the best counter force against communism in the Middle East; and Saudi Arabia played the 'Islamic-card' to counter the threat of the Arab nationalists led by Nasir in Egypt and the Ba'athists in Iraq in the 1960s and early 1970s. The Saudi Kingdom did that to undermine its



opponents and to assert its claims to Islamic leadership as guardian of the Holy cities of Makka and Medina. With the appearance of Iran as a competitor over Islamic leadership after the Islamic revolution in 1979, Saudi Arabia cannot afford to stop its financial support to Sunni Muslims. This reality was cleverly exploited by the Islamic fundamentalists across the World (Elbeiti, 1993). Saudi funding to Islamic movements flow through different channels. Official government money is one channel of them. Public and private money is channeled through the Muslim World League based in Makka. Another channel is the World Assembly of Muslim Youth based in Riyadh. The Islamic Conference Organization is also a channel. This is in addition to donations from wealthy businessmen and collections taken in Mosques ..etc. (Ibid). However Saudi funding to Islamic movements and organizations is always indirect, semi secretive, and difficult to trace. In the Sudan, the foundation on which the Muslim Brotherhood is now building great influence was laid partly by long-standing Saudi financing. But the movement is now out of Saudi control. Saudi support to the movement dates mainly from 1970 when Numairi was aligned with the communists. This plus the indirect Saudi support through the Islamic banks led the Brotherhood from the margin to the centre of the Sudanese political stage as mentioned before. Despite Saudi funding and connection, the Movement can take independent action. This was obvious in the stance of Sudan's government - which is Brotherhood controlled - with respect to Saudi Arabia and the Gulf States during the 1991 Gulf War; in which the Sudan officially sided with Iraq. But perhaps of more importance for the Sudanese Muslim Brothers, were religious minded businessmen in Saudi Arabia and the Gulf. For example Osama Bin-Ladin; who is one of the Bin-Ladin family which owns a construction empire in Saudi Arabia. Bin-Ladin, after an uneasy relationship with the Saudi Royal family, came to Sudan in

1990 and cooperated with the Brotherhood in Sudan in trade and construction ventures (Ibid). For difficulty of measurement of the concepts and views involved, there might be disagreement over the extent and proportions of the impact, political or otherwise, of Islamic business in the Sudan. However, there would not be much disagreement on the level of tension induced by the Islamic enterprises in the Sudanese society.

The Islamic enterprises generated tension and concern among the segments of the society; with varying reactions and attitudes towards these Islamic ventures. Economic considerations alone cannot explain the variations in the social tension over the presence of the Islamic enterprises. For example some Sudanese Muslims seem unconcerned or so little disturbed over the presence of the Islamic enterprises, whereas other Sudanese Muslims seem uncomfortable and irritated over their presence. Also government reactions and attitudes to these enterprises have differed in different periods. That is to say from encouragement under the Numairi regime, to supervision and scrutiny under the parliamentary coalition of 1986-89, and to encouragement and absolute support under the current regime. Mainly non-economic factors can explain the sources of these social tensions and reactions. Among the Muslim community of Sudan the tension could be explained in terms of rivalry among elites and as a clash of ideologies. For the whole country, it could be explained as a clash of cultures along the ethnic and religious divide. Outside the Muslim population the tension induced by the Islamic enterprises derived from the Arab/non-Arab, and Muslim/non-Muslim divisions, and all ethnic, linguistic, and religious variations and sensitivities outlined in chapter two. Also Islamic enterprises are viewed as foreign investment in the local economy which will help to increase the strength of certain local elite groups and as a threat to the strength of other groups. As the Muslim Brothers took the

opportunity, and the Islamic firms helped create a new elite made of traders, bankers, contractors and small manufacturers for the local market, the activities of the traditional businessmen and bankers and the activities of the Islamic banks are competing. Islamic firms enjoyed competitive advantages because they were supported by the state policy and media campaigns. This created resentment among those who were deprived from the Islamic credit because of the favouritism of the Muslim Brothers we referred to earlier. A defensive reaction from those groups whose interests are threatened by the favouritism of the Muslim Brothers is to be expected which will add to the social tensions and differentiation (El-Battahani, 1996). The impact of Islamic finance went beyond inducing social tensions, or accelerating the political build-up of the Muslim Brotherhood. The attainment of political power through economic power went on to usher in a religious state and deliver almost the whole local economy over to the control of the Muslim Brothers as explained below.

#### **4.4 The Religious State**

After the downfall of Numairi, the Muslim Brotherhood used all the above mentioned organizational and financial abilities in achieving significant electoral success in the general election of April 1986. The Brotherhood fought the 1986 election under the name of the National Islamic Front (NIF). The NIF included in its ranks the Muslim Brothers plus some sufi leaders, Ulama, small and middle urban commercial elements, army and security officers, and some professional groups. Although it looks like a broad Islamist coalition organized around the defence and promotion of Sharia'a, the Muslim Brothers remain the core of the NIF (Ibid). The leader of the NIF was the same leader of the Brotherhood since 1964. In the 1986 general election the NIF was the third largest party in the Constituent Assembly of 1986-89. The NIF continued to advance its programme through

action as parliamentary opposition or as partner in the coalition government during the same period (Ann'aim, 1992). Before and during the last parliamentary period (1986-89) the NIF had the freedom to express and debate its views on political and social issues. In 1988 the sectarian parties - the Umma and DUP - and the NIF allied themselves for the first time since independence to form a three-party coalition. This move strengthened the foundation of a religious state the NIF is determined to build; because one of the NIF conditions for joining that coalition was an assurance that replacement Sharia'a laws would be enacted within two months, and that they would include penal codes that caused troubles in the country when applied under Numairi's regime. The NIF was aware of the popular sentiment about Sharia'a. It exploited this situation in opposition or in government. Although the NIF had fewer seats in the Constituent Assembly, it was the best organized opposition to Umma and the DUP within the Northern Muslim majority. It was impossible for the leaders of the Umma and DUP to go back on Sharia'a; especially for the Prime Minister Sadiq Elmahdi. That was because of the possible risk of losing Sharia'a-supporting parliamentary members in the Umma and the DUP. Added to this is fear from the threat of the NIF to promote action in the streets if any amending or repealing legislation is passed against Sharia'a. The Prime Minister's hereditary leadership of the Ansar sect, on which his support from the Umma party depends, makes it personally difficult for him to call for Sharia'a to be repealed. Fearful of the NIF's negative propaganda the Prime Minister decided to bring the NIF into the government in 1988 (Mahmoud, 1991).

