

Devaluation of the CFA franc: France sucks its neo-colonies dry

by Lawrence Eyang-Echaw

The author is a journalist writing from Yaounde, Cameroon.

The franc zone is an exclusive monetary area, linking France to its 13 former colonies in Africa. In existence since the colonial era, it has survived the devaluations of the French franc without any crisis. But the recent 50% devaluation of the CFA franc,* coupled with the serious economic recession suffered by both France and its former colonies, has cast a dark shadow on the future of this zone of apparent monetary stability, which was once the envy of other African countries plagued by inflationary currencies which were mostly worthless, even in their own capital cities. Today, proposals to leave the "repressive French monetary zone" and to create an African monetary zone are being made by nationalistic economists, in French African countries.

Vestige of colonialism

The CFA (Communauté Financière Africaine) zone was established in 1939 by France in its 13 African colonies: Benin (formerly Dahomey), Burkina Faso (formerly Upper Volta), Ivory Coast, Mali, Niger, Senegal, Togo, Cameroon, the Central African Republic, Congo, Gabon, Chad, and the Comoros Islands. It was an exclusive French economic zone that guaranteed the free convertibility of the CFA franc, the free transfer of capital, the pooling of gold and foreign exchange reserves of the member countries of the zone in a so-called "Operations Account" at the French Treasury, and the maintenance of a fixed parity rate with the French franc.

This paternalistic monetary arrangement gave France enormous economic advantages in its former colonies which it managed as its "farm" for the extraction of cheap primary products for its industries. The colonies were obliged, because of this special monetary arrangement where the CFA franc could be converted only into the French franc (and not the U.S. dollar or any other hard currency), to buy only manufactured goods from the subsidiaries of French multinational corporations, which enjoyed preferential economic conditions, including the possibility of the free transfer of their earnings to France without any obligations to plow back into the colony's economy.

* Cf. "France Abandons Africa to the International Monetary Fund," by Jacques Cheminade, *EIR* Vol. 21, No. 5, Jan. 28, 1994, p. 15.

Theoretically, the French African governments could draw foreign exchange freely to meet their own needs, but the system and the issuance of import licenses were controlled by Frenchmen, and little hard currency found its way to Africa. Thus, huge cocoa and coffee exporters like the Ivory Coast and Cameroon sold their products to the United States in dollars which went to Paris and were used for French economic development. The CFA franc in turn went to these neo-colonies to be used in the purchase of French goods. France therefore had about \$600 million a year to finance its development.

Today, much of the foreign exchange goes to the French African countries, but since the CFA is convertible only in France, the 13 French African neo-colonies are still obliged to buy mostly French goods or Japanese goods from French middlemen, who hike the prices to make an extra profit.

The free convertibility of the CFA franc into the French franc at a fixed rate was the principal advantage of the CFA franc zone in the face of other weak African currencies. This permitted the rapid growth of commerce in the zone. But unfortunately this principal advantage was suppressed in August 1993.

Monetary repression

The maintenance of the French currency in its former colonies has been described by a prominent Cameroonian economist, the late Prof. Tchundang Pouëmi, as "monetary repression." For a long time now the French economy has been uncompetitive in Europe. Consequently, the French franc has suffered from some speculative attacks, which have always had adverse effects on the countries of the CFA franc zone.

In January 1980 as well as in August 1993, as a result of the depreciation of the French franc in relation to the Deutschmark, the CFA franc lost about 50% of its value.

In the 13 French African neo-colonies, the repercussions were heavily felt with the increases of the prices of German imports and the doubling of the amounts of their debts to Germany.

Who calls the shots?

For more than a decade the CFA zone in Africa had been an area of artificial prosperity, because of the maintenance of an overvalued CFA franc despite the notoriously poor



Mothers wait for medicine for their babies at the Social Center for mothers in Chad's capital, N'Djamena. With the breakdown of the French economy, France has taken to looting its former colonies, driving down living standards and creating the potential for social explosion.

performance of the economies of the zone. The French, who control the economy of the zone with about 80% of all investments, took advantage of the overvalued CFA franc and resisted World Bank and International Monetary Fund (IMF) pressures toward devaluation. French companies were in effect making enormous gains, because the overvalued CFA franc permitted them to indirectly grant subventions to French exports while at the same time increasing the value of their investments in the zone.

With the main sectors of the French industry in crisis, with low-quality production, layoffs, and the consequent increase in unemployment by about 11%, Prime Minister Edouard Balladur's right-wing coalition government could no longer sustain the mammoth civil service sectors of French African countries through development assistance. But while it was already clear to the French authorities that devaluation was the only condition under which the IMF could disburse any new loans to CFA countries, French politicians and their African heads of state continued to frantically deny the imminence of devaluation. Meanwhile, French businessmen, who dominate the region's import-export business, took advantage of the rumors to speculate on the CFA franc, siphoning huge amounts back to France, thus aggravating the liquidity problems of already hard-pressed French African governments.

Destitute economies

The economies of the 13 CFA franc zone countries are in shambles. Based principally on one primary product, which is

usually either cocoa, coffee, bananas, groundnuts, or cotton (and a few minerals in some countries), which earns nearly 80% of the foreign exchange, the countries depend on these products whose prices are generally buffeted by the fluctuations of the world market. French Africa had been encouraged by deceptively generous development assistance from France to continue producing only primary products, on the false premise that they enjoyed a comparative advantage in primary products. The French had taken over the industrial sector with the installation of subsidiaries of their multinational companies in the light industries, insurance, banking, timber and mineral exploitation, as well as in the import-export sector. These countries had then created a fragile welfare-state mentality, with mammoth civil services which drained more resources than the government could earn.

