Opening up to the World? Khartoum’s Position within a Global City Network

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Abstract

This article presents three arguments for a new research perspective on global city networks analysis and introduces possible modifications to existing assessment tools in order to investigate the role of emerging market cities.

The first argument highlights the need to investigate more ‘peripheral’ cities of the world economy in order to understand how emerging market cities connect to international business networks. The second argument presents some critical observations regarding existing methods to measure a city’s global connectivity. As part of this argument, this article introduces two new variables that help assessing an emerging market city’s integration in international business networks. The third argument suggests that there is a need to also investigate a city’s proactive engagement towards key corporate players in order to enhance its standing in the global economy.

The case of Khartoum confirms that an assessment based on this modified research framework offers interesting insights. While Khartoum would score one of the lowest rankings in ‘classic’ connectivity assessments, the introduced approach allows deciphering some of the key drivers of international investments in Khartoum between 2000 and 2009. The study concludes that future research on global city networks and emerging market cities would benefit from including the concepts of prime sectors, office presence parity and urban network policies.
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1. Introduction

On the eve of the 2008 credit crisis, Sudan was Africa’s fastest growing economy. Within Sudan, Khartoum benefited most from this boom, and the capital city’s international standing changed markedly as a consequence. Notwithstanding international condemnation and a civil war in Darfur, Khartoum expanded its international business network, beyond what many had expected of an African/Arab state under sanctions. The case of Khartoum illustrates what is largely left out of current debates on global city networks, as research tends to focus on city networks that are part of the more ‘consolidated’ global economy, while emphasising the role of advanced producer services in the group of liberal market economies. This article presents three arguments to redress that imbalance and discusses the type of global ‘city dynamics’ taking place in cities that are at the outer end of the global economy.

Rooted in relational economic geography (see also Bathelt & Glueckler 2003), this article aims to contribute to the ongoing academic debate on global city networks. More specifically, the author is interested in the dynamics that underpin the changing role of cities in international business networks. In order to determine how cities can pro-actively influence their position vis-à-vis other cities, the focus of this study rests on an assessment of what could be called ‘urban network policies’ that shape developments in emerging market cities.

The following section discusses some of the open questions that arise from the current discourse on global city networks. Section 3 explores how research on global city networks could benefit from three modifications, such as 1) including cities at the outer end of the global economy; 2) applying a more ‘local’ lens when assessing a city’s international standing; and 3) investigating the role of the city as an important agent of economic change when it comes to opening up a peripheral city towards international networks. Section 4 presents data from field research in Khartoum, focussing on the ‘boom years’ between 2000 and 2009. The large amounts of oil revenue led to a major boom in various sectors and created various economic dynamics that are worth investigating from a global city perspective. In the final section, the author discusses whether such a methodology would prove useful when applied in future empirical research on the connectivity of emerging market cities.

2. The global city networks discourse

2.1. Central place theory

When looking at the global city networks debate, it is useful to start with a short reference to its origins. With the introduction of Sassen’s term ‘global city’ in 2001, the research agenda first consolidated around the dual idea of dominant centres on the one hand and the periphery on the other. As Sassen argues: “the more globalized the economy becomes, the higher the agglomeration of central functions in a relatively few cities, that is, the global city” (Sassen 2001). According to this view, some key cities fulfil a control function in a global hierarchy of urban centres, while others have no other option than to catch up with their bigger, more powerful counterparts: cities of the first rank are those that serve as the “command and control centres of the global economy” (Sudijk 1992). Various scholars contributed to the search for adequate measures of ‘power’, and most reached an initial consensus on the importance of the service industry such as accountancy, advertising, banking/finance and law (Beaverstock et al 1999). Despite an ongoing debate over the most adequate use of the terms ‘world city’, ‘global city’ and ‘global city-regions’ (Derudder 2007), international business networks – whether expressed through multinational enterprises’ locations, international service providers or airline passenger flows (Wiltof et al 2008) – have gradually become an accepted indicator for a city’s ‘position’ in the world city hierarchy.
This type of city ranking created a strong interest in academic as well as policy-making and business circles (Gritsai 1997, Kratke 2001). It allowed for cities to be given scores, and a city’s ranking could be compared with other urban centres. At the same time, this type of ranking led various scholars to voice critique towards what many regarded as Western-biased data (Bassens et al 2008, van der Merwe 2004). A city that was different from dominant business centres in its economic set-up would receive lower scores as a consequence. In reference to Sassen’s concept of a ‘decentred map of the global economy’ Robinson argues that cities should be considered to be global in their own ways, and that they in fact “place themselves in multiple circuits of globalization, and choose to create networked relations to neighbouring and distant places which are not central in terms of western economies” (Robinson 2005).

In addition, some argued that a mere ranking among particular territorial entities is too simplistic, as it focuses on a small part of such a network and tends to emphasise the apex of such a hierarchy (Derudder 2008, Gugler 2004). As a result, the top world cities and their global networks are subject to perspicuous study, whereas the lower ranks receive much less academic interest. Such an approach does not help understanding the way networks operate in general, as it excludes a large amount of inter-city relations that remain outside the realm of major world cities, and leads to “a view of the world of cities […] where millions of people and hundreds of cities are dropped off the map of much research in urban studies […]” (Robinson 2002).

When entering the recent discourse on world cities research, the rigid connotation of hierarchy has given way to a more networked view on inter-city relations. As Neal argues, one no longer views the world organised around ‘spaces of places’ but rather the ‘spaces of flows’. “In the former case, locations were significant because of the activities within them, while in the latter they are significant because of the activities that take place between them”. Therefore, “understanding the hierarchy of world cities in their capacity to support their producers’ engagement in the global economy requires not an analysis of world cities per se, but rather of the relationships between them, that is, of their networks” (Neal 2008). Neal’s argument is backed by the idea that one should not determine the importance of a city based on “its stable embeddedness in a given territorial milieu. It is instead a changing connective configuration with variable actors which can be thought of as ‘nodes’ of local and global networks” (Dematteis 2000).

### 2.2. Central flow theory

Scholars then moved away from a pure ranking and instead developed an argument based on the idea of a world city network (Taylor 2001). In his recent work, Hubbard describes this shift from the classic understanding on urban affairs: “while many urban geographers continue to use the term ‘global city’ for those leading metropolises that articulate global flow, […] it is no longer possible to talk of ‘non-global’ cities” (Hubbard 2007). As a result, hierarchies become less important, competition is replaced by cooperation and processes are put centre stage. As Allen argues when discussing the nature of power within city networks: “power can be made to ‘work’ for cities in what amounts to a positive rather than a zero-sum game, where financial and business elites exercise power with rather than over others across the networks” (Allen 2008). Taylor labelled this approach ‘central flow theory’, which inhibits a clear dualism in contrast to central place theory. Instead of a focus on hierarchy, competition and territory, the new argument puts emphasis on networks, cooperation and flows: “the problem with the world city hierarchy is that this particular structure recognises only vertical connections, links between hierarchical levels”. In effect, central flow theory turns upside down the original argument: “in central place theory places make flows, in central flow theory flows make places” (Taylor 2007).
Many researchers have since written about how flows connect cities across the globe and about the best way to assess cities in relation to peer cities elsewhere in the world. The Globalisation and World City (GaWC) research group based in Loughborough has done important work in this regard, i.e. by looking at inter-city connections with a lens of network analysis. One of the group’s research frameworks, developed by Taylor and his colleagues, allows for a quantitative assessment of a given city’s connectivity based on international companies that specialise in servicing global capital (Taylor 2009, see figure 1 below). The model uses global service company networks and the size of their physical official locations across the globe as the main indicator for ‘connectivity’. The greater the service value of a company office (ranging from zero to five), the greater the working flows these offices create through other cities, and the greater a city’s connectivity within the global city network as a consequence.