Despite the clear sectarian rivalry between the various Islamic groups, the coalition of the Umma, DUP, and the NIF in 1988 was seen as an implicit reassertion of the dominance of Islam in the Sudan. Such assertion

would not please the South and the secularists just as Sharia'a of 1983, which the democratic governments failed to reverse, was seen as the symbol of the North Muslim domination. The expected hostile reaction of Southern Sudanese intellectuals to a coalition that included the NIF indicated little confidence in the government's policy. However in November 1988 the DUP and the SPLM (the Southern rebel movement fighting the government in the South) negotiated and signed a peace initiative. This peace agreement immediately put the grand coalition of the Northern parties in crisis. The Umma and the NIF opposed the peace agreement because it required the freezing of Numairi's Islamic Laws. As a result the DUP withdrew from the three-party coalition. Under pressure from the army, which was losing the war in the South, the Prime Minister accepted the peace agreement after too much hesitation. The acceptance of the peace initiative which would freeze the Sharia'a laws till a constitutional conference, caused the NIF to leave the government and the DUP to return to the coalition with Umma. The NIF could not stay in opposition for long. It seized power by the backdoor when a group of Islamist army officers staged a coup on the 30th of June 1989, while the Constituent Assembly - of which the NIF was a part - was proceeding with ratifying the peace Agreement and starting a comprehensive solution to the place of religion in the political process (Ibid).

Through the military coup in June 1989, the Muslim Brotherhood, again dropping its official name as it did under Numairi, is now in full control of the official state apparatus; and is in a position to fully implement its radical programme which began in the 1970s when the National Reconciliation and the emergence of Islamic finance gave the Brotherhood its teeth. Since the 1970s their tactics have been carefully calculated to enable the realization of an Islamic state. Supported by the Islamist military junta, now the NIF - officially dissolved - holds power through mechanisms

which have enabled it to control the political and economic system to a degree unprecedented in the Sudan (Khalid, 1993). To build its Islamic state the NIF began by creeping slow Islamization. It started with less open means using the enthusiasm of the military officers, before the Islamist nature of the officers became clear, and as power is consolidated with increasingly open means. The NIF needed to gain control of important areas, mainly the economy. It concentrated on broadly social rather than narrowly political sectors; e.g. agriculture, education, trade, and health (El-Battahani, 1996). A campaign to politicize the civil service and the armed forces was Launched; and the control over media and information flow was secured. The new dimension is that this time the NIF broke the nature of Sudanese politics: For the first time since independence the country is ruled neither by the traditional sectarian parties, nor - despite the military officers - by the army as such.

Building on the gains it made from the Islamic finance and Gulf petrodollars, the NIF set to strengthen its previously impossible resource-base. It became not only the most sophisticated and highly organized political party in Sudan but also the wealthiest. The NIF took over large areas of the import-export sector which used to be controlled by the DUP and Umma merchants. The *Murabaha* arrangement of the Islamic banks was useful in this regard. Commodities like sorghum (*Dura*) were targeted and exported through the subsidiaries of the Islamic banks, mainly FIBS and AIB, where the NIF stalwarts were senior executives (Ibid). Much of this activity is open and publicised. The current government passed in 1990 a very liberal investment law favouring foreign investors. The investors are expected as Muslim or Arab with strong emphasis on agriculture and food production. Another side of the NIF policy is the privatization of parastatals, liberalization of trade, and removal of subsidies from necessities. The black

market in necessities flourished and severe inflation started. In the final steps of this liberalization of the economy the Sudanese pound was floated; and later its name was changed. The pound, the national currency since 1956 is replaced by the Islamic *Dinar*. The regime's extra emphasis on agriculture is in line with the NIF policy of controlling the countryside because the rival traditional parties had the upper hand there. The NIF set out to win over small tribes in its fight for the countryside; specially in Darfur region where it managed through financial favours to set these small tribes against the bigger Arab and Fur tribes in Darfur which support the Umma and the DUP parties in varying degrees (Elbeiti, 1993).

Beside the economy, the NIF's take over of the civil service has also been systematic. As mentioned earlier, since the National Reconciliation in the 1970s the NIF members filled key posts in the state in different and remote areas of the country. This civil service posting, which was also an open activity, created a powerful network throughout the civil service. Once in power after the Islamist military coup in 1989, the NIF started a programme of dismissals from the civil service. Dismissals are based on ideological and security reasons. The dismissals targeted suspected opponents and specific groups, e.g. supporters of other parties, leftists, southerners, republicans, non-Muslims, *etc.* The same policy is applied to the armed forces. Officers of anti-NIF sentiment were dismissed. Parallel to the army the NIF has built the Popular Defence Militia. The popular defence militia get intensive military and ideological training fitting the NIF's aims (Ibid).

