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Brief Report 7/90

IVORY COAST - TOO MUCH COCOA AND COFFEE IS BAD FOR YOU?

Introduction:

Against a background of plummeting world prices for cocoa and coffee, commodities on which Ivory Coast's economy is traditionally and critically dependent, the regime of Felix Houphouet-Boigny, President since independence in 1960, has found itself increasingly under threat, in common with many of its other African neighbours. With the government unable to service its crippling foreign debt, in difficulty over payments to farmers for their crops, and facing unprecedented urban protests from students and workers, several commentators have openly questioned the ability of the ageing President - estimated to be between eighty five and ninety years old - to rescue the situation. What are the roots of this crisis, and how may it be resolved?

Evolution of a crisis:

During the 1960s and 1970s, Western analysts held up Ivory Coast as the model of African post-colonial economic development and political stability. In contrast to the radical economic policies of countries such as Sekou Touré's Guinea and Nkrumah's Ghana - Houphouet espoused a philosophy of state capitalism and pursued friendly relations with the West, and with the former colonial power, France, in particular. Ivory Coast's economy grew rapidly in the two decades following independence, years which were also characterised by a degree of popularity for the country's charismatic President and the ruling Ivory Coast Democratic Party (PDCI) which was unparalleled elsewhere on the continent. However, Ivory Coast's burgeoning prosperity and political stability masked fundamental structural weaknesses in both the body politic and the state's economic resource base.

The Economy:

The production of unprocessed cocoa, and to a lesser extent, coffee, generates almost 90% of the state's foreign exchange earnings, and a similar proportion of government revenue. Hundreds of thousands of small-holders produce more than 80% of the annual cocoa and coffee crop, and their income is estimated to support about three-quarters of the population. An annual production increase from 80,000 to 800,000 tonnes of cocoa, and from 130,000 to 300,000 tonnes of coffee. As the price of these commodities steadily rose, both farmers and the state prospered, with the former benefitting from much higher than average 'floor' prices.

With the exception of education which has received 45% of the state budget in recent years, little of the huge surpluses generated during the boom years was invested in the diversification of the state's economic infrastructure or management skills. Instead, resources were channelled into prestige projects (such as the development of a new capital in Yammoussoukro) and numerous parastatals, in reality a mechanism for political patronage. During the 1970s the government also borrowed heavily on the strength of international commodity prices and the expectation of substantial off-shore oil discoveries - still unrealised. [Such borrowing, it should be noted, was actively encouraged by France and other Western powers.] With a foreign debt of $14,000mn, on a <u>per capita</u> basis Ivory Coast is now the most heavily indebted nation in Africa.

The collapse of world cocoa prices in the late 1980s - dropping from a high of 1 133CFA to a low of 350CFA a kilo at the beginning of 1990 - has made the economy virtually bankrupt. Since 1987, the government has been unable to meet either interest repayments on loans to the Paris and London Clubs of debtor nations, or its obligations to international lending agencies.

<u>The Body Politic</u>:

Ivory Coast is a de facto one party state. Despite a variety of theoretical constitutional checks and balances, in practice the party is firmly entrenched in government. Effectively power is in the hands of 'the Old Man', as President Houphouet is affectionately known. Government institutions have little or no real power and Houphouet himself regards both the government and his party as additional sources of patronage for the distribution of posts in parastatal companies. At a grass-roots level, the ruling-PDCI is as institutionally weak as the government, and ineffectual in mobilising mass support or communicating popular concern.

While the economy was buoyant, this system of government was an important contributory factor in Ivory Coast's post-independence virtually a-political stability. The system placed great responsibilities on the Head of State, with no other effective decision-making structure.

Despite sliding cocoa prices, Houphouet continued to pay guaranteed prices well above world rates to his planters, despite the already vulnerable state of the economy. While it reflected his political commitment to the cocoa and coffee growing community - the President himself has made a fortune running into hundreds of millions of CFA francs from cocoa - witnessed by his personal financing of the Notre Dame de la Paix basilica in Yammoussoukro at a cost of more than US$100 000 000.

- it also reflected the President's inability to contemplate an alternative economic strategy. Instead, the President placed much faith in two huge deals struck with France and the United States for the bulk purchase of the 1988 cocoa crop. When that faith proved misguided, he struck out at what he described as an international conspiracy to push down the world price for cocoa and other commodities.