While this model makes a convincing case for applying standard indicators across cities in order to arrive at a quantitative judgement on global city networks, it excludes large sections of the world economy (see figure 1 above). In essence, this means that all major capitals in the Middle East, South Asia and Africa are not included in the assessment. It does therefore not provide answers to a 21st century global production and trade system, in which every city is connected to numerous other cities around the globe: “[t]he rapid advance of globalisation means that every country, every city and every region, rich or poor, must compete with every other for its share of the world’s consumers, tourists, investors, students, entrepreneurs, international sporting and cultural events; and for the attention and respect of the international media, of other governments, and the people of other countries” (Anholt 2002). Recent modifications to the GaWC methodology acknowledge this issue as an important disclaimer to their work: “all world cities will have mixtures of cutting edge economic functions but these need not just be advanced producer services” (Taylor et al 2009b).

Following this line of thought, it might be helpful to deconstruct some of the elements underpinning the GaWC methodology, and to determine how such an assessment model could be modified in order to suit academic enquiries into the ‘outer’ parts of the global economy. This in turn could enable scholars to address today’s and future developments in those city networks that are not as easy to spot as the ones generated by the likes of New York, Hong Kong or Paris.

3. Three arguments for a new research perspective

Three aspects of the original GaWC methodology could be subject to review. The first concerns the problem of the economic periphery: GaWC focuses on the top scorers in the city...
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ranking and does not take account of out the more marginal parts of the world economy in its final connectivity ranking. Second, GaWC uses the international service industry as the sole gauging parameter, which leads to an analysis biased by Western-style companies and their corporate standards. Third, GaWC refrains from venturing further into the underlying drivers and limits the enquiry to a city’s position within the ranking. It does not investigate the reasons behind that ranking and behind the changes thereof.

3.1. Argument 1: The periphery matters

There is a need to investigate more ‘peripheral’ cities of the world economy. The UN projects a significant growth in medium-size cities of 1-5 million inhabitants (UNESA 2008). These urban centres constitute 23% of the world’s population, both now and in the coming decades. Many of these cities can be found in emerging economies. Adding the effects of new communication technology, enhanced mobility across borders and the exponential growth in trade volumes, one can depict what could be called a ‘bottom-up’ trend of globalisation, whereby each city has its peculiar global linkages. Bahrain’s capital Manama hosts the headquarters of a new low-cost airline for the Gulf region (including direct flights to Karachi and Khartoum), Seoul and Tripoli in 2008 joined forces to invest in solar energy production around the Libyan capital, and Dubai’s construction boom was made possible through migrant workers from the cities along the Indian West coast. These developments are all related to, but not dependent on the presence of advanced producer services in the main hubs of the global city network. Rather, many international firms increasingly follow investment strategies that reach far beyond major business centres.

This calls for a research agenda that targets the underdogs of today’s economies and their city business networks – both from a private and public sector perspective. From a private sector point of view, investing in more marginal markets offers a number of potential benefits. First, emerging markets, particularly those with large populations, offer new consumer markets for selling a company’s products and services. Second, international companies are looking for ways to create additional shareholder value through global expansion in order to outperform competitors: “44% of executives cited accessing new opportunities in emerging markets as the top factor for company success, easily outpacing the second most cited factor, recruiting and retaining local talent (32%)”. Third, new technologies allow for business models that offer profits even when targeting the lower end of the consumer market, i.e. when cell phone airtime in Haiti is being sold in overseas remittance markets. Fourth, private investors are looking for opportunities to invest in upcoming sectors that are different from the post-financial crisis ‘classic’ investment portfolios such as the US mortgage market.

The public sector has a different interest in emerging market economies. In view of the ongoing rapid urbanisation, international agencies, national governments and local authorities are key players when it comes to cities making the best use of available resources. These agencies can benefit from a better understanding of how cities make up part of international business networks and how this relates to public spending in i.e. energy security or public infrastructure. This is especially the case for the new urban centres emerging in countries of the developing world. With less consolidated patterns of economic activity, the latter constitute a very dynamic part of the world economy, and require policies that can manage both the “dangers and opportunities of globalisation” (Taylor 2008).

3.2. Argument 2: The need for different variables

There are many ways to describe how cities are interconnected within the global economy. At the core of the enquiry discussed here lies a network-centric approach, which puts emphasis on the connectivity between cities rather than looking at the composition of a city’s economic profile. In doing so, Taylor et al emphasise that one of the key differences to ‘classic’ network
analysis can be found in the additional layer that is needed to make sense of inter-city relations. Instead of the two standard network layers (the net and its nodes), city networks must be assessed through three layers (net, nodes and sub-nodes). The global economy constitutes the net level, cities form the nodes and firms with their office locations are so-called ‘sub-nodes’ (Taylor et al 2005).

Before discussing possible indicators for assessing emerging market city networks, it is useful to clarify the concept of connectivity as introduced by the GaWC methodology and what it means for such an analytical exercise. The focus on advanced producer services as chosen by the Taylor group works with an indirect measure to establish ‘connectivity’. It looks at how the various office locations (sub-nodes level) create a network across the different cities (nodes level), which in turn constitutes an important part of the global (service) economy (net level). The underlying assumption is that daily working flows need input from multiple offices and thus connect city locations with each other. In other words, cities are considered nodes at the centre of the working flow: the more companies create these working flows through a given city, the greater a city’s connectivity.

When redefining connectivity for emerging market city networks this line of argument only offers a limited understanding for the dynamics of a city’s network. With an average or below-average score for advanced producer services, working flows created by the need of multiple offices to work together are much scarcer, and the interpretative value becomes problematic as a consequence. Emerging market cities constitute far less a node at the centre of the working flow (what could be called ‘mid-nodes’), and constitute much more nodes at the receiving end of those same flows (what could be called ‘end-nodes’). An additional problem arises when considering the quantitative basis of the GaWC connectivity model. The higher scores such as four and five (regional or global headquarters) are far less likely at the outer end of the world economy. A comparison between various cities with a similar ‘marginal’ status therefore becomes more ‘flat’ and creates much less distinction between cities. In other words: it seems useful to assess a different kind of connectivity when looking at emerging market cities.

In order to make a meaningful comparison between cities that are less connected in terms of advanced producer services, the idea of end-nodes offer a first starting point: if cities are positioned at the end of global working flows, it becomes feasible to compare them not with any other city in the world economy, but rather compare them with ‘peer cities’, which are other end-nodes of the same working flows. Similarly, cities could be considered ‘start-nodes’, if they act as a hub for company expansion strategies. This is the case when cities host headquarters of certain multinational companies, but also if a regional headquarters acts as an entry point into a regional market. Figure 2 below illustrates this argumentation. In order to investigate the case of Khartoum, the study at hand focuses on the ‘end-nodes’ concept.
At this point it is important to stress the experimental character of this study. Acknowledging the limited benefits from a service-centred network analysis when it comes to understanding the globalisation processes beyond the main hubs of the world economy, the author sets out to explore possible avenues that could offer a more adequate framework to assess an emerging market city’s position within world city networks. This could be done on two levels, which will be discussed in the following paragraphs. First, it is important to look at something different, as the service sector does not provide sufficient explanatory value for emerging market cities (3.2.1). Second, one should look in a different way at what constitutes a city’s connectivity (3.2.2).

3.2.1. Introducing ‘Prime Sectors’

The first argument is straightforward and simply leaves the realm of advanced producer services. Instead, the interest turns to the local economy and to what matters to a city’s economic performance. For example, Rotterdam might not score very high as a global service industry hub, and in fact might not have the ambition either. Rotterdam is the third largest port city in the world and depends on international trading companies much more than on its service industry. Whereas the city’s GaWC connectivity score is not particularly encouraging, nobody would go as far as saying that Rotterdam is less connected to the global economy than for example Brisbane, Zagreb or Stuttgart. In fact, many of the multinational companies serviced by the well-connected cities rely on Rotterdam as their primary import and export node.

Following this argument, it is suggested to take a more local perspective as a starting point. Any given city has its specific business portfolio, which often acts as the driving force behind economic developments. These ‘prime sectors’ might often be resource based, but can also include sectors that are deliberately promoted by the national authorities, such as tourism in the case of Bhutan and Kenya.