The main step in the building of the Islamic state was taken in March 1991 when the NIF's regime introduced a new Islamic penal code. According to Niblock (1992) this new code is identical to a draft code which had been drawn up by the leader of the NIF in 1988, while he was serving as

Attorney-General in the three-party coalition. For the NIF the Islamic state is now in place. To give this achievement international publicity, Khartoum hosted the Popular Arab and Islamic Conference in April 1991. The regime tried to make political capital out of this conference and described it as the Islamic gathering of the century which will safeguard the land of Islam and chart a future of dignity and prosperity for its people (Sudan News, Vol. I, No. 16:6, 1991). The Islamic Conference elected the leader of the NIF as Secretary-General for the permanent secretariat set up by the conference and based in Khartoum. The radical nature of the conference's agenda and of the participants was worrying to African, Arab and Western governments. They feared that Sudan has become a world centre of radical Islamist activity. International Islamism is particularly worrying to Western governments who fear Islamist interference from Sudan into Egypt because this will put the Egyptian regime under pressure from its own Muslim militants, and threaten the security of the state of Israel. Thus, in the previous sections we tried to show how the mutual interests of Islamic and Arab finance and the Sudanese Muslim Brotherhood have helped the political build up of the movement. This interaction led to the take over of the State by the NIF. This changed the almost secular nature of the post independence state into a religious one. While this take over of the state makes it difficult to remove the NIF from power, it however threatens the future existence of the state itself. The rise of the political Islamists to power generated internal and external problems. The implications of political Islam on the national questions of unity and identity, as well as its regional and international implications for the Sudan will be briefly considered in the following chapter.



# Chapter Five

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## CHAPTER FIVE

### POLITICAL ISLAM AND THE NATIONAL QUESTION

#### 5.1 Introduction

In the previous chapter we analyzed the political rise of the NIF; and we showed that the NIF slowly but effectively is gaining control of the country's institutions. In this chapter we will discuss the likely impact of the radical Islamization policies of the NIF on problems of national character in the Sudan; as well as the regional and international implication of the rise of the political Islamists for the Sudan and its future. The political context of the Islamic business, and its observed link with the political Islamists, would be incomplete without these internal and external dimensions. We recall from chapter two that the Sudan is composed of different groups related to different roots, tribes, colours, dialects, religions, ideologies and cultures. Having all this in one geographical zone, the Sudan is facing the challenge of formulating itself into one nation. Therefore Sudan is not a homogenous country; in fact it is a heterogeneous one. Because of the historical domination of Arabic language and the wide spread of Islamic culture, the country is often broadly divided into the North, which is predominantly Arab and Muslim, and the South, which is largely African and either pagan or Christian. In view of the fact that 70% of the population are Muslims and that Arabic is the official language of the state since independence and is spoken by more than 50% of the population, some ethnic groups and tribes outside the Arab/Muslim stream are classified as minorities. Getting more and more enlightened, these diverse minorities came out with claims and demands to share in power, wealth and the public affairs. The relationship between minorities and the state in Sudan is one of the most difficult national problems since independence as will be explained later.

Generally a minority means a group or groups of people who share certain characteristics (ethnic, linguistic, religious, geographic...etc.) and are fairly sufficient numbers to be effective and have some degree of unity or consciousness of being one group. They may possess a relatively lower status or poor access to resources. The minority is always a part of a total the nation. It can be dangerous to the national unity and hinder development when it comes out with specific claims and demands particularly against the national government. These political or economic claims sometimes drive the minority to use violence to realize these claims. In the Sudan, minorities are diverse in their internal composition and distribution. Some of them feel marginalized politically, like the Nuba; others economically like the Beja; and some feel that they are marginalized, furthermore, ethnically and culturally like the Southerners. These groups cannot be grouped together but can be ordered according to their influence on the questions of political stability or the processes of nation building and national integration. Minorities which do not pose a threat to these questions are likely to adjust to the mainstream through time and could be assimilated in the national political culture (Bilal,1994). The most shouting example for such friction in Sudan is the South/North relations. The southerners are not a minority in number because the South is one fourth of Sudan, but the domination of Islamic culture and Arabic language led them to feel that they are a minority. According to Bilal (1994) the Southerners are heterogeneous in all aspects except the political one; in fact the only factor which unites them is their "Africanity" . They are united by the South/North conflict only. Their minority is regional whose basis for unity is political because their composition of population is as diverse as the Sudan as whole (Ibid). In the Sudan the only minority group which used to use violence to realize its claims was the South from 1950s. As will be detailed later the South/North

conflict has evolved along the parallel lines of Africanism in the South and Arabism in the North. Arabism is supported, reinforced and consolidated by Islam, Arab culture and the Arabic language. The African element is inspired by the struggle for independence from colonialism and the human demand for liberty and self-determination (Ahmed, 1986). From the above one can notice clearly that Sudan has a problem of identify. Should it be an Arab or African identify? Should it be an Islamic identify or just a Sudanese identify? This problem of identify is strongly related to problems of national unity and the problems of minorities. However, the basic problem of the Sudan is that the various regimes and governments, since independence in 1965, have failed to provide a common ground on the basis of which Sudan could be governed effectively. Because of this failure national politics and governments took the form of sectarianism, regionalism, or tribalism. These loyalties cannot help building a united nation. Since independence all regimes have been faced basically by two troublesome issues: what to do about religion (mainly Islam) and what to do about the South. The South has been in war with the government in Khartoum since the 1950s, fighting for greater autonomy, a greater share of political and economic power, and religious freedom by rejecting the call for Islam. For the most part since independence successive Sudanese governments have pursued policies of Arabization and Islamization in the South and the Nuba mountains; as the only means of making a homogenous society. This policy of assimilation was seen by the Southerners and other non-Muslims as 'imperialist' policy. As will be shown in the following section the conflict in the South has been influenced according to the degree to which the North has tried to impose Islam there (Ahmed, 1986; Bonner, 1992). With the NIF in power behind the current government, and its radical Islamization of state and society, the divide between the North and South have now deepened and the nature of

the conflict took regional and international dimensions. The future of the Sudanese state becomes uncertain.

