France abandons Africa to the International Monetary Fund

by Jacques Cheminade and EIR Staff

At the African summit in Dakar, Senegal, on Jan. 10-11, the CFA franc, the currency of the French-speaking African countries, was devalued 50% against the French franc, the first change in parity since 1948. This drastic devaluation, denounced by one African spokesman as "collective murder of Africans," took place in a meeting where the central figure was not France's Minister of Cooperation Michel Roussin, but Michel Camdessus, the managing director of the International Monetary Fund. On Jan. 12, the IMF officially welcomed the devaluation. According to BBC radio, Camdessus said that the decision would "pave the way for negotiations" with these 14 African countries, and clear the way for $2 billion in new aid, including an increase in World Bank assistance, as well as in measures of "debt relief" by western governments.

France's abandonment of the franc zone countries of the African Financial Community—Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Ivory Coast, Madagascar, Mali, Niger, Senegal, Togo—became official when French Premier Edouard Balladur wrote a letter to the franc zone heads of state last September. It was backed up in a heavy-handed speech by Edmond Alphandéry to a meeting of 14 ministers at Abidjan, Ivory Coast, which subordinated all new French aid to the adoption of "structural adjustment" measures—i.e., IMF austerity recipes.

Thus the administrative heirs of Gaullism have buried the Africa policy defined by the late Charles de Gaulle in his Brazzaville address and decolonization project, which had made France's role in fostering the development of the former French colonies into productive nations, a central aspect of the national mission of postwar France.

Even worse, it is being claimed, with towering hypocrisy, that the "courageous" decision to devalue was taken by the African countries themselves in accordance with their national interest! Cooperation Minister Roussin wrote—with a straight face—in the Jan. 13 issue of *Le Monde:* "Today, the African nations are taking their destiny into their hands. On the political plane, democracy is moving forward: We've seen it in the Central African Republic, in Gabon, and in Mali, where elections have taken place under the eyes of international observers; we've seen it in Ivory Coast, where the transition took place in accordance with the Constitution.

"On the economic plane, the states of the franc zone are providing themselves with the means to rejoin the international community. Their heads of state have taken the decision to set new parities. This courageous measure was necessary; it was taken with all due seriousness."

Roussin went on to rehash the whole IMF argument: The CFA franc's parity change "will bring an end to the sharp anticipations which have led to a continuous and growing capital flight. . . . In bringing down the costs of production, it will allow growth to return to these countries. The reduction in public deficits will reduce their arrears which had reached dizzying heights."

"This is a collective murder of Africans by the IMF and France," a civil servant in Mali told the Reuters news agency. The London *Guardian's* Will Hutton wrote that Camdessus promised that growth will now occur, but in fact, "while growth is uncertain, the drop in living standards is not." France's *Libération* newspaper reported that the devaluation scenario "had been carefully arranged between Paris and Washington," and predicted that "in the next two months" there could be "social explosions" in various African countries and that the "first phase" of results will be a "depressive one."

The effects of the devaluation

The principle of devaluation is not bad in itself. It could be argued that it makes it possible to spur economic growth by favoring exports and retaking the domestic markets, especially by discouraging fraud and smuggling. One might add that, in principle, it leads to an increase in rural revenues, especially for producers of raw materials for export, such as cacao, coffee, or cotton, because they receive more in local currency for a price at a fixed exchange rate. Ultimately, the state revenues would increase to the extent they depend on foreign trade. It could also be underlined that the CFA franc was "overvalued" with respect to the currencies of competing producers.

This reasoning, however, hasn't the least economic value, because its standpoint is purely financial, and its logic is contradictory to a productive economy today.

First of all, an ill-prepared devaluation, without drawing up a plan to shift national production to account for imports whose prices are suddenly doubled, brings ruin to the urban populations. Civil servants and employees, whose numbers were once myriad, are brutally thrown onto the jobless rolls or have their living standards cut in half, with no prospects

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for other jobs in a productive economy. Inflation becomes inescapable and strikes the basic, necessary products—automotive fuel, milk, canned sardines, rice, whose prices have already increased from 30 to over 100% in the 14 relevant countries, or are even unavailable—thereby robbing the poorest of the poor. Measures to cap prices on basic necessities will quickly prove ineffective, despite governmental efforts, due to price mania and a general loss of confidence.

The establishment of government stocks of these products—under advice from the World Bank and IMF—is tantamount to putting a tourniquet on a wooden leg. The emergency food aid agreed to by France may ease the pain, but can hardly cure the illness.