3.2.2. Introducing ‘Office Presence Parity’

The second argument is of a more theoretical nature. As argued above, emerging market cities should be considered end-nodes of the global city network rather than mid-nodes. When looking at a city’s prime sectors, the number of office locations constitutes the receiving end of a global company’s locational policy. As a consequence, the interpretation in terms of connectivity is markedly different. A company’s decision to start operations and to open an office in a given city makes comparison possible only with those ‘peer cities’ that could also
be ‘targeted’ by the same company. This way, the distribution of office locations represents the particular global city network of which a city is part. The indicator used for this type of assessment could be labelled ‘Office Presence Parity’. By doing so, it is important to keep the peer cities within the same sector. For example, it would be unfair to argue that a city with petroleum as its prime sector is less connected because an oil & gas exploitation company maintains office locations in peer cities that also provide access to the gas market. By following this approach, it is possible to establish the city’s value as an operational location to sector-specific firms, in comparison with its peer cities – be it in the region or elsewhere in the world.

3.3. Argument 3: City authorities are key players

The third argument presents a more political aspect of global city networks. Any given connectivity audit the industry-specific network based on office locations – and highlights changes over time. When it comes to explaining these changes, Taylor explicitly puts the agency element on the international companies. He argues that ultimately, cities are subject to international companies and their location policies: “in the global economy, it is the firms who are the network makers not the cities themselves” (Taylor 2009). The strategies underpinning corporate behaviour can have various reasons, such as achieving a certain level of return on investment for shareholders, or meeting global market share targets. According to this view, the networks are results of corporate choices and – indirectly – shareholder interests. This type of assessment de facto shuts the door for further enquiry about other factors of influence that lie outside the realm of corporate business policies.

From a business perspective, some cities indeed represent particular advantages over other cities. However, when several urban centres meet the criteria for a certain sector’s investment locations, cities have a role to play other than waiting for a final decision by corporate players. They move to become actors in a high-stake bargaining process that plays out within a network of globally connected cities. This can be markedly different from national priorities towards international investment. Depending on the governance structures, city authorities negotiate their room to manoeuvre vis-à-vis the national level. This is the playground that is of interest for this study: how can city authorities proactively engage with international business networks in a bid to enhance a their economic benefit? At this point, this study enters the realm of what could be called ‘urban network policies’.

3.3.1. Introducing ‘Urban Network Policies’

Many urban scholars acknowledge that the city as a political entity has taken over large parts of what used to be the responsibilities of nation-states. The latter can no longer be considered the “pre-eminent site and scale for territorial economic organisation in contemporary capitalism” (Ward and Jonas 2004). Cities in fact move to replace national authorities, for example when it comes to initiating marketing strategies towards sector-specific global city networks. In the case of London the relationship is even reversed: national authorities depend on the economic performance in the country’s capital. Similar cases emerge across the globe, i.e. in many poorer countries where there is only one dominant economic centre. In reference to Brenner’s work on new state spaces, this trend constitutes a rescaling of statehood, in favour of what Hohn and Neuer call the ‘entrepreneurial city’ (Hohn & Neuer 2006). The question arises how to assess and interpret efforts by city authorities that are designed to attract or cooperate with international firms in a certain sector. This article attempts to offer a analytic model for such an enquiry.

A sound basis for an analysis into urban network policies must on the one hand include the various levels of policy-making: national, provincial and city level. On the other hand, one needs to use mutually exclusive categories that can be used to classify certain efforts towards the business community. Hubbard for example identifies five types of activities that make up
urban entrepreneurship, including 1) investing in new type of living and work spaces; 2) creating location-specific advantages; 3) attracting outsiders to new city specific markets; 4) finding new sources of (labour) supply; and 5) redefining urban hierarchies (Hubbard 1998). While an interesting starting point, this list of activities does not provide useful categories for an entrepreneurial city, which targets economic performance in its prime sectors. In contrast to Hubbard, who looks at an entrepreneurial city from a more general perspective, this study focuses on urban network policies that have an effect on office presence parity per sector.

Employing a business perspective might provide the right starting point when creating new categories. City authorities can offer certain incentives to a given company, both proactively and in response to opportunities and requests; and they might be designed directly for a certain company or for the sector in general. This leads to a simple quadrant with four distinctive categories of incentive policies, as illustrated in figure 3 below.7

In each quadrant, it is possible to score the different levels of policy-making by quantifying policies that originate from the national, provincial (where applicable) and city level. For example, city authorities offering a one-year free-lease to a specific company would be counted as a incentive score on city level in the upper right quadrant. For visual purposes, the four scores of each policy level are then connected to form a circle shaped line, drawn in the respective colour (blue for city- and red for national incentive scores).

In order to turn this variable into an empirically feasible indicator, this study measures ‘urban network policies’ by the number of new initiatives for corporate incentives. This includes scores from zero to four: 0 = no initiatives for corporate incentives; 1 = few initiatives for corporate incentives; 2 = some initiatives for corporate incentives; 3 = various initiatives for corporate incentives; 4 = numerous initiatives for corporate incentives.8 This framework in turn allows for visual comparison between cities, and between different periods of time (see section 4).

3.4. Towards an alternative assessment framework

The above sections brought forward some new ideas on how to assess global city networks, and to shift the focus of research towards the periphery of the world economy. In order to do so, new variables and indicators are needed. Figure 4 below illustrates how these new research elements combine into an overall research framework. It distinguishes between three abstract levels, each covered by one of the three arguments: where / what / how.
Even though this approach provides the elements for a potentially useful assessment of global city networks, it thus far remains a theoretical exercise. In particular, it is necessary to explore whether the identified indicators offer valid results. In order to test whether and if so how this framework fares when facing the realities of empirical research, the next section applies the new variables to the city of Khartoum, an urban centre at the outer end of the global economy.

4. Case Study Khartoum

This part of the study is based on fieldwork in Khartoum between January and August 2009. The author used Internet sources, official documents, interviews with key stakeholders and participatory observation in order to collect relevant information on recent economic developments. The following sections present the data in reference to the three arguments as introduced in the previous sections.

4.1. Why Khartoum matters

To the regular observer, Khartoum above all stands for the seat of the Islamic government, which has been in power since a successful coup in 1989. In contrast, the city’s economic standing does not speak to one’s imagination. What comes to mind first is often linked to Sudan rather than Khartoum itself, such as the Janjaweed militias in Darfur or US trade boycotts. In order to get a good understanding of the city’s status in the global economy, one first needs to venture a little deeper into the facts that shape the city of Khartoum, and its reputation as viewed by outsiders.

4.1.1. National context and recent developments

Sudan’s recent history has been eventful, and more often than not tragic rather than promising. Civil war raged between the North and the South since 1983, which only came to an end in 2005 after year-long negotiations. Oil was discovered in 1999, and production has risen ever since. Sudan’s support to Osama Bin Laden resulted in US sanctions in 1993 and eventually came to a head in 1998 when the US military destroyed a pharmaceutical company in Khartoum. From 2003 onwards, the Sudanese military launched a counterinsurgency campaign in the Western region of Darfur, leading to an immense international outcry and a large-scale divestment campaign against companies operating in Sudan. In the process, hopes
diminished for a swift implementation of the 2005 north-south peace agreement. The six-year transition period is set to end with a referendum in 2011 on Southern Sudan’s possible independence. One of the most recent episodes in the country’s political life saw the current President indicted – but not arrested – by the International Criminal Court.

A recent assessment by the World Bank explains Sudan’s economic performance by two key drivers: The negative factor behind Sudan’s economic development can be found in its massive debt burden. The government owes US$ 34 billion, which is considered not sustainable without major debt relief initiatives (World Bank 2009). On the positive side, the country’s emergence as oil producer led to fast and significant growth rates since 2000 and a heavy reliance on the sector in budgetary terms. In 2008, oil production accounted for 95% of exports and 60% of domestic revenue (World Bank 2009).