## **5.2. The Problem of Southern Sudan**

Both the Northern and Southern Sudan had no problem until the beginning of the Turkish colonial period in 1820. After that year, a strong sense of tribal identity emerged as a result of merging of numerous regions with their tribes in one country. These tribal identities formed, in time, the roots of political, economic and administrative conflicts. The situation continued over the Mahdist rule up to the beginning of the Condominium rule in 1898. The condominium government designed a policy of closed districts that isolated Southern Sudan from Northern Sudan. The motto was the colonial policy of 'divide and rule'. Thus, the problem of the southern Sudan was started by the British colonial policy to separate the South from the rest of the country. Then the situation was ignited into wider disturbances in Torit town in August 1955, when a military company of the Sudan Defence Force mutinied and started killing northerners in the area. The public justification for these events was that the Sudanization policy after independence precluded the Southerners from senior posts and gave these to Northerners. It was also held that the South was greatly underdeveloped if compared with the North, and there was no share for it in development plans. Religion was also entered as an element of conflict, as the majority of the Northerners are Muslims (Mahmoud, 1991).

In October 1965 the Round Table Conference was held between the Northern and Southern representatives. The conference elected a twelve-man committee to follow-up its recommendations. It was agreed in that conference that the Sudan is a vast country and thus there must be particular attention to the South by giving it some form of regional autonomous status. This recommendation was sent to the National Constitutional Committee to

embody it in the constitution which was in the making up to April 1969. But the seizure of the army of power in May 1969 had stopped that endeavour (Ibid). However, the Numairi regime continued the attempt to resolve the Southern problem. The most important effort had come when Numairi declared that he rejected the demand to homogenize the Sudanese population along Islamic lines; and the Addis Ababa Agreement was signed in 1972 giving the South regional autonomy within a unified secular Sudan. The National Reconciliation deal of 1977, struck between Numairi and the opposition National Front, got the Southerners in direct conflict with the political Islamists because issues of Islamization and Arabization began to surface again. The conflict was compounded by the imposition of Sharia's laws in 1983, and the division of the South into three regions in the same year. These two measures undermined the Addis Ababa Accord and accelerated the Southern resumption of full scale guerrilla war because the anti-northern sentiments in the South led to the formation of a new movement that was termed the Sudan Peoples Liberation Movement (SPLM). The military wing of this movement is called Sudan Peoples Liberation Army (SPLA). Thus civil war broke-out once more in the south. What aggravated the problem of the Southern Sudan further was the adoption of the various governments of policies aligned to Arab States, and neglected any chances for Afro-Arab assimilation in the Sudan. Thus, the southerners had to fight to assert their identity (Ibid).

After the downfall of Numairi efforts to resolve the problem of the South and bring peace to a civil-war ridden country continued. A number of peace initiatives were made during the transitional and parliamentary regimes between 1985 and 1989. The most important of these initiatives were the Kokadam initiative in 1985 and the DUP initiative in 1988. The Kokadam meeting in Ethiopia was attended by representatives of all

Sudanese parties at that time, except the DUP and the NIF, and representatives from the SPLM. The meeting agreed that the Sudanese problem in the South is a national problem which should be discussed and solved in a national constitutional conference. The agenda for the proposed constitutional conference revolved around the system of government and the Sudanese identity, the fair and just distribution of wealth among the regions, the determination of the relationship between religion and the state, and the repeal of the September 1983 Sharia's laws. These were the main provisions of the Kokadam Declaration. Because the DUP and the NIF boycotted this meeting, the Declaration could not be enforced and was thus rendered futile. Efforts to resolve the problem of Southern Sudan continued; and in 1988 the DUP and the SPLM reached an agreement to convene a constitutional conference and to freeze the September laws till that conference as mentioned earlier. The Prime Minister at that time saw in it a propaganda for the rival party (DUP); and tried to block the initiative. However, he later accepted the initiative after coming under pressure from the army and the peace supporting parties and groups. The DUP-SPLM agreement could not be implemented because of the military takeover of power in June 1989. As mentioned earlier the NIF was linked to this coup; and since 1989 up to the present there were clear actions and programmes of radical Islamization and reshaping of Muslim Sudanese citizens along the NIF's ideology and understanding. This has great impact on the national problems of unity and identity as well as on the problem of the South.

With the political Islamists in power, the divide between the North and South have now deepened; to the extent that the SPLM and other Southern movements began to consider self-determination for the South. The uncompromising fundamentalist orientation of the regime - the Islamization of the state and society- appeared prepared to risk dividing the country

between North and South despite all peace efforts and initiatives undertaken by the current regime. Since 1989 peace talks were held in a number of African capitals as well as inside the country in search for a common solution with the leadership of the Southern rebel movements. In April 1997 the Khartoum Peace Agreement was concluded between the government of Sudan and the South Sudan United Democratic Salvation Front (UDSF). The UDSF is made of a number of Southern movements which split from the SPLM. But the main faction of the SPLM did not join the Agreement and is still in war with the government. The main provision of the Khartoum Agreement is the right of the people of Southern Sudan to self-determination in a referendum before the end of the interim period specified by the Agreement. But with the main faction of the SPLM, led by Grang, still fighting the government the problem of Southern Sudan remains unsolved. The main area of difference between the two sides is the relation between religion and state. The uncompromising Islamization programme of the current regime added another dimension to the war in the south. The nature of the war has changed from a civil war (or a guerrilla war) between the army of the state and the rebels of the South to *Jihad* (or Holy war) between Muslims and non-Muslims. This was evident in the mobilization campaigns for the war among the armed forces, popular defence forces, university and secondary schools students, and across the society. So religion has entered as an important dimension in the Southern problem with the rise of the NIF to power.

