ABSTRACT

It has been realized early last century that extracting and analyzing an equation out of its context would result in biased and inconsistent outcome. Uprooting an equation from its environment would deprive the variables from the correlation effects of the other variables in the system. Such understanding has lead to the development of system of simultaneous equations models.

A system of simultaneous equation to work needs its equation to be identified. This in its way led to the development of the identifications criteria for the system.

In macroeconomic models it is essential to use simultaneous equations model. Variables of macro models are quit correlated.

The history of the development of simultaneous equation and its associate the problem of identification has been offered.

Building a model which quit ignored in the literature has been focused on by this study.

The subject of this work-beside other thinks-is the study of Sudanese Foreign Trade Sector. This is due-in the first place-to its necessity in the process of the country's economic development. Decision makers might activated positive factors and halted negative ones.

Several pervious study, text books and scientific papers through the internet about the subject of foreign trade have been investigated.

Data that has been collected from its secondary sources has been subjected to farther purification process. Methods of time series analysis have been used to check the data for the existence of stationary and co integration.

The model comprised of three identities and four behavioral equations. Estimation has been carried by the method of Three Stages Least square.

The final findings are :
1. Positive relationship existed between exchange rate and both export and import.
2. Exporting taxes have negative impact on trade balance.
3. There existed no correlation between import, export and the international price level.