Debt aside, the economic growth figures are impressive, particular in African terms. Sudan realised an average inflation rate of less than ten per cent since 2000 (down from 133 per cent in 1996), and an average GDP growth of 7.5% in the period 2000 to 2008 (World Bank 2009). Yet, from a business perspective, Sudan remains a very marginal player. The country’s market economy is placed – together with Niger – on rank 104 out of 118 transition countries worldwide in 2008\(^9\) and ranks as number one in the Failed States Index in 2009.\(^{10}\) The World Bank’s Doing Business Index 2009 ranks Sudan’s 142 out of 181 countries.\(^{11}\) Not surprisingly, Sudan therefore does not feature in the 2008 MSCI Barra list of Frontier Markets.\(^{12}\)

Khartoum is Sudan’s economic and political capital and therefore represents the undisputed entry point for anyone doing business in the rest of the country. The city is also the capital of Khartoum State, which is by far the smallest of the 26 provinces (see annex 2).\(^{13}\) According to the 2009 national census,\(^{14}\) its citizenry is distributed among the three cities Khartoum, Khartoum North and Omdurman, with a total of 5.27 million inhabitants.\(^{15}\)

A great part of the economic boom manifests itself in these three cities that make up the capital, where the startling growth rates translate into physical change in a variety of sectors. The city is not only the location for most economic activity; it also acts as the hub for activity elsewhere in the country. This particularly counts for oil production (which is situated further south), and for the large agricultural sector, which spreads across other provinces.\(^{16}\) In addition, all other sectors also rely on Khartoum as the city node where economic activities in production, trade and services come together.\(^{17}\)

In terms of how Khartoum is viewed by external stakeholders, opinions differ. According to an Africa market analyst: “Sudan is politically radioactive for multinational companies [where…] the reputational risk outweighs any benefits.”\(^{18}\) At the same time Khartoum is often considered a success story, particular before the financial crisis hit the world markets in late 2008. In the period 2000-2008, the city might have been isolated from the large US market and its business partners in Europe, but it seems to have created a significant wealth for its well-connected elites through alternative routes.\(^{19}\)

## 4.2. How to assess Khartoum’s connectivity

The ‘classic’ city network indicators provide a discouraging picture for Khartoum. Based on data from advanced producer and financial services, Khartoum ranks 459 and 399 respectively (out of 524 cities worldwide) in the most recent GaWC connectivity audit (Taylor 2008). Other international business indicators offer a similar conclusion. According to the 2009 version of the Forbes 2000 list of companies, there are only two out of 77 companies in the telecommunication sector – which is an important market sector for Sudan – that have an office in Khartoum.\(^{20}\) When looking at the 2009 MEED list of top 100 Middle East companies, Beirut and Muscat feature as the headquarters of top 100 companies, Khartoum
At the same time, foreign direct investment from the Arab world into Sudan (and therefore Khartoum) surged in the period 1995-2008. In order to understand how Khartoum connects to the global economy, and why it fared rather well as an international business location during the boom years 2000-2008, the approach discussed in section 3 might offer some useful insights.

4.2.1. Khartoum’s Prime Sectors

Before discussing the separate sectors that make up Khartoum’s economy, it should be noted why in the case of Khartoum, it is particularly useful to investigate individual sectors, rather than the economy as a whole. Because of the international sanctions, certain sectors are more directly affected by Sudan’s limited access to world markets. For example, Sudan’s oil industry heavily relies on Chinese technology, while US know-how would lead to a much more efficient production process. This is different for example in the telecommunications sector, where major technologies are available from other countries.

Khartoum’s standing as the political and economic capital means that national statistics on the various sectors provide a good starting point for an assessment of the city’s economic activities. Sudan’s Central Bureau of Statistics uses the standard sector categories as defined by the World Bank in 1968, which include fourteen separate sectors. From there, it is possible to ‘rank’ economic sectors according to different variables. The most common forms to measure the economy include size of GDP, the sector size in terms of labour market and the growth percentage per year.

According to the Central Bank of Sudan, the national economy’s GDP distribution in 2008 showed 29.3% for agriculture, 15.5% for petroleum, 14.4% for Commerce, Restaurants and Hotels and 11.8% for Transport and Communication. The labour market portrays a different picture, with an estimated 80% of the workforce employed in agriculture, 7% in industry (which includes the petroleum sector) and 13% in services. When looking at growth, the national economy reveals yet another priorities list. The four national sectors that have the largest average growth rate for the period 2000-2007 include petroleum (19.05%), manufacturing (8.62%), transportation and communication (8.06%) and building and construction (6.85%).

The situation is a little different when looking at the city of Khartoum. The biggest national GDP contributor, the agricultural sector, is replaced by petroleum, and building and construction enters as a fourth sector. One of the largest growth sectors in the national economy, manufacturing and handicraft (especially food processing such as sugar refining), is replaced by 1) electricity; and 2) real estate. The latter two are sub-parts of the official categories, but are interesting because they represent key services for any type of business infrastructure: electric power and land use. Whereas all the sectors discussed thus far (eight out of ten) present potentially interesting cases for a more detailed look at the status of Khartoum as an ‘open city’, only two sectors can be considered prime sectors for the study at hand. This selection is based on the scores presented in the table 1 below.
According to the discussed GDP measurements, there are two sectors that are of critical importance to Khartoum’s economic portfolio. These two sectors score as a priority on all four indicators. The first is the petroleum sector, as it has played a pivotal role in initiating and maintaining the economic boom of Khartoum (in addition, Khartoum is the location of Sudan’s largest refinery with a capacity of 100,000 barrels/day). The second is transport and communication. This has become a key sector for Khartoum’s business connections, not the least because by definition transport and communication both creates and facilitates economic growth. The following sections look at those two sectors in more detail. An overview of the remaining four sectors can be found in Annex 3.

4.2.2. Office Presence Parity for Khartoum’s Prime Sectors

Using recent data from Khartoum-based companies, this section presents the city’s office presence parity for the two identified prime sectors. Each section includes a short discussion on the various findings, presenting different levels of comparison and its possible interpretations.

Prime Sector 1: Petroleum

The petroleum sector is the dominant force in Khartoum’s economy, and determines much of the global connections that reach Khartoum as an ‘end-node’ of international company networks. For illustration, maps 1 and 2 below give a visual overview of how Khartoum connects to the global petroleum market. This is done by looking at the global operations of 30 selected foreign companies that operate in Khartoum. This results in two global city network maps.

Map 1 shows all countries across the world ‘targeted’ by those 30 companies. The interpretation of this visual aide is straightforward: ‘the darker the colour, the more companies operate in that particular country’s capital.’ This gives an indication of cities across the globe where companies decided to invest, next to Khartoum. This is irrespective of a country’s status in the global petroleum sector (measured by national oil production).
Based on this data, there are two findings that seem interesting – both from an economic and political perspective. First, many of the higher scores (darker colours) can be found in the Middle East and in Asia. This supports the view that Khartoum is – as often claimed – indeed part of the Middle East business region when it comes to the petroleum sector. The city is far less connected to the North- and East African market, even though there are numerous capital cities across these two regions that make up part of the global petroleum sector, such as Libya, Angola, Chad, or Nigeria. International companies investing in Khartoum seem to be more active in the Middle East than on the African continent, i.e. Angola and Chad both score a mere three office presences in contrast to 5, 6, 7 and 10 for Saudi Arabia, Oman, Kuwait and UAE respectively. Two exceptions are Nigeria (six) and Algeria (seven companies).

Second, there are two ‘dark-coloured’ capitals that are similar to Khartoum inasmuch as they face US sanctions, too: Teheran (Iran) and Rangoon (Myanmar). This indicates that international companies in the petroleum sector base locational strategies not necessarily on regional considerations (investing various locations in the same region), but rather look at similar investment conditions (investing in locations in the same investment category).

Map 2 presents a filtered version of map 1. In order to compare Khartoum with cities that have a similar economic portfolio – ‘peer cities’ – map 2 excludes all cities in countries with significantly more or significantly less oil production. The darker the colour, the more companies operate in that particular peer city’. This gives an indication of Khartoum’s status as a business location for multinational companies in this segment of the petroleum sector.
The findings of this exercise are also interesting. First, all of the identified peer cities have at least one office from the sample. This suggests that there indeed seems to be a correlation between the level of oil production and the type of company that invests in a certain location. If this is the case, the original idea of peer city as introduced in 3.2.2. provides a valid starting point for studies in relational economic geography. Second, the capitals with the largest number of petroleum companies can be found in the four Asian capitals of Jakarta, Kuala Lumpur, Bangkok and Hanoi. African capitals are less ‘targeted’ by corporate investment strategies as observed by the larger sample of non-peer cities (see map 1).