While the Southern discontent and concern over the issues of Sharia'a law and Islamic politics were predictably growing, there were calls for more promotion of Arabic language and Islamic culture in the South and Africa by the Islamists. The Islamic Da'wa Organization and its subsidiary the Islamic African-Relief Agency were instrumental in the execution of this mission



(El-Jack, 1994). This task is now aggressively pursued by the NIF fundamentalist regime. The Islamic Da'wa Organization was set up in the 1970s and was entrusted with the spread of Islam; mainly in Africa. Key personalities from the Sudanese Muslim Brotherhood were on the Management and the Board of the Organization (Ibid). The uncompromising position of the NIF, which is controlling the current government, has its logic. The NIF knows that Sharia'a is popular and sensitive regarding its official implementation. Opposition to Sharia'a law in the North is difficult; even for the 'secular' Muslims. Sudanese Muslims are individually or collectively enculturated, to a varying degree, into the values and norms of Sharia'a. In this way, sharia'a values and norms are part to their attitude and incorporated into their social processes (Ann'aim,1992). Almost all Sudanese Muslims could not dare to raise objections against Sharia'a law. This position was skillfully exploited by the NIF and its regime against rival parties and political opponents. For example, the professionals' movement that had been crucial in the 1985 popular uprising agreed on the need to overthrow Numairi; but found it particularly difficult to repeal the Sharia'a laws he introduced in 1983. The transitional government which followed Numairi's fall suspended the application of certain punishments and closed the special courts, but a majority in the government viewed the outright cancellation of Sharia'a laws as blasphemous and would get them into problems of faith and belief. They decided that action on such a sensitive issue should be postponed until a parliament was elected . The hesitation of the transitional government over the September Laws deepened the alienation of the Southern political forces. The SPLM, which had led the growing revolt in the South since 1983, accused the transitional government of being little different from Numairi's regime; since the September laws and the division of the South were not

changed. The parliamentary coalition governments that followed could not touch the Sharia'a laws. Thus, Sharia'a is popular, sensitive, and is treated by most of the Sudanese Muslims as a revealed truth which simply needs to be implemented. Hence the uncompromising position of the political Islamists regarding the Islamization of the state and society; particularly so, it is argued, since the Muslims are 70% of the population.

On other hand, sharia'a is met with rejection and reservations by the Southerners and non-Muslims in the Sudan; and a lot of stress was placed on the problem of religion. It was held that the Sudan always had a Muslim executive head, and that there was, and still is no chance for a non-Muslim to occupy that post. Also it was held that the Islamic laws were not national laws, and that local laws for certain regions, like the Southern region, would confine the southerners and their culture to a narrower perspective in education, civilization, cultural development, social development and other cognitive aspects. Even more, it was viewed that such regional separation would undermine the comprehensive national development of the South within the same nation-building social structure of the country (Mahmoud, 1991). From the above, it is clear that the question of Sharia'a and Islamic politics as a whole is of particular concern in the Southern Sudan; and to all non-Muslim minorities in the country. In view of the rise of the NIF to power and the consolidation of its Islamic scheme, it might be very difficult for the country to hold together any longer. As mentioned earlier, the rise of the NIF and its political-build up would have been impossible without the support and momentum it got from the Islamic financial institutions. But the political context of the Islamic enterprises is not just confined to the enforcement of political Islam on the political stage in Sudan and the impact of this enforcement on the national question as analyzed above. The enforcement of political Islam in Sudan had regional and international

dimensions. The political context of the Islamic business enterprise would be fully appreciated if we refer to these regional and international dimensions.

### **5.3. The External Dimension**

When Sudan was officially declared an Islamic state in December 1990, and the government ordered that the Shariaa be put into effect as part of the criminal law, and the hosting of the Popular Arab and Islamic Conference in Khartoum in April 1991 with its radical agenda, regional and international governments became worried and alarmed that Sudan has become a centre of radical Islamic activity and part of International Islamism which is particularly feared by the West. Since then the West, specially the U.S.A, has been watching Sudan closely as an indicator of the strength of Islamic fundamentalism, arguing that if the movement succeeds in Sudan it will spread throughout the Horn of Africa and then into other parts of Africa, because Sudan borders on nine countries. To them, geographically and culturally Sudan is the ideal bridge for carrying Islamism from the Middle East into Africa . The Sudanese are partly Arab, so they can relate to Arabs; and partly African so they can relate to Africans. Under the influence of the NIF, Sudan has aligned itself with radical regimes in the region. The first alliance was with Libya. Then, during the Gulf war, Sudan sided with Iraq and so lost support from Kuwait and other Gulf countries. The fears in the West and in Middle Eastern countries about the rise of the fundamentalist state in Sudan were increased in 1991 when Sudan aligned itself openly with Iran. Iran has been eager to acquire such a strategically located friend (Bonner, 1992).

It was held that Islamism is fast replacing communism as the ideology that most frightens the West and the U.S.A. in particular. According to Bonner (1992) the U.S officials fear that Sudan, backed by Iran, is emerging as a new Lebanon from which terrorist groups can launch operations and

export Islamic revolution across Africa. Sudan government is often accused by the Western circles that with the help of Iran it was setting up facilities in Sudan in which Muslim radicals, including factions of the Islamic *Jihad* and the *Hezbollah* and Islamic militants from Algeria, Tunisia, Egypt and the Gulf Region, are being trained. But Western diplomats say that reports of terrorist activity in Sudan have been exaggerated and that there is a great deal of disinformation (Ibid). The relationship between Sudan and Western governments became uneasy over the issue of terrorism. The U. S. A. decided to suspend its diplomatic presence in Sudan citing concerns about movements and activities of terrorist groups operating in Sudan. Both Sudan and Iran appear on the U.S. list of countries deemed to support terrorism (Johar and Bahgat, 1996). Moreover, the Sudan government has continually been accused of human rights violations and restriction of religious freedom in the country over the last nine years. The U.S.A. led efforts at the U.N. to adopt resolutions strongly condemning Sudan's human rights record. Further, trade and diplomatic sanctions were imposed on Sudan by the Security Council of the U.N. specially after the Sudan Government was implicated in an assassination attempt on the Egyptian President in June 1995 in Ethiopia.