Even more serious, the monetarist logic of "competitive devaluation" creates the immediate—and "normal"—risk of imitation by the principal competitors. If Nigeria, which alone carries as much economic weight as the entire franc zone, responds by devaluing its own currency, the naira, a mad race will have begun. The outcome can be foreseen: The CFA franc will become inconvertible. Some of the states in the zone, such as Gabon, will not tolerate it and will prefer to ride off on their own by leaving the franc zone. With that, the leading instrument, alongside the French language, of French influence in this part of Africa, will evaporate.

The "logic" behind the devaluation of the CFA franc is hence twofold: the ruin of the living standards of the countries on which it is imposed, accompanied by a flight forward into competing devaluations and austerity measures, and the opening up of what was heretofore the private hunting ground of Paris to the Anglo-American companies.

Open door to the Anglo-Americans

The grain cartel company Cargill is already attempting to take control of the cacao network in Ivory Coast (with help from the failure of the "francophone" trade corporations) and a "petroleum war" is spreading throughout the Gulf of Guinea, from Cameroon to Angola, via Nigeria and Gabon, with the American multinationals working hard to erode the position of Elf-Aquitaine, the French petroleum company. The power grab by Occidental Petroleum in Congo is just a harbinger of far vaster operations.

Of course, Roussin held out a crumb of social and budgetary protection to the "courageous" Africans. As he wrote in *Le Monde:* "Therefore, France supports the decision of its partners. But it takes into account all the risks. Lest the public foreign debt of the African states of the franc zone become too heavy, France cancels the entirety of debts tied to public aid assistance that was extended to the least developed countries (LDCs) and half the debts tied to public aid assistance for development extended to medium-income countries (MICs), being a combined arrears and debts of FF 25 billion, being 6.6 for the LDCs and 18.4 for the MICs. Hence, this is a considerable effort."

Well, not really. No matter what, this debt could not have been paid—considering the actual means that African countries have—and the loans were agreed to for reasons having to do with political influence, or for the past few years, in order to settle the interest due on the previous debt, and not for actual development aid.

The sledge-hammer argument by the partisans of devaluation is that Paris could not indefinitely continue to assure the monthly payments of its protégés to the World Bank and the "paychecks of the African functionaries." "Just to keep these countries' heads above water, it would have cost [France] FF 50 billion this year," notes Jean-François Couvrat in *La Tribune*. In any case, notwithstanding the franc zone, capital flight has become uncontrollable (FF 5 billion over the first half of 1993) and since Aug. 2, the sale of CFA notes was suspended outside the African countries in the franc zone.

Monetarist logic in Africa

Is there some terrible fate that strikes the African countries, some inevitable cycle of aid and impoverishment? The truth is that the cause does not lie within the African countries, but within a long-term trend in the world economy.

The excuse that Messrs. Balladur, Roussin, and Alphandéry can give, therefore, is that they were no more than cogs—or bankruptcy trustees—in an evolution for which they themselves were not, from the very outset, responsible. Their failure consists in not having called a halt to the general catastrophic evolution in the world economy (the "monetarist logic") and in having capitulated without showing any political fight.

For years, the "franc zone" facilitated a stable, dynamic trade between the former capital and former colonies thanks to the advantage of a fixed exchange rate. Insofar as the fixed rate could not be maintained, it was because trade was bled white over the years as a result of the collapse of raw materials prices—a global phenomenon reflecting the collapse of the Anglo-Saxon monetarist model—on top of the mistakes in French aid itself.

The franc zone had long been a haven of relative prosperity. From 1960 to 1981, the period when capital controls and flexible exchange rates reigned in the world, the rate of growth in the African franc zone countries reached an average of 5% per year (as against 3% for the rest of the subcontinent). And even between 1981 and 1986, the per capita gross national product continued to grow in the countries in the franc zone, while it decreased in the rest of Africa. Growth in the countries of the franc zone collapsed, the victim of two phenomena outside of Africa: the drop in raw materials prices and the strong-franc policy of French Socialist Party governments. In effect, the franc zone countries watched while the competitiveness of their products was eroded vis-à-vis their neighbors—especially Nigeria—which massively devalued their currencies, following the recommendations of the IMF. As a result, brutally, the economic growth of African franc zone countries became among the weakest on the already horribly tested African continent. Per capita growth is now

negative, and enterprises that turned inward toward the domestic markets are collapsing.