<u>The crisis unravels</u>:

During 1989, Houphouet came under increasing pressure from foreign patrons to rethink his by now untenable attachment to an uneconomic price for planters. After a long bout of illness, the President announced in July that an agreement had been reached with the World Bank for an economic recovery programme whereby the Bank would provide $4bn to help finance structural adjustment on condition that the price paid to farmers would be cut from 400CFA to 250CFA per kilo. However, it would appear that his additional funding was insufficient; because of the wealth generated during the 1960s and 1970s, Ivory Coast is classified as a middle-income nation and is therefore ineligible for extensive relief and support. Rural discontent stemmed not so much from the reduction in the official cocoa price but because of the marketing board's inability to meet even the reduced price, for lack of funds. During last year's harvest, planters were lucky to receive 90CFA per kilo and many received nothing.

Faced with this unprecedented crisis, Houphouet called for a 'Great Discussion' last September, to be attended by hundreds of delegates to discuss Ivory Coast's problems and possible solutions. The conference deliberations, which were not reported in the local media, were extremely critical of the leadership and openly challenged such taboo subjects as Houphouet's succession and a multi-party democracy. Houphouet did not act on the conference's proposals, other than to reject angrily the notion that he should stand down.

As a consequence of government inertia, the situation has deteriorated significantly during the past six months. The government has been unable to meet the salary arrears of its employees and the 'parastatals', and faces the prospect of being cut off completely from external financing if it fails to meet its debt obligations to the International Monetary Fund. In a move which lacked both sensitivity and sophistication, and reflected government desperation at the pace of economic decline, and in response to the IMF austerity programme, outlined in November 1989, on implementation of which a limited standby programme depends, President Houphouet in February announced an austerity programme which included wage cuts for public service workers of between 10 and 40%. This decision acted as a catalyst for increasing discontent, particularly in the capital Abidjan, where a general strike took place and students took to the streets calling for the resignation of 'the Old Man'. Extremely firm action by paramilitary riot police has ended such demonstrations, but has added to the tension.

The President has cancelled four cabinet meetings to discuss this latest escalation of the crisis, and has yet to make his promised statement on the economy. In the meantime, the government has attempted to sweeten its austerity programme by announcing new subsidies and price cuts in the cost of basic services and essential foodstuffs. This approach may possibly help restore civil order in the short term, but will not in isolation address the real failings of the Ivorian economy.

Prospects for the future:

President Houphouet now faces the most serious political crisis of his thirty year reign. Despite his reputation as a most astute political operator, his great age and recent poor health militate against his chances of surviving the present economic troubles - at least beyond his current term. The legacy of respect amongst Ivorians transcends ethnic affiliations, and discontent has thus far manifested itself in outright hostility only in Abidjan. The ruling elite have done extremely well for themselves under Houphouet's patronage but seem to be increasingly out of touch with the population and are rapidly losing credibility. Without him they face an uncertain future. As a result of the years of political stability, it is only now that clandestine and ill-organized opposition movements are beginning to form; only the outspoken academic Laurent Gbagbo appears to have any sort of standing. Houphouet still retains the moral and physical support of France and has recently made strenuous efforts to cultivate a close relationship with Pretoria and to a lesser extent Israel. The loyalty of the presidential guard seems unquestioned. Many foreign - mainly French - business interests have invested heavily in Ivory Coast, and may be reluctant to see Houphouet go. Powers such as Nigeria would welcome a rival's removal in their bid for West African hegemony.

It may well be that Houphouet will present his countrymen with a fait accompli of his own choosing. The completion of the Basilica, he may feel, sets the seal on his rule and there is strong evidence that he is beginning to disburse much of his personal wealth among friends and relations. The temptation to bow out more or less gracefully must be strong, faced as he is with almost insoluble economic problems incapable of short-term solution, given the persistent weakness in commodity prices, a tied currency (to the French franc) and draconian austerity measures at the behest of the IMF and others. The embryonic opposition may be reluctant to take on the task - to inherit the mantle of contumely. Does this leave the way open to yet another military regime in West Africa? Possibly - and yet it would produce no 'quick fix'. Whatever the options, an unenviable time seems to lie ahead for the Ivorian people.

JAN SMUTS HOUSE
APRIL 1990.