Sudan's relations with some of its neighbouring countries has also been uneasy over the last nine years. Fearful of the radical nature of the Sudanese regime, and being manipulated by the U.S., Uganda invaded some towns on the Sudano-Ugandan border in October 1995 (Sudanow, No.12.1995). Sudan officially accused Egypt and Eritrea of aiding Uganda's aggression in Southern Sudan. Sudanese Egyptian relations also have witnessed many setbacks in recent years. The dispute over Halaib area in North East Sudan, was compounded with allegations that Sudan attempted to assassinate the Egyptian president; and the confiscation of Egyptian

property in Sudan and the harbouring of Sudanese opposition elements in Cairo . Egypt is uncomfortable with the consolidation of an Islamic government in Khartoum. Because this will strengthen the position of the political Islamists in Egypt who are in conflict with the Egyptian government well before the NIF assumed power in Sudan. Thus the assertion of political Islam in Sudan is an issue of concern to regional and international powers and generated economic and political problems for the Sudan which further complicated the multitude of problems of Sudan since independence. In the course of this chapter we tried to show the reflections of Islamic politics on the national problems of Sudan and the internal and external dimensions associated with these problems. The extent of Islamic politics in Sudan owes alot to Islamic finance which brought the NIF from the margin to the centre of the Sudanese political stage as explained earlier.

## SUMMARY AND MAIN CONCLUSIONS

The overall concern of this study has been to provide analysis of the political dimensions of the Islamic business enterprises in the Sudan. In a historical approach the study attempted to show the interacting factors between the rise of the Islamic business movement and the rise of political Islam in the Sudan represented by the Sudanese Muslim Brotherhood whose programme for government brought the relationship between the state and religion to the centre of the Sudanese national politics.

The literature reviewed showed that for the last two decades Islam has become a key feature of the discourse of Middle Eastern politics. In almost every place, Islamic movements are gaining grounds; and Islamism or political Islam is emerging as an expression and reflection of many crises and processes which dominate the social, economic, and political systems of the Middle East. Therefore the rise of political Islam or Islamic revivalism is to be understood as a cumulative socio-economic, political, and religious process. It represents a new approach to rebuild the economy and society in accordance with Islamic ideals and values and the needs of modern life. Islamic economics represents one side in this religious revivalism. This revival implied reforms on all aspects of life. Beside religious revivalism other geopolitical factors helped the emergence of the Islamic business movement. Islamic political revivalism coincided with the accumulation of petrodollars at the hands of conservative Arab governments and rich merchants of the Gulf who began to look for profitable investment of these funds. It also coincided with the calls for pan Arab effort to make the Arab region self-sufficient in food. These geopolitical factors paved the way for the penetration of Arab capital in the Sudan in the 1970s. Islamic business in Sudan is very much linked to this drive and the regional and international developments associated with it. Also domestic political and economic

factors invited Arab and Islamic finance and contributed to the growth of political Islam in the country.

The analysis shows how during the Numairi regime the Sudanese Muslim Brotherhood has succeeded in consolidating its organizational base; and was able to build up an economic base through its deliberate strategy of channelling Arab and Islamic capital into its own interest, and making the most of the financial opportunity that became possible within the framework of the state policy of opening the country to Arab capital and later Islamizing the economy. Those organizational and economic powers had significant effects on the political direction of the country; and its existence as a united state. In view of its initial lack of money to build a party base, the Brotherhood seized the financial opportunity offered by Numairi programme for Islamizing the financial institutions and all the concessions and exemptions awarded to these Islamic enterprises. Through the Islamic financial institutions the Brotherhood was able to accumulate funds and to benefit from them within and outside the country. This economic power was used in enlarging the social base of the Brotherhood, and in financing its operations in general. This was facilitated by the general tendency of the shareholders - mainly merchants of the Gulf and members of Gulf Royal families- to seek an agent to entrust with the execution of the business of the Islamic enterprises. The shareholders looked for 'Islamically' committed individuals who would be ready to support the Islamic business morally and ideologically. The employment policy of the Islamic firms was therefore selective, and favoured religious activists from the Brotherhood or else people recommended by the leaders and scholars of the Brotherhood. On the other hand, the establishment of the Islamic enterprises was an ideological boost to the Brotherhood which enhanced their vision of a modern religious state.

The mutual interest of the Arab shareholders and the Brotherhood put pressure on the Sudanese state for privilege and preferential treatment. As a pressure group *vis - a - vis* the state, the Islamic business benefited from the vast ideological, cultural, and sentimental influence it had on society at large. The privileged access to the Islamic banks and the credit benefits which accrued to the members of the Brotherhood, who control the management of most of these banks, had influenced the social map of the country. A totally new 'class' of businessmen associated with the Brotherhood emerged. The Muslim Brothers deliberately and strategically placed themselves in positions within these banks to try to influence and utilize the stream of Islamic credit.

The control of the Islamic banks and the access to political power after the National Reconciliation deal of 1977 helped the Brotherhood to overcome its financial difficulties; and to expand its membership. The cumulative effect of this process of mutual support between the Islamic business and the Brotherhood made the Brotherhood strategically placed for total assumption of power. The analysis also showed that even before the emergence of Islamic business, the Sudanese Muslim Brotherhood and other Islamic movements owe much to Arab money; importantly from religious minded businessmen in the Gulf.

Our analysis showed that although there may be disagreement over the extent and proportions of the impact of Islamic finance in Sudan, there would not be much disagreement on the level of tension generated by the Islamic business in the society. We illustrated the different ways in which the sources of tensions generated by the establishment and practice of the Islamic enterprises could be described. It could be explained in terms of rivalry among elites and clashes of ideologies within the Muslim community.



For the whole country it could be fitted within the clash of cultures along the ethnic and religious divide.