Above all, corruption and mismanagement had become so rampant that even heads of state were openly known to protect their corrupt cronies. In 1991, there were 36 banks in the franc zone countries liquidated with record losses of more than \$200 million. The list of defaulting banks with loans of more than \$10,000 each in most countries reads like a political *Who's Who*, with all the prominent personalities involved. With the clamor for democratization in 1990 and its violent repression in nearly all French African countries through fraudulent elections, political tension had scared off all potential foreign investors.

Who benefits?

The IMF and the World Bank "medicine men" prescribe devaluation as a panacea for the economic ills of the franc zone. In theory, they say, devaluation encourages exports in the country since it makes exports cheaper and consequently more competitive. It is also said to discourage imports because the revaluation of foreign currencies makes imports more expensive. The IMF promises to sign the third confirmation accords with CFA countries and thereby grant loans, also encouraging foreign investments because of cheaper labor. The devaluation is also expected to encourage citizens to consume local goods as well as the creation of local industries.

In fact, most governments, particularly those of Cameroon, Ivory Coast, Senegal, and Burkina Faso, have increased the local prices of export crops. But the devaluation seems to have aggravated the situation. In Cameroon, salaries were reduced by nearly 70% a few days before the devaluation of Jan. 12, 1994. With primary products such as cocoa, coffee, rubber, bananas, and cotton flooding the world market, since they are produced by more than 30 other Third World countries, the prices are bound to be unstable and prone to falling drastically. These are not, therefore, products to rely on for the financing of a country's development. Moreover, the foreign debts of these countries have doubled with debt servicing rates that surpass 47% of their GNP!

Above all, these countries are bound to import nearly everything from staple foods like rice, milk, and beef, to the

inputs of the Import Substitution Industries, which are run by the French.

African paupers

As an alternative measure to the very severe devaluation, France has cancelled the debts of most of its low-income African debtor countries, and promised the disbursement of higher sums in development assistance. The hypocrisy of their measure is that, while the announcement of the few millions of CFA francs in aid to these neo-colonies is done with great pomp, as the manifestation of French magnanimity toward poor Africans (although the lion's share of this money is spent on the purchase of low-grade French manufactures and on the astronomical salaries of French technical advisers), the huge sums siphoned back to France daily go in silence, particularly as no one makes announcements about the figures.

Devaluation does not seem to have any short-term or long-term advantage to CFA zone countries. They may double or quadruple the exports of their primary products, but the vagaries of a world market which they don't control, coupled with the obligation to import nearly every manufactured good, obliges them to depend on foreign loans while further enslaving them in a dependency syndrome. The industrial landscape of French African countries is littered with "white elephant" projects which have drained millions of dollars without yielding any dividends.

The French on the other hand, in their avidity to protect the "francophone" market where goods from their uncompetitive industrial sector could be sold at prohibitive prices, have aborted any indigenous industrial production, which could have provided products with added value on the world market to maximize the foreign exchange earnings of these countries. The devaluation has pauperized the people of the franc zone, who have now been sold over to the IMF and World Bank by their old French masters. France still maintains its economic stranglehold over this region as the last bastion of its diminishing colonial empire, for fear of seeing the clogged wheels of its technologically archaic industry finally crumble.

Unable to sustain a tolerable standard of living for its neo-colonies because of its own internal woes, France is playing the ostrich, while handing over its former colonial subjects to the usurers of Wall Street for further exploitation. The risk of social explosion has now increased with potential tension in every capital; hunger, poverty, and disease are taking their toll.

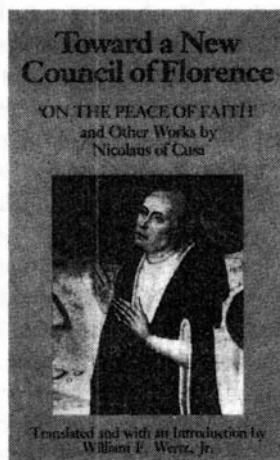
Meanwhile, economists of the region have started thinking seriously about quitting the franc zone and creating collective currency areas with Ecowas (the Economic Community of West African States), and the PTA (Preferential Trade Area) in East and Central Africa, as well as the Southern Africa Development and Coordination Conference (SADCC), which covers the frontline states of southern Africa.

Toward a New Council of Florence

'On the Peace of Faith' and Other Works by Nicolaus of Cusa

The Schiller Institute has just released this new book of translations of seminal writings of the 15th-century Roman Catholic Cardinal Nicolaus of Cusa, who, through his work and writings, contributed more than anyone else to the launching of the European Golden Renaissance. The title of the book, *Toward a New Council of Florence*, expresses our purpose in publishing it: to spark a new Renaissance today.

- 12 works published for the first time in English
- New translations of 3 important works



\$15 plus \$3.50 shipping and handling

Schiller Institute, Inc.

P.O. Box 66082 Washington, D.C. 20035-6082
phone: 202-544-7018

U.S. environmental groups were given millions of dollars in the past five years to spread scare stories about a man-made ozone hole that would cause cancer on Earth.

Now, for only \$15, you can learn the truth about the ozone scare.

THE HOLES IN THE OZONE SCARE

The Scientific Evidence That the Sky Isn't Falling

Send checks or money orders (U.S. currency only) to

21st Century Dept E
P.O. Box 16285, Washington, D.C., 20041.

\$15 plus \$3 shipping and handling