Faced with this situation, the mistake of the African leaders—inspired and egged on in their leanings by the French African lobby—was to plug the holes by all-out borrowing. Between 1980 and 1990, the public deficit on average surpassed 6% of the gross domestic product. In 1987, the deficit reached 13%. The debt, three-quarters of it held by France, exploded, going from 28% of the GDP in 1980 to 110% ten years later for all of sub-Saharan Africa. In Mali, for example, 60% of the government revenues and half of export revenues are swallowed up by debt repayment.

Over the years, this foreign indebtedness was compensated for by aid from France: Between 1987 and 1993, Paris more than quadrupled its "adjustment aid."

The problem is that this French aid—whether by Socialist governments or not—has followed a patronizing custom in taking little account of the actual imperatives of development. It has disappeared into the gulf that grows ever deeper between revenues and expenses, most often in pure losses. Revenues have collapsed in the wake of gross mismanagement that sacrificed the rural areas, and expenses have exploded as a result of supporting cliques close to power, especially in the army and civil service. In total, 50-60% of French public aid will have served as debt repayment and payment for the civil service, and most of the rest will have been more or less directly diverted overseas into international financial markets, with only 5-10% having actually contributed to the national economies, and not in the best of circumstances, at that.

Thus, the decision by Messrs. Balladur, Alphandéry, and Roussin to abandon the African countries of the franc zone is no innovation, but a consequence of an inevitable evolution under way for a long time and due to France's submission—both in its general policy and in Africa policy in particular—to the monetarist model of the Anglo-Americans and the IMF. The Socialist governments, which had the trump card in hand to change policy, bear particularly heavy responsibility in this development.

Today, only 1% of France's foreign trade is with the franc zone and, viewing its former partners as a burden, is delivering them over to the IMF—like a used Kleenex. Obviously, that is morally and economically unacceptable.

The solution is not easy, nor should it be merely "African." It requires a change in policy, on an international economic and financial scale, by the French government—going from a monetarist logic to an infrastructural and productive logic—and, in francophone Africa, structural reforms corresponding to the change in French policy, coherent with that kind of renewal, which can only be reestablished in the context of a broader Franco-German design. The current policy will leave Africa helpless before a chain-reaction of devaluations, lead to the ruin of its infrastructure (especially public health and education), and turn the franc zone into nothing more than a pious memory.

Interview: Rabah Kebir

The IMF is fostering civil war in Algeria

Rabah Kebir is the leader of the Islamic Salvation Front (FIS) outside of Algeria. He gave the following interview to EIR *in Germany in mid-January.*

We publish this interview in the perspective of the necessary dialogue which is the only way to assure peace in Algeria. The two conditions for such dialogue are the adoption of a national design for growth, based on the country's industrial and human capacities and rejecting the International Monetary Fund's conditionalities; and the freeing of political prisoners. The industrial nations must base policy toward Algeria on this perspective, the only one which can prevent social chaos and a rupture between the intellectual elites and the majority of the population. The ongoing, terrible civil war cannot be truly ended except through a common project which gives Algeria a program, a memory, and a future—all together. The definition of the role and place of Islam in this project belongs, clearly, to the Algerians themselves.—The Editor

EIR: Can you tell us about the FIS, its background and program?

Kebir: The Islamic Salvation Front is the leading party in Algeria. It was founded in 1989 and took part in the municipal and departmental elections. It won in 852 municipalities, i.e., 50%, and has governed them for a year and a half in a manner which the citizens have found satisfactory. The FIS program is to develop the economy of the country along Islamic lines. The FIS is based on Islamic principles, because that is our heritage. It has chosen the peaceful road to changing the policy of the country, which was run by the FLN for 30 years, and led to catastrophe in all domains. The FIS has tried to defend the Algerian people and, as a result, has won two elections, municipal and legislative, the second time by an overwhelming majority.

The FIS wants to distribute the wealth of the country equitably among the citizens, guarantee employment for everyone, and eliminate corruption and mismanagement from the Algerian administration.

EIR: At your Dec. 17 press conference in Bonn, you said the FIS was not responsible for the terrorist attacks against foreigners. Who was responsible? You also spoke of certain groups "out of control" and of the danger of revolution.

Kebir: In my view, there are two ways to effect political change: the peaceful way through dialogue, and revolution. The FIS has chosen the peaceful way, which is why it partici-