The analysis goes on to show that the impact of the Islamic finance went beyond inducing social tensions and accelerating the political build-up of the Brotherhood; to lead up the country into a fundamentalist religious state; and deliver almost the whole local economy to the control of the Muslim Brotherhood, especially after the coup of 1989. The Muslim Brotherhood, operating under the name of the National Islamic Front from 1985 to 1989, is now in full control of the official state apparatus. The NIF is implementing its programme which began in the 1970s when the National Reconciliation and the emergence of Islamic finance gave the Brotherhood its teeth. In this respect our analysis showed how the NIF holds power through a series of measures which have enabled it to control the political and economic system of the country. A campaign to politicize the civil service, the armed forces, the media, and the security system was launched and systematically implemented. Building on the gains it made from the Islamic firms and Gulf petrodollars, the NIF set out to enlarge its previously impossible resource base. The NIF took over large areas of the import-export sector. The *Murabaha* arrangements of the Islamic banks was basic in this regard; as well as the Sudanese subsidiary companies owned by the Islamic banks. Another side of the NIF policy is the privatization of parastatals, which were acquired by the NIF members openly and unreservedly, and other liberalization measures.

In the course of this study we tried to illustrate how the mutual interests of Islamic finance and the Sudanese Muslim Brotherhood have helped the political build-up of the latter, and how this interaction led to the appropriation of the state by the NIF, therefore changing the nature of the Sudanese state into a fundamentalist religious one. This appropriation of the

state by the NIF, however, threatens the survival of the Sudanese state itself. With the NIF in power the divide between the North and the South have now depended; and the Southern political forces began to consider self-determination for the South seriously; as was enshrined in the Khartoum Peace Agreement of April 1997. As the NIF pushed for a vigorous promotion of Arabic language and Islamic culture in the South, the Southern discontent and concern over the issues of Sharia'a and Islamic politics were predictably growing. In view of the consolidation of the fundamentalist Islamic scheme by the NIF government it might be very difficult for the country to hold together any longer. Furthermore, regional and international governments are becoming increasingly concerned about the strength of the Islamic government in Sudan. They feared that Sudan is becoming a centre of radical Islamic activities which can disturb neighbouring countries because of their religious and ethnic diversities just like the Sudan. The U.S.A. and other Western governments led efforts at the U.N to impose economic and diplomatic sanctions on the Sudan in order to weaken the Islamic government in Khartoum and to curb its radical Islamic scheme. These regional and international pressures on Sudan government further complicated the national problems of the country. The momentum and strength the Islamic finance lent to the NIF should be measured against these complications created or fueled by the politics of the NIF. The wider conclusion that could be drawn from our method of investigating the political context of the Islamic business movement in Sudan is that the Islamic business is an activity in which some components are fixed by economic and commercial determinants, some by geopolitical and strategic factors and, specially for the purpose of this study, some are fixed by domestic social and political arrangements of competing elites, cultures, and ideologies. For any total appreciation of Islamic business in the country all

the above components and factors should be captured, identified and taken into account. For that matter, future research could venture into the mechanisms and models to make use of the merits and benefits of the Islamic funding techniques, which allow participation and production, and to ensure equal opportunity and access to the Islamic credit by all sectors of the society to realize social justice which is the main goal in an Islamic society. Also research could focus on methods to establish national integration in the Sudan as a process of equal opportunity coupled with cultural diversity and religious tolerance. Through justice and tolerance all the Islamic ideals, values, and goals could be achieved.