Map 3 complements these results with a visual overview of the national headquarters of those 30 companies. ‘The darker the colour, the more companies with operations in Khartoum have their headquarters in that particular country.’ This gives an indication of where investment interest in Khartoum has come from in the last couple of years.

Looking at this map, it is interesting to note that the results are more diversified than one could have expected. Whereas Khartoum’s key trading partners are commonly stated to include China and the Middle East, the findings when singling out the petroleum sector are less clear-cut. The Chinese impact on Khartoum’s petroleum economy certainly is crucial in terms of volume, but there are only four companies that feature on the two lists available for this study. In contrast, there are nine Malaysian companies that are based in the city and there is a variety of European-based companies, including Italian, German, French, Swedish and British that have operations in the city. For Khartoum, targeting potential investors for the petroleum sector would therefore lead them to deal with various different companies, and various different corporate cultures. A recent development in the petroleum sector points towards another set of newcomers that have been given concessions for a new on/offshore block in Sudan, including companies based in Indonesia, Jordan and Nigeria. These however have not yet started operating through company offices in Khartoum.

Prime Sector 2: Transport & Communication

Even though the official category for this GDP sector includes both transport and communication, there are various reasons to specify further which elements make this sector a prime sector. The transport industry in Khartoum for example is of a dual character. On the one hand, there are national companies that have sprung up over the last eight years in any type of freight handling (land, water and air), both for service delivery within Sudan and beyond national borders. On the other hand, there are foreign companies that have started operations in Khartoum. Companies such as DHL (Germany), TNT (the Netherlands), Møller-Maersk (Denmark) and Agility (UAE) have recently started to operate offices in the city. By this measure, Khartoum also features as an important business location for the largest companies in the world. According to the 2008 Forbes list of the top 2000 businesses...
worldwide, Khartoum scores four out of the top ten (non-US) companies. The transport sector therefore contributes significantly to the city’s overall connectivity.

In the telecommunication sector various major companies have started operations in Khartoum’s telecom business since the late 1990’s and have continued to expand ever since. Even though the number of foreign companies is limited to three key players and their specialised service industries, they make Sudan an important, competitive market with startling growth figures. For example, Ericsson’s Khartoum branch is larger in size and employees than its regional headquarters in Cairo.

Map 4 presents the international investment portfolio of companies in both sectors as measured by office presence parity. In order to exclude those cities that do not present peer cities for Khartoum, it is useful to limit the analysis to the immediate region (i.e. neighbouring countries). This allows for a comparison between cities that are in a similar geographic location, which is an important aspect of both transport and communication business operations. As done in the previous section, each office in a county’s capital is counted as one, then all offices are summed up and the aggregate scores per capital are given colour shadings in the range one to eleven. ‘The darker the colour, the more companies operate in that particular peer city’.

The findings highlight the common understanding of Khartoum as a business location that connects to both the Middle East and the East African market. Whereas the Central African capitals do not show significant office presence parity for those companies operating in Khartoum (N’Djamena, Bangui and Kinshasa all score a 2), Cairo and Riyadh portray the highest score in the map (9 and 8 respectively) and therefore come closest to Khartoum. Addis Abeba, Nairobi and Kampala fall behind their Middle Eastern counterparts (5,6 and 5 respectively). These scores are not particularly surprising, but they reconfirm Khartoum’s standing as an important regional market, which is best connected to the Arab speaking capitals of neighbouring countries.

Map 5 below is complementary to the previous map and shows the headquarters locations of the 32 selected companies. The wide-reaching character of the transport and communication sector’s business network is again obvious, similar to the petroleum sector. Most of the national head offices can be found in a diverse spectrum of Middle Eastern and European countries. In comparison with the petroleum sector, a key difference lies in the very limited role Asia plays in this sample. China still accounts for two office locations, however it remains the only Asian country active in this sector. Put differently, these findings support
the argument that different sectors entail different types of international business networks, and in order to understand how cities can position themselves in the world economy, it is useful to distinguish between the types of networks that matter to the specific sector.

Map 5: headquarter locations of 32 Khartoum-based companies in the transport/communication sector

In summary, Khartoum’s standing as a business location in the transport and communication sector is characterised by its dual geographic position between Africa and the Middle East. It is telling that there are merely two major players in the telecom sector (MTN and Zain), which each represent the largest companies in Africa and the Middle East. Their respective emphasis on African (MTN) and Middle Eastern (Zain) networks of ‘targeted’ capitals in Sudan’s neighbouring countries underscores this trend. As it stands in 2009, the Middle Eastern influence in this sector is still predominant, a fact that is not entirely surprising when looking at the economic position of Sudan’s Western neighbours Chad, CAR and DR Congo.

4.3. Khartoum’s Urban Network Policies

After eight years of continuous reign by the same state governor, Khartoum is entering a new era. Since May 2009, the former governor Dr. Abdelhalim I. Al-Mutafie left his post as the head of Khartoum State and moved on to become the Minister of Agriculture. The following sections present how urban policies towards international businesses have been shaped under his leadership during Khartoum’s boom years.

With the signing of the CPA in 2005, the National Interim Constitution (NIC) embraced decentralisation as a constitutional principle. Policies towards economic liberalisation and privatisation were successfully deepened, including the amendment of taxation rates and more flexibility in imports and exports (World Bank 2006a). The NIC defines four tiers of governance, including national, Southern Sudan, State and localities. In the case of Khartoum, three localities form the capital (also called Greater Khartoum: the three localities of Khartoum, Khartoum North and Omdurman) while Khartoum State includes four more localities around the metropolitan area. Khartoum’s official urban governance structures are therefore closely interlinked with the governance of Khartoum State.

Decentralisation was first introduced in 1993 (Shami 2001). As a consequence, the government in 1994 dissolved the national investment body and established a new investment mechanism for Khartoum State. Whereas the national authorities retained a clear monopoly on most sources for monetary revenues, the state governments were allowed to define their
own investment policies. This initial law was further modified in favour of state policies, when a new ‘investment encouragement law’ was passed in 1996. It identified three levels of governance regarding investments: the State, the federal ministries and the Ministry of Finance and National Economy. As part of this modification, the lowest level, the state, was given three key responsibilities: 1) issuing licenses for state investment projects; 2) exempting investment projects from state taxes; and 3) advising the Ministry of Finance for exemptions on federal taxes. There is only one specific aspect that is under full control of the individual state: land use. The federal government cannot interfere with a state’s decision on a company’s rights to certain plots of land. This leaves an important part of the responsibility with the state (in the case of Khartoum: city) authorities. Interestingly, Khartoum State is the only exception to this rule. The Khartoum State governor decided in 2001 to dismantle Khartoum’s own investment authority and therewith delegated all investment responsibilities to the federal level.

The governor is the highest official, appointed by the President. The State Legal Assembly (SLA) acts as the controlling mechanism and approves submissions by the governor. The SLA includes 48 members, and has a sub-committee for economics. The State Council of Ministers is the executive branch of Khartoum’s government, and includes eleven ministries. Under the Ministry for Local Governance, Khartoum State is divided into the seven localities. As a result, the governor of Khartoum State de facto acts as a mayor to the seven city localities of Greater Khartoum. The locality commissioners act as ‘advisors’ to the Governor’s Council of Ministers. In turn, the governor is obliged to consult with the Council of Ministers and then submit a proposal to the SLA for approval.

When looking at the developments in the two periods 2000-2004 and 2005-2009 respectively, a dual picture emerges. On the one hand, Khartoum as the political and economic capital has been largely driven by national factors. Since the start of oil production in 2001, the city’s economic growth has been continuous, with spillover effects for agriculture, industry and services. With the signing of the CPA and the resulting National Interim Constitution in 2005, this growth was multiplied by growing international interest from businesses all over the world. The national government kept a high level of control over all forms of monetary revenue and left little room to manoeuvre for authorities on state and city level when it comes to decision-making.
to strategic investment projects. This particularly counts for the petroleum and telecommunication sectors. As a result, international companies in all major sectors often benefited from national, rather than urban network policies.