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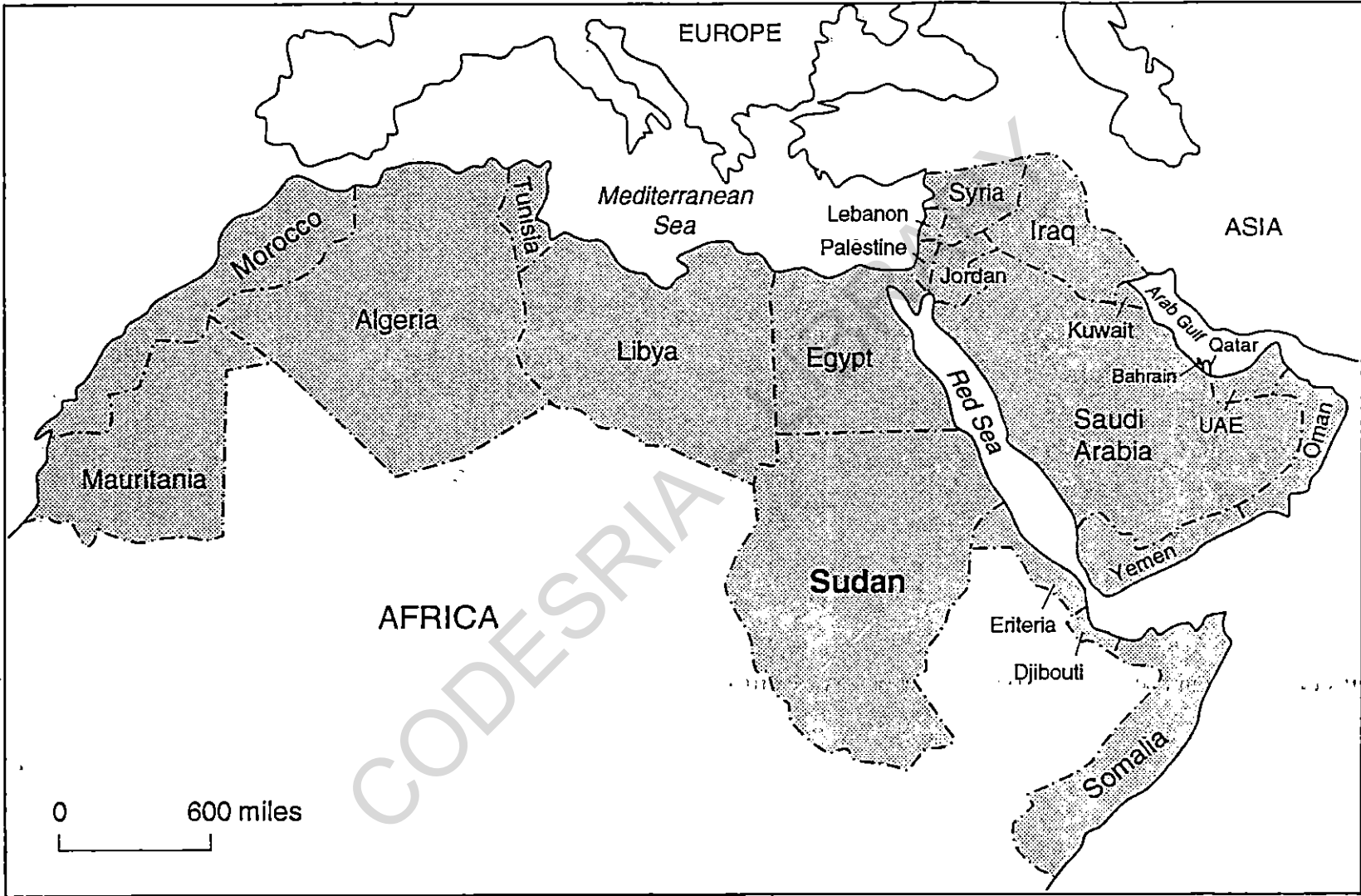
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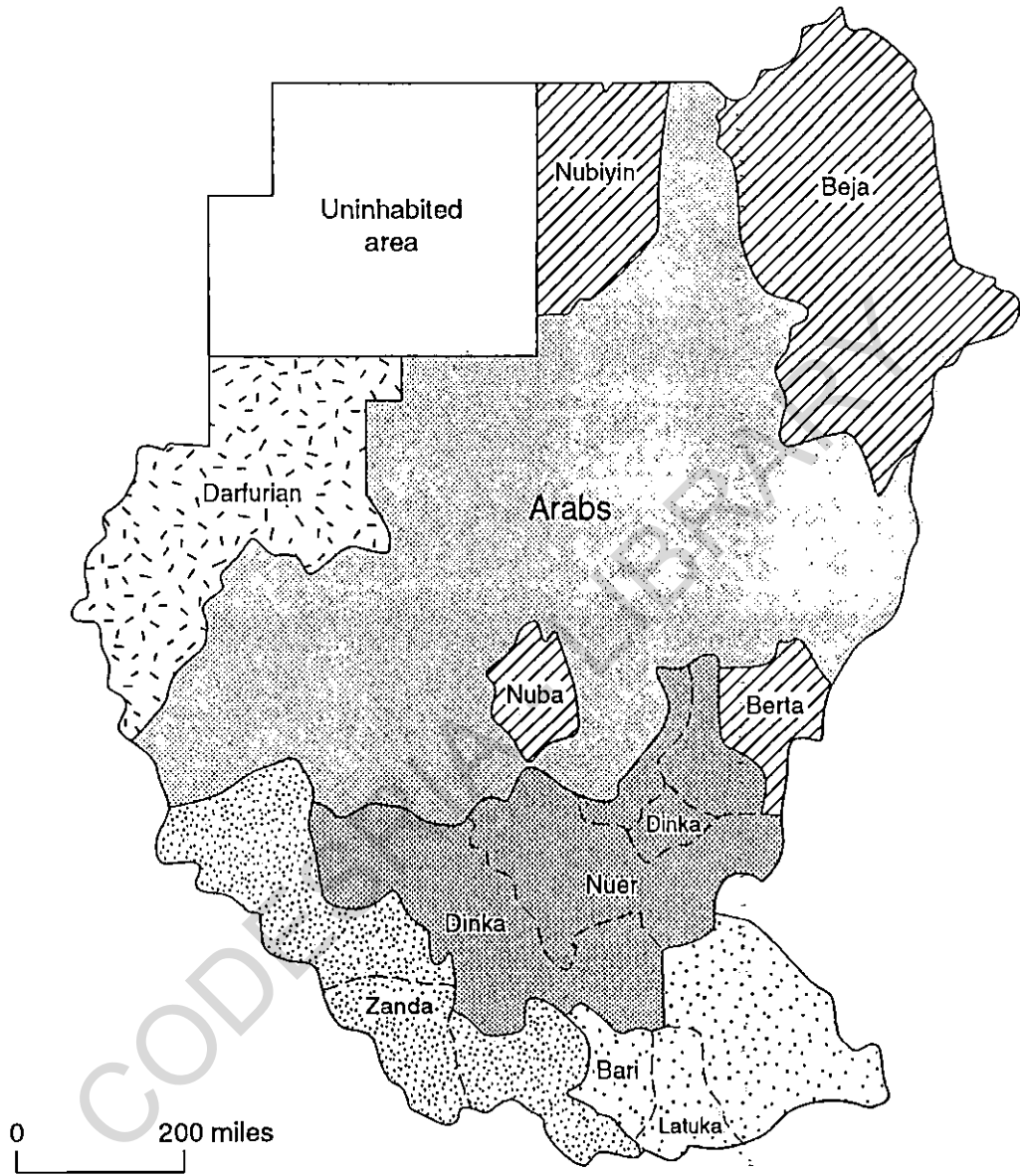
# Appendices







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**Map 2 : Sudan in the Arab World**

### Map 3 : Languages in Sudan



- |   |  |   |  |
|---|--|---|--|
|  | More than 50% speak Arabic                                   |  | More than 50% speak Nilo-Hamitic languages |
|  | More than 50% speak other languages of North & Central Sudan |  | More than 50% speak Sudanic languages      |
|  | More than 50% speak Nilotic languages                        |  | More than 50% speak Darfurian languages    |

Source : Population of Sudan Report on the Sixth Annual Conference, 1958



Map 4: The Sudan 1998