On the other hand, Khartoum’s political leadership also contributed significantly to the economic developments in specific sectors. The governor’s explicit pro-business policies led to regular visits across the globe, particular to Asia and Europe. Whereas the US sanctions made these efforts significantly more cumbersome, Khartoum’s urban network policies were committed to convincing international companies to set up operations in Khartoum. The longer the boom lasted, the more active the city leadership became engaged in attracting international companies. Often, initial contacts would be established through the economic attachés at the various embassies in Khartoum. The governor himself or delegated staff would travel extensively to meet with company representatives outside Sudan in order to discuss possible potential projects in Khartoum State. This engagement was most visible in the construction and transport sector, for which state budgets acted as an important catalyst. In particular in the post-CPA period 2005-2009, Khartoum’s urban network policies acted as a multiplier and helped to create a dynamic business environment with an increasing amount of foreign companies starting operations in the city. At the same time, city authorities did little to prevent informal business networks from becoming non-transparent and even clandestine at times. As a result, encouraging businesses to start operations often came at the expense of accountability.

Table 2 above presents the scorecard of Khartoum’s urban network policies for 2000-2009. It applies the scores introduced in section 3 and divides Khartoum’s boom years into two periods: from the start of oil production in 2000 to the finalisation of the CPA in 2005 (which led to further decentralisation), and from the agreement to the take over by the new Khartoum governor in mid-2009. The data focuses on the four types of corporate incentives – direct/active; direct/reactive; indirect/active; indirect/reactive – as initiated by either national or Khartoum authorities in the given period. The scores are given per sector to each period, covering the two prime sectors (4.2.2) and the four other sectors building and construction, electricity and real estate sectors (see Annex 3). The average score for all six sectors is then given in the second-last row of the table.
Based on the scores in table 2, figure 6 translates the aggregate figures of the scorecard into the four-quadrant model, visualising the results in one single graph. Four findings are of particular interest. First, the blue city-circle is by far smaller than the red national-circle. This confirms the understanding that Khartoum is representative for the entire Sudanese economy, and therefore defined by national rather than urban network policies. The national government has been the predominant player in attracting businesses both when it comes to the two prime sectors and related business networks in the electricity, building & construction, real estate and hotels & commerce sectors. Second, both the national and city network policies in all four quadrants increased significantly when comparing the five-year periods before and after the CPA was signed. Third, none of the four quadrants scores significantly less than others. This suggests that both national and city authorities applied a broad spectrum of tools in order to engage with corporate players. Fourth, the increase in reactive policies in the post-CPA period is not necessarily higher than the increase in active policies. This indicates that the increase in corporate interest after the signing of the peace agreement, there was no significant shift from active to reactive policies: both city and national authorities continued to promote the city abroad. Fifth, the relative increase in urban network policies is far greater than the one in national network policies. This supports the argument that in times of economic growth – as observed in emerging market cities – there is a trend of more active engagement by city authorities in attracting the interest from and facilitating operations for international corporations.

5. Conclusion & Discussion

The three arguments presented in the course of this article seem to offer new, and interesting insights in the way global city networks can be assessed. Khartoum provides an insightful example of how one of the most marginal markets in the world still seems to be considered sufficiently attractive by international companies. As discussed in sections 3 and 4, Khartoum’s prime sectors include major companies that operate across the world, and Sudan’s capital in fact represents an appealing business location to specific sectors despite US sanctions, political instability and significant uncertainty regarding the return on investment.

Notwithstanding the limited data available for Khartoum, the revised research framework introduced in section 3 offers a useful way to highlight the underlying dynamics of such a city and its standing in the world economy. It enables an academic enquiry to assess some of the key connections Khartoum has developed in the period 2000-2009, but also to what extent
national or city authorities were part of these efforts. It also supports the argument that such an assessment would yield interesting results for other emerging market cities. By using this methodology, cities no longer feature as an unconnected node within the overall world city network, but can be discussed with a more sector-specific lens: each city is a global city in its own ways.

The selection of major sectors helps operationalising such an assessment, and it seems worth exploring how emerging market cities connect to the world economy when considering their local prime sectors. Of particular interest to academic enquiry are upcoming sectors, as is the case for telecommunication in Khartoum. These new, less-consolidated sectors are much less embedded in old business networks and practices, and can therefore create a new momentum for a range of international companies to invest in emerging market places.

As presented in the Khartoum case, the concept of office presence parity provides interesting insights in the city’s status within the two prime sectors’ business networks. It enables researchers to establish sector-specific categories for certain cities. As peer cities differ per sector and entail different opportunities for international businesses, this type of peer cities presents similar markets in which they could invest. In turn, the resulting visualisations create a new insightful connectivity map based on the concept of a global city network’s ‘end-nodes’.

At the same time, such an assessment offers multiple directions when interpreting the data. As the concept of office presence parity as used in this study includes only those companies that already have a presence in Khartoum, it excludes those companies that are active in the sector but operate only in other countries. As a result, it cannot provide a full assessment of the global sector-specific network. Instead, it merely allows comparing a given city with similar cities that are also targeted by the same companies. This could be solved by selecting only world-wide operating companies and then establish the cities that are targeted as ‘end-nodes’ by each of these companies (as done in map 1 in section 4). Another useful modification for an assessment of office presence parity could include a ranking that depicts the changes in ‘end-node’ status over certain periods. This data could then be related to an urban network policy assessment as discussed in 4.3.

The assessment model for urban network policies proves a useful concept and the radar chart offers an attractive and concise way to sum up findings regarding the drivers behind the ‘entrepreneurial city’. However future studies should be careful when selecting sectors, as it is important to distinguish between sectors that are using the city as a administrative base, and those that also engage in economic activities in the physical set-up of the city (as the case in Khartoum with the telecommunication versus the building & construction sectors). The case of Khartoum indicates that city authorities tend to be more active in the latter type sectors.

Notwithstanding the discussed caveats, future research on global city networks would benefit from a) shift in research interest towards the role emerging market cities play; b) looking at the two variables ‘prime sectors’ and ‘office presence parity’ as a means to assess the status of a city in those networks; and c) investigate the role of urban policy-makers in shaping developments in those sectors. In order to modify these explorative elements of global city network analysis, scholars engaged in global city networks are encouraged to provide the necessary critical input in order to address shortfalls of this methodology regarding conceptual design, data collection and possible interpretations.
Annex 1: Bibliography


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Opening up to the World? Khartoum’s Position within a Global City Network
Taylor, P.J. 2002, Amsterdam in the World City Network, Department of Geography, University of Loughborough.
Annex 2: Map of Sudan

See hard copy
Annex 3: Overview of Khartoum’s other Prime Sectors

Building & Construction Sector:

Building and construction accounts for the most visible impact the boom years had on Khartoum’s economic life. Infrastructural works, commerce and office space has seen an immense increase in investment. Khartoum State runs a 45 million US Dollar building program for new road infrastructure and has awarded a contract to build the new international airport for an estimated 1.2 billion US Dollars. Whereas road and service infrastructure have been mainly the sphere of public contracting agencies, private capital has also contributed much to the sector through investment in residential and commercial buildings. Another important driver behind residential developments can be found in the presence of international humanitarian agencies in Khartoum. According to a real estate market analysis by Colliers International, Khartoum will have an additional 11,000 apartment and villa units built between 2007 and 2013. This underscores the fact that economic development in Khartoum is driven by, but also limited to the high-end market. Despite this growth, there is a limited amount of international companies involved in this sector. Many of the contracts for large-scale developments have been awarded to Chinese contractors. In congruence with various scholarly publications on Chinese investment policies, often these companies “surf” on the wave of Chinese bilateral deals. More recently, Turkish companies have also been very active in Khartoum, including the execution of five major construction projects. Many of these international companies have offices in Khartoum and would create a broad global city network in terms of office presence parity. However, the virtual business networks that drive investment deals and implementation contracts remain non-transparent and often are intertwined with state-run enterprises and bilateral agreements regarding conditional use of labour and material.

Electricity Sector:

Since a major shake-up of the National Electricity Corporation (NEC) in 1993, the running of national electricity schemes have been tightly controlled by government elites. Major contracts are awarded without public tender and suffer from insufficient capital to invest in the long-term. For example, the Merowe Dam project (worth 2 billion US Dollars and the largest infrastructural project in Africa) had to be financed through Chinese capital and a commercial (20-year 4,5% interest) investment scheme with Kuwait and UAE lenders – instead of the anticipated World Bank loan (40-year, 0,5% interest). However, the importance of this sector for the city of Khartoum does not lie in the small amount of international companies that are part of large electricity production projects, such as the Chinese companies that are running power plants some 20 kilometres north of Khartoum. Rather, it is the retail networks for electricity equipment that contributes a large portion to the State’s GDP in the sector. Customers include major, medium-size and small companies, as well as many private consumers and – particularly since 2005 – the international humanitarian community. This in turn depends on the Sudanese retail sector for imported equipment such as generators, which act as agents for companies that prefer not to have a physical presence.

Hotels and Commerce:

As in every major city, consumer goods are largely available. Due to the sanctions, Khartoum’s markets are both expensive and dispersed. Dealerships often have exclusive import rights, and can therefore decide which shops sell a certain product. Philips and Toyota for example work with fixed agents who are responsible for distribution and sales. As a result, there are few retailers who can offer a full range of consumer goods. Many other foreign trading companies work through Sudanese interlocutors who act as linchpin between producing company and retailers. For example, the Free Zone in Garri, 40 kilometres north of Khartoum, works with 1,317 registered companies, out of which only 259 are foreign
companies. This light footprint of the Khartoum retail sector leads to a high turnover of foreign goods in the local markets, despite the fact that the office presence of foreign companies is limited to an absolute minimum. A similar picture emerges when considering the investments made in the hotel business. Sales are primarily driven by the corporate sector and, more recently, by official efforts to promote Khartoum as a conference location. While the Hilton Group sold its operations, responding to calls from overseas lobby efforts against investment in Sudan, the Rotana Group from Dubai entered the Khartoum market in 2007 with a five star hotel, and has successfully operated since. “There's a lot of cash and investment coming in. […] Sudan is a place we want to be.”

Real Estate Sector:

This sector includes the most large-scale projects in the city, and represents the quest by international investment companies to find new, emerging markets across the globe. In the period 2005-2008, these projects stood for the murmured ambition by government officials for Khartoum to become a second Dubai. The Alsunut project, initiated by the Kuwait Investment Fund, foresees the rise of a new business district with more than 44000 offices; the Al-Noor scheme, financed by Grand International, plans to build high and low rise along a 46 kilometres stretch along the White Nile; the Sudan Waterfront project in Khartoum North projects a high-end residential area, led by a Qatar Investment consortium. However, these three major projects have recently been put on hold. Less ambitious projects have been moving forward, even throughout the financial crisis in 2008, but with major delays. Regarding the residential housing market, many private investors drive the growth in the sector. While middle class loans for home financing is on the increase, much of the invested capital still comes from outside the country, i.e. from Sudanese citizens who are returning from overseas to build their own properties.
Notes

1 Khartoum is far from being an ideal test case for the modified methodology introduced in the previous sections. Its standing in major international markets, the resulting political sensitivities and the tight government control over financial revenues (including the ones that are generated in the capital) make Khartoum a unique case. Any assessment on the role of the city in the various economic sectors must therefore rely on imperfect data sets (see also the DISCLAIMER in paragraph 4.2). The aim of this article therefore lies more in proving the applicability of the new methodology rather than presenting clear-cut results on the economic developments in and around Khartoum.

2 The score scales for this methodology include the following nominal scores: 0 = no office; 1 = small office; 2 = normal size office; 3 = large office; 4 = regional office; 5 = headquarters.

3 According to the UN, “medium-sized cities with more than a million inhabitants but fewer than five million, are […]” numerous (361 in 2005 increasing to 524 in 2025) and they account for 23 per cent of the [global] urban population.” Similarly, cities with 5–10 million inhabitants are set to swell from 30 in 2007 to 48 in 2025, however these only account for seven per cent of the world population. The important ramification for this study lies in the fact that in contrast to their big brothers in Mexico, New York and New Delhi, these smaller cities have different structures, know different economic systems and face different challenges, many of which have thus far remained outside the scope of scholarly debate.

4 ‘Shifting from the BRICs to the Future 7: Seven Markets that will drive corporate profit growth in 2008 and beyond’, Frontier Strategy Group 2007.

5 Similarly, the concept of ‘start-nodes’ becomes an important element when looking at emerging market cities that are already more integrated into the global economy.

6 ‘The World according to GaWC 2008’, see http://info.lut.ac.uk/gawc/world2008t.html

7 In addition, for each type of incentives it is possible to include the distinction between financial or non-financial incentives. This will be added to the framework at a later stage of this PhD project.

8 The exact scoring (how many initiatives account for few, some, various and many) can be determined on a case-by-case basis. The scores for the indirect (active/reactive) incentive policies can be derived from three main indicators businesses use to determine whether or not to invest: transparency, consistency and efficiency. For more details on World Bank indicators regarding investment policies, see www.fias.org.


10 Failed States Index, Fund for Peace, see also: www.fundforpeace.org, accessed on 10 July 2009.


12 For more information see MSCI International Equity Indices, November 2008.

13 The total area of the state is 2.2 million square kilometres.

14 The results of this census are still disputed by the semi-autonomous Government of Southern Sudan, however the disagreement is not about the figures of Greater Khartoum.

15 While this figure represents the current political compromise, the real number of inhabitants is likely to be around seven million. Various interviews with experts in the humanitarian field, January – August 2009.


17 Please refer to the full version of this article for an additional section on Khartoum’s economic outlook towards major players in the world economy.


19 Sudan’s economic ties are strongest with China and the regional Middle East markets. An estimated 80% of the national oil production is sold to China, which makes the Asian country a de facto guarantor for governmental budgets. However, Khartoum’s connections go beyond Chinese investment. The six largest trading partners indeed include China, but also Egypt, Saudi Arabia, United Arab Emirates, Japan and India. In addition, Malaysia has been an important player in the petroleum sector, with nine registered companies in Khartoum. Recent newcomers include South Korea and Turkey. For example, there are some 100 Turkish companies operating in Khartoum under their original brand name.

20 It should be noted that the telecommunication companies listed in the Forbes 2000 list have a predominantly national and/or regional operations portfolio.


22 “Between 1995 and 2008, Saudi Arabia, Sudan and Lebanon were the largest beneficiaries of inter-Arab investments as they attracted $95bn, nearly 70 per cent of the total inter-Arab FDI of $135bn.” See www.iaigc.net for more details.

23 Please refer to the full version of this article for the disclaimer on this study regarding data collection methods and the limits thereof.

24 Interview with World Bank official, Khartoum, August 2009.


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The Nile Avenue as a result of this policy.

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United Kingdom (2) more than one headquarters location are UAE (4), Germany (3), China (2), the Netherlands (2), Sweden (2), and

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Switzerland, and 18 major international airline companies.

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Nokia Siemens and transport: DHL, TNT, Møller

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technology.

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Telecommunication sector in modern IT

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an inaccessible location for mainstream business logistics. B

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There are five type of investment projects that pre-empt the state authorities from any involvement: 1) national projects of strategic importance; 2) trans-state-border projects; 3) projects where government-owned lands are used (such as railways); 4) selected foreign investment projects; and 5) mixed investment projects.

Calculations are based on data submitted by the national Ministry of Finance and National Economy, possession of the author. It should be noted that the sector Electricity and Water are dealt with separately, as there are no separate statistics available for the electricity sector. Because this sector is controlled by public companies (plans for liberalisation are under way), electricity as an economic sector is considered of minor interest to this study.

Based on interviews with selected reference persons.

Four categories have been excluded from this table: Nominal Financial Institutions; Government Services; Private non-profit services to Households; and Import Duties. These were considered irrelevant for this study.

This table is based on data obtained from the Central Bank of Sudan and Central Bureau of Statistics (national), and interviews with selected reference persons from various sectors (Khartoum).

These four indicators do not include the labour-based data, but focus on the more fiscal aspects of the economy: GDP volume and growth on both city and national level.

Interview with the author, Khartoum, August 2009.

Please refer to the full version of this article for an additional section on the less visible aspects of Khartoum’s economy, which can be found beyond official office presence.

The companies were selected on basis of two databases: 1) companies that are listed in Khartoum’s company directory as compiled by www.imapsudan.com (accessed on 4 July 2009); and 2) companies that are listed in the 2009 Sudan Company Rankings report, prepared by the Genocide Intervention Network. See www.sudandivestment.org for more details.

The map shows countries rather than cities in order to make it visually more attractive. In some cases, companies would have operations in more locations than the capital city, however the idea of peer city entails that the interest for the assessment at hand rests with cities that are both political and economic capitals, similar to Khartoum.

For all three maps, North American and European Union capitals were excluded from analysis.

This data is based on the CIA WFB country ranking measure by oil production in barrels per day (2007 and 2008 estimates).

The high score for Algeria (7) can be explained by the relative high number of French companies (4) that are found in the sample. As part of the French sphere of influence, Algeria also scores above average of French firms (4).

For this purpose, the assessment includes only the ten positions above and below Sudan in the world’s ranking of oil producing countries. Four capitals were excluded in the final list: New Delhi, Canberra and Pretoria (as these are only political and not economic capitals); and Copenhagen (as Denmark is a EU member country).

In this map, the territory of French Guyana is marked in the same colour as France.

Interview with the author, August 2009.

Deutsche Post DHL, Møller-Maersk, Deutsche Lufthansa, Air-France-KLM Group and TNT. See for more information: www.forbes.com

At the same time, there is limited benefit from looking at the office presence parity when it comes to the largest logistics companies. Businesses like DHL and TNT have become truly global enterprises with 220 and 200 locations worldwide respectively. As a result, an office presence in Khartoum merely indicates that the city is not an inaccessible location for mainstream business logistics.

Even though the official term used by Sudan for this sector is ‘communication’, it de facto translates into the telecommunication sector in modern IT-driven economic practice.

Ericsson is responsible much of Zain’s hard and software requirements, even though the official term used by Sudan for this sector is ‘communication’, it de facto translates into the telecommunication sector in modern IT-driven economic practice.

Interview with author, Khartoum, August 2009.

These findings are based on a sample of the 32 largest international corporations in the transport and communications sector with an office in Khartoum: communications: Zain, MTN, Etisalat, Ericsson, Huawei, Nokia Siemens and transport: DHL, TNT, Møller-Maersk, Sixt, Europcar, Aramex, Agility, MSC Shipping and Berling, and 18 major international airline companies.

The scale used increases in three-steps: 1-3 offices=lightest blue shadings; 4-6; 7-9; 10-12; 13-15; 16-18; 19-21; 22-24; 25-27; 28-30=increasingly dark shadings; and 31-33 is represented by black (Sudan).

There is only one more Chinese company listed on www.imapsudan.com and the Sudan Divestment Ranking: SWT Transport Co Ltd. There is no website available to determine their office locations across the globe.

This list includes 23 different countries and difference in shading is therefore minimal. The only countries with more than one headquarters location are UAE (4), Germany (3), China (2), the Netherlands (2), Sweden (2), and United Kingdom (2)

National Interim Constitution of the Republic of the Sudan, 2005, chapter I, Article 1 and 4; and chapter VI.

The remaining four localities include East Nile, Gebel Aulia, Ombadda and Kerrari.

Investment Laws in Sudan (Arabic), Federal Ministry of Investment, in possession of the author.

There are five type of investment projects that pre-empt the state authorities from any involvement: 1) national projects of strategic importance; 2) trans-state-border projects; 3) projects where government-owned lands are used (such as railways); 4) selected foreign investment projects; and 5) mixed investment projects.

In the overall period 2000-2009, city authorities in Khartoum have been very active in making available suitable plots for major international companies. For example, the Petronas headquarters is located at a top location along the Nile Avenue as a result of this policy.
This was done in order to offer a ‘one-stop-shop’ to companies when dealing with Sudanese authorities. Interviews with former governor of Khartoum and senior staff member of the (federal) Higher Investment Council, Khartoum, August 2009.

Visit to Khartoum State Legal Assembly, Khartoum, 20 August 2009.

These include the Ministries of youth and sport; agriculture and livestock; health; social affairs; local governance; cabinet affairs; education; finance; physical planning; culture and information; tourism and environment.


Interviews with former governor of Khartoum and senior staff member of the (federal) Higher Investment Council, Khartoum, August 2009.

In the case of Khartoum, 42% of the state budget was spent on infrastructure in the year 2004. The next highest figure on the 2004 budget was 17% for the health sector. Data accessed at the State Ministry of Federal Governance, Khartoum, August 2009. Data from other years were not available.

Interview with former SLA member, Khartoum, August 2009.

In the case of Khartoum, 42% of the state budget was spent on infrastructure in the year 2004. The next highest figure on the 2004 budget was 17% for the health sector. Data accessed at the State Ministry of Federal Governance, Khartoum, August 2009. Data from other years were not available.

Interview with the author, Khartoum, 2009.

The radar charts in this figure include preliminary findings and will be confirmed through focus group interviews in Khartoum as part of this study.

Interviews with the author, Khartoum, August 2009.


Interviews with the author, Khartoum, August 2009.

In total there are 101 construction companies’ offices registered in Khartoum, most of which are national. Taken from www.imapsudan.com, accessed on 20 August 2009.

For example, the Chinese Harbour Engineering Company CHEC has an African office network, which reflects Chinese bilateral lending policies: Alger, Khartoum, Lagos, Luanda, Libreville and Johannesburg.

The largest Turkish company has operations in only 4 international locations: UAE, Algeria and Sudan, see www.ym.com.tr accessed on 25 August 2009.

These five projects include two Nile bridges, a Mosque complex in Khartoum North, a 20-storey office tower for the National Telecom Corporation; and a shopping centre in the downtown area. Documentation received from Turkish Embassy in Khartoum, in possession of the author.

The Chinese and Turkish companies therefore do not operate within a free market principle. Chinese state-run companies bring in their own work force according to deals between Sudan and China. The Turkish authorities provide credit lines for large-scale projects if Turkish products – particular steel products – are being used for construction. Interviews with the author, Khartoum, August 2009.

Interview with former deputy director of the National Electricity Cooperation, Khartoum, August 2009.

Interview with former deputy director of the National Electricity Cooperation, Khartoum, August 2009.

The only national distributor of the most popular generator brands, US-based Caterpillar, is the head of Sudan’s largest state-owned company, Dal Group. Because of sanctions, DAL Group imports this equipment through Dubai. Interview with the author, Khartoum, August 2009.

Telephone interview with the director of Garri Free Zone, August 2009.

Interview with the author, Khartoum, August 2009.

Even though the deal has not been finalised, the hotel now operates under the Pullman brand. It officially belongs to the Sudanese-Kuwaiti Hotels Company. Interview with hotel staff, Khartoum, August 2009.


Interview with editor-in-chief of Al-Wasat Newspaper, Khartoum, August 2009.

Interview with editor-in-chief of Al-Wasat Newspaper, Khartoum, August 2009.

According to an investment expert in Khartoum, this was a short-term effect. The implementation of the Waterfront project in Khartoum North for example is again being discussed between the Qatar Diar and a major bank in Khartoum. Interview with the author, Khartoum, August 2009.

Interview with Head of Retail Banking, Bank of Khartoum, Khartoum, 25 August 2009.

Most returnees come from the UC, Canada and the United Kingdom. Interview with local architect, Khartoum, August 